ROOTED IN COMMUNITY

2024
ANNUAL REPORT

FIRST COMMUNITY FINANCIAL CORPORATION

ROOTED IN COMMUNITY

2024 ANNUAL REPORT

TABLE OF CONTENTS

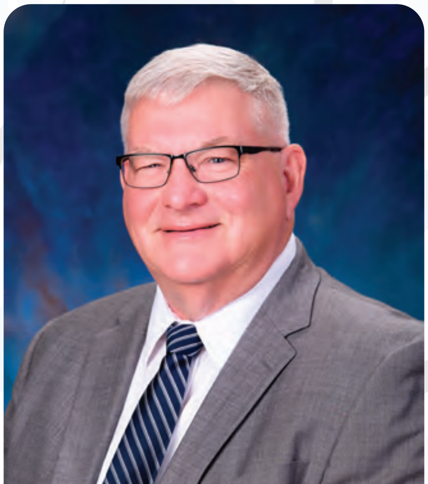
CELEBRATING OUR LEGACY, NAVIGATING CHALLENGES AND STRENGTHENING OUR FUTURE

Since 1864, Pennian Bank has endured and thrived as a community bank, weathering wars, economic downturns, pandemics, and other historic challenges. Through it all, the bank's deep-rooted commitment to the communities we serve continued. This commitment goes hand-in-hand with our duty to our shareholders. We fully recognize the weight of that responsibility, and in 2024, even as we celebrated our 160th anniversary, we made some tough—but necessary—decisions to ensure the bank's continued foundational strength.

The banking environment in 2024 reflected the aftershocks of 2023's challenges. Following the Federal Reserve's series of unprecedented interest rate hikes—which compressed our net interest margins, increased funding pressures, and led to a reduction in earnings—we launched a financial retrenchment strategy. Our approach centered on optimizing our balance sheet to reduce our dependence on expensive wholesale borrowings and improve our net interest margins even as these measures meant making difficult choices.

A PRUDENT PATH FORWARD

After much deliberation and with a deep sense of accountability to both our shareholders and the bank's long-term health, we took the challenging step of temporarily suspending our dividend. This decision was not made lightly; it was a deliberate move to help allow us to implement our balance sheet plan and build a stronger foundation for the future. These efforts are ongoing and will incrementally improve our cost of funds, reprice our earning assets over time and will lead to incremental net interest margin improvements, and ultimately increased earnings. These efforts allow us to set the stage for enhanced shareholder value in the future.

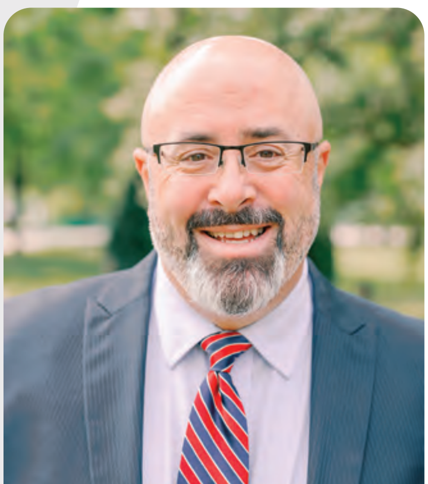


David L. Swartz
Chairman

By the end of 2024, our efforts had begun to yield tangible results. We successfully decreased our wholesale funding exposure, resulting in a more resilient funding structure contributing to incremental improvements in our net interest margins and lower funding costs. We continue to execute on a multi-year effort to reprice our earning assets. Despite the deliberate reduction in overall asset size, our core business areas remained strong—with a high-quality loan portfolio and strong capital ratios that continue to position us among the best in our local community.

STRATEGIC INVESTMENT IN OUR FUTURE

Even as we streamlined our balance sheet, we did not lose sight of strategic initiatives. We expanded our physical presence with a new branch in Elizabethville, Dauphin County to enhance our future deposit base, and fully launched our mortgage group—a multi-year initiative aimed at diversifying revenue streams, relieving funding pressures and mitigating interest rate risks. These investments underscore our commitment to sustainable long-term growth while ensuring that our financial foundation remains solid.



Scott E. Fritz
President & Chief Executive Officer

LOOKING AHEAD

As we step into 2025, the ongoing repricing of our earning assets signal a gradual improvement in our net interest margin and core earnings. These positive trends, coupled with our reduced reliance on wholesale funding, reinforce our confidence in navigating current challenges and building an even stronger future.

In celebrating our 160th anniversary, we honored our storied history as an independent community bank. The hard choices we've made—including the temporary suspension of our dividend—reflect our commitment to safeguarding both our shareholders' interests and the bank's long-term prosperity. With the continued support of our customers, dedicated employees, and loyal shareholders, we remain poised to not only overcome today's challenges but to enhance shareholder value for tomorrow.

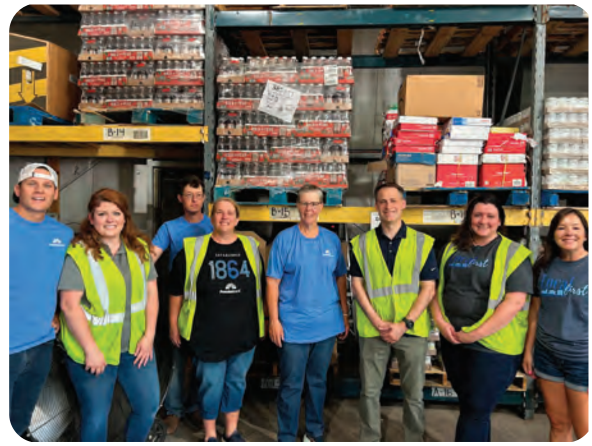
David L. Swartz
Chairman

Scott E. Fritz
President & Chief Executive Officer

PennianBank®

COMMUNITY
IMPACT REPORT

2,113
Hours volunteered by staff in 2024.



Local first

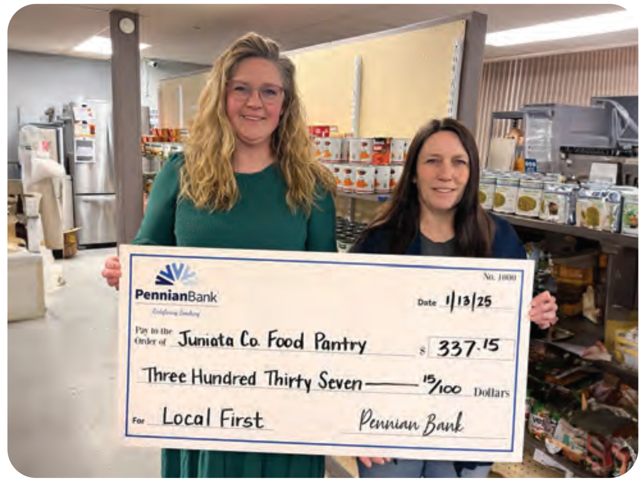
116
Organizations Impacted

17
Organizations enrolled in the **Local First Program**

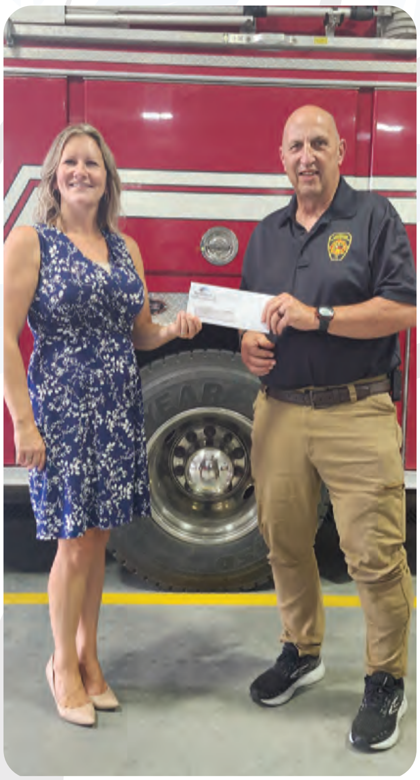
8
Local First Program organizations receiving donations

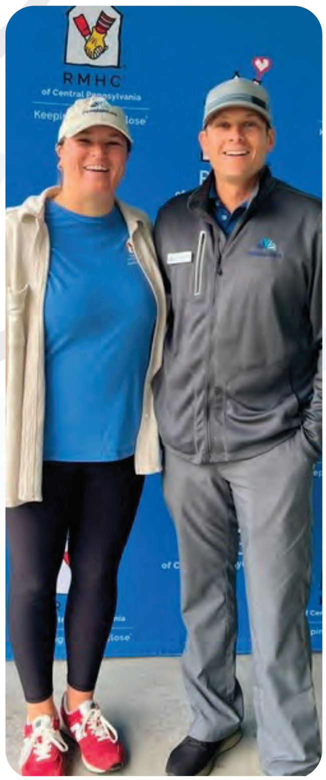
4
Counties Served

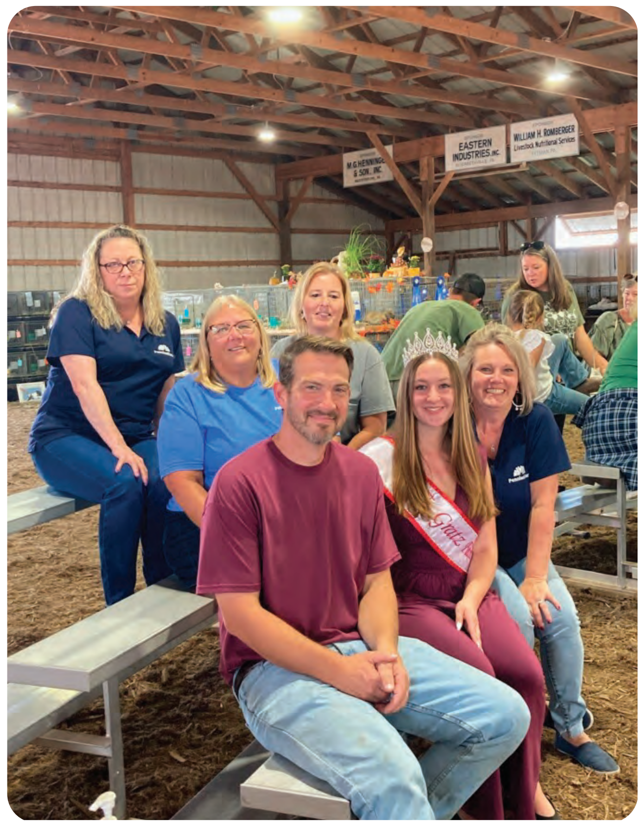
INVESTED IN OUR **COMMUNITY**

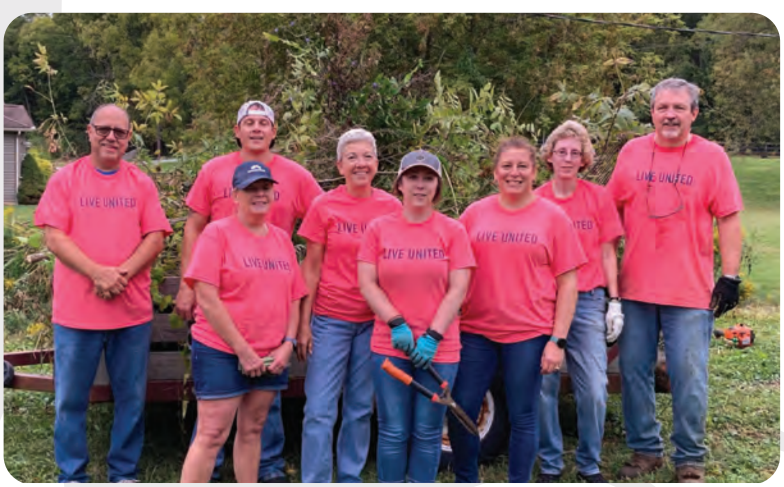


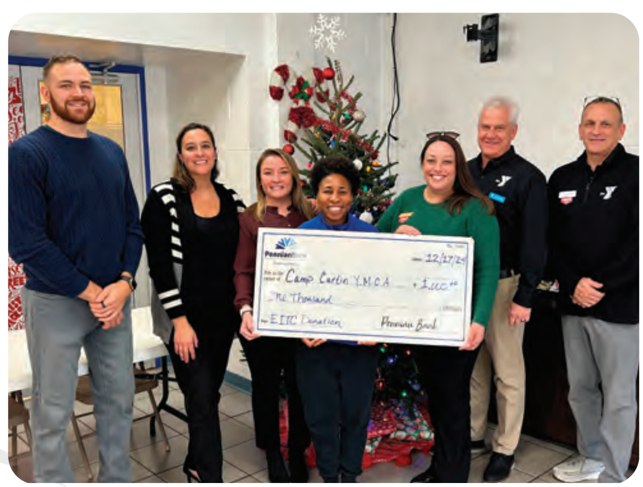
At Pennian Bank, we take the commitment to our community seriously. Our staff is involved with dozens of organizations in our market areas, providing volunteer services, as well as monetary donations. As a community bank, we feel it is our duty to give back to the organizations that provide area residents with crucial services. We are proud to support our staff in their volunteer efforts, which is what truly demonstrates that we are rooted in our community.

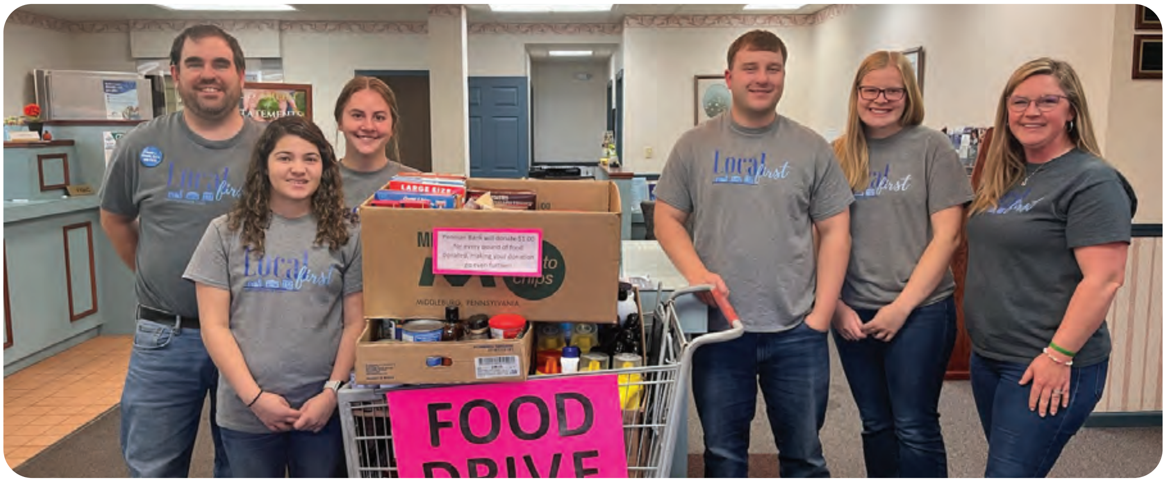


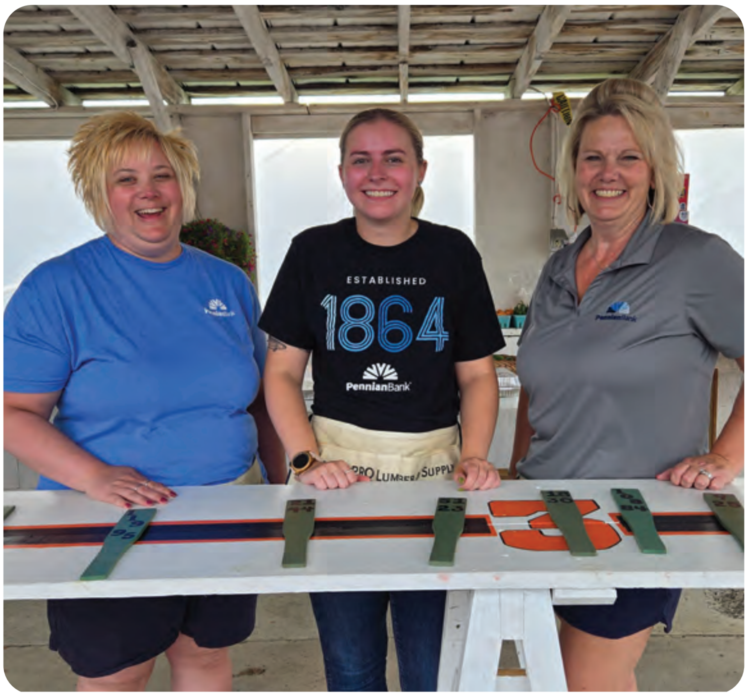


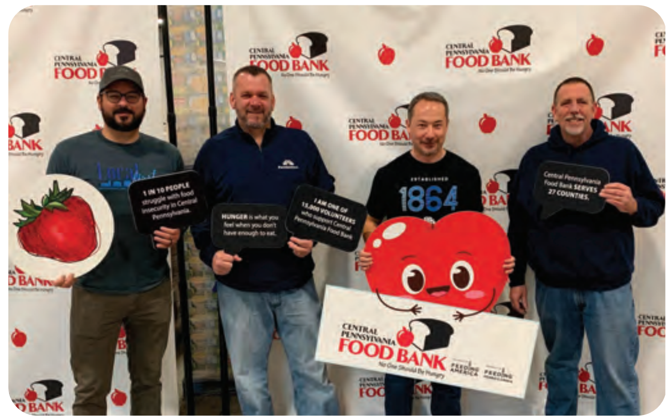


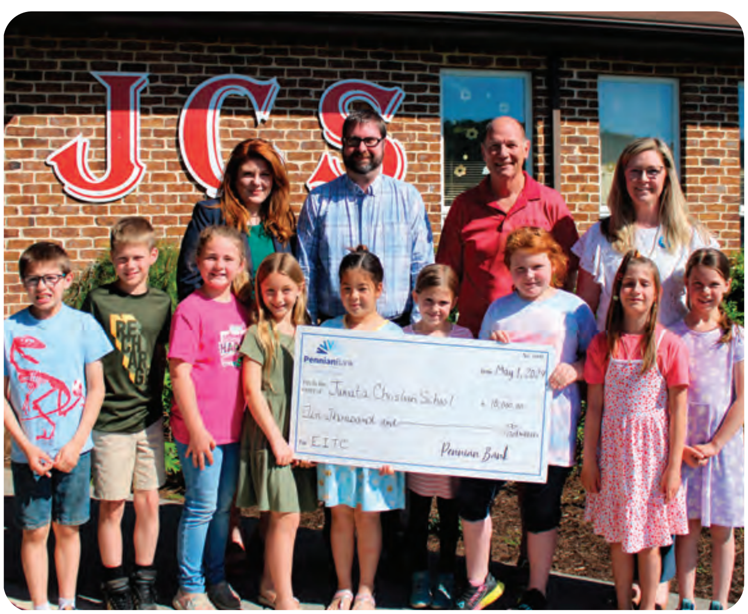












PennianBank

SEK CPAs & ADVISORS Guidance You Can Count On.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
First Community Financial Corporation
Mifflintown, Pennsylvania

OPINION

We have audited the accompanying consolidated financial statements of First Community Financial Corporation and its subsidiaries (the Corporation), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their 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. 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 Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

OTHER INFORMATION INCLUDED IN THE CORPORATION'S ANNUAL REPORT

Management is responsible for the other information included in the Corporation's annual report. The other information comprises management's letters to shareholders, summary of selected financial data and quarterly financial data but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Smith Elliott Kearns & Company, LLC

Camp Hill, Pennsylvania
February 27, 2025

CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
	(In Thousands, Except Share Data)	
ASSETS		
Cash and due from banks	**$ 13,266**	$ 12,184
Interest-bearing demand deposits	**155**	258
Federal funds sold	**2,119**	1,680
Cash and Cash Equivalents	**15,540**	14,122
Time certificates of deposit	**199**	199
Debt securities available for sale	**170,925**	186,473
Equity securities available for sale	**1,268**	1,227
Loans held for sale, at fair value	**165**	-
Loans	**452,057**	470,204
Less: Allowance for credit losses	**(5,455)**	(6,013)
Plus: Deferred loan costs, net	**2,673**	2,347
Net loans	**449,275**	466,538
Premises and equipment, net	**5,088**	4,787
Restricted investment in bank stocks	**2,827**	3,299
Investment in life insurance	**13,453**	13,186
Deferred tax assets, net	**5,820**	5,280
Interest rate swap asset	**4,324**	4,267
Other assets	**7,877**	8,167
Total Assets	**$ 676,761**	$ 707,545
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	**$ 105,691**	$ 108,811
Interest-bearing	**477,729**	451,256
Total Deposits	**583,420**	560,067
Short-term borrowings	**8,000**	28,000
FHLB and FRB term advances	**36,000**	69,000
Junior subordinated debt	**5,155**	5,155
Other liabilities	**5,448**	5,023
Total Liabilities	**638,023**	667,245
SHAREHOLDERS' EQUITY		
Preferred stock, without par value; 10,000,000 shares authorized and unissued	**-**	-
Common stock, $5 par value; 10,000,000 shares authorized; Shares issued, 2024 – 2,832,036; 2023 – 2,832,036 Shares outstanding, 2024 – 2,829,567; 2023 – 2,829,567	**14,160**	14,160
Capital in excess of par value	**720**	720
Retained earnings	**42,238**	41,137
Treasury stock, at cost 2024 – 2,469 shares; 2023 – 2,469 shares	**(72)**	(72)
Accumulated other comprehensive income (loss)	**(18,308)**	(15,645)
Total Shareholders' Equity	**38,738**	40,300
Total Liabilities and Shareholders' Equity	**$ 676,761**	$ 707,545

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Years Ended December, 31, 2024	2023
	(In Thousands, Except per Share Data)	
INTEREST INCOME		
Loans, including fees	**$ 23,967**	$ 22,497
Securities:		
Taxable	**3,431**	3,050
Tax exempt	**1,689**	1,721
Other	**735**	685
Total Interest Income	**29,822**	27,953
INTEREST EXPENSE		
Deposits	**10,401**	8,624
Short-term borrowings	**1,091**	1,486
Long-term debt, net	**2,679**	1,232
Total Interest Expense	**14,171**	11,342
Net Interest Income	**15,651**	16,611
PROVISION FOR (REVERSAL OF) CREDIT LOSSES	**(43)**	1,645
Net Interest Income after Provision for Credit Losses	**15,694**	14,966
OTHER INCOME		
Service charges on deposits	**828**	857
Fiduciary activities	**618**	680
Earnings on investment in life insurance	**318**	419
ATM and debit card fees	**1,245**	1,054
Unrealized gains (losses) on equity securities	**41**	(86)
Realized gains on sales of other real estate owned	**-**	8
Realized gains on mortgage loans held for sale	**86**	-
Mutual fund commissions	**799**	664
Other	**260**	260
Total Other Income	**4,195**	3,856
OTHER EXPENSES		
Employee compensation and benefits	**9,757**	9,531
Net occupancy and equipment	**1,433**	1,465
Professional fees	**771**	749
Director and advisory boards compensation	**403**	473
ATM expenses	**93**	341
Supplies and postage	**305**	315
FDIC expense	**600**	544
Pennsylvania bank shares tax	**277**	339
Advertising	**221**	421
Internet banking	**1,042**	772
Information systems	**942**	1,068
Telecommunications	**648**	501
EFT/Card Services	**378**	173
Other operating	**1,585**	1,188
Total Other Expenses	**18,455**	17,880
Income before Income Taxes	**1,434**	942
PROVISION (BENEFIT) FOR INCOME TAXES	**333**	(257)
Net Income	**$ 1,101**	$ 1,199

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (CONTINUED)

	Years Ended December 31, 2024	2023
	(In Thousands, Except per Share Data)	
OTHER COMPREHENSIVE INCOME		
Unrealized gains (losses) on investment securities, net of tax	**(2,707)**	4,634
Reclassification adjustment for gains on cash flow hedge included in net income, net of tax	**910**	863
Unrealized (losses) on cash flow hedge, net of tax	**(866)**	(1,370)
TOTAL OTHER COMPREHENSIVE INCOME(LOSS)	**(2,663)**	4,127
TOTAL COMPREHENSIVE INCOME(LOSS)	**(1,562)**	5,326
BASIC EARNINGS PER SHARE	**$ 0.39**	$ 0.42
DIVIDENDS PER SHARE	**$ -**	$ 0.64

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Capital In Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	(In Thousands, Except per Share Data)					
Balance - January 1, 2023	$ 14,160	$ 720	$ 42,131	$ (72)	$ (19,772)	$ 37,167
Cumulative change in accounting principle, net of tax			(381)			(381)
Comprehensive income:						
Net income			1,199			1,199
Change in net unrealized gains on securities available for sale, and net unrealized losses on cash flow hedge, net of deferred income taxes					4,127	4,127
Total comprehensive income						5,326
Cash dividends, $0.64 per share			(1,812)			(1,812)
Balance, December 31, 2023	$ 14,160	$ 720	$ 41,137	$ (72)	$ (15,645)	$ 40,300
Comprehensive income:						
Net income			**1,101**			**1,101**
Change in net unrealized losses on securities available for sale, and net unrealized gains on cash flow hedge, net of deferred income taxes					**(2,663)**	**(2,663)**
Total comprehensive income (loss)						**(1,562)**
Balance, December 31, 2024	**$ 14,160**	**$ 720**	**$ 42,238**	**$ (72)**	**$ (18,308)**	**$ 38,738**

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31 (In Thousands)	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 1,101**	$ 1,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	**525**	553
Net amortization of debt investment securities	**303**	420
Earnings on investment in life insurance	**(318)**	(419)
Realized (gains) on sale of other real estate owned	**-**	(8)
Unrealized (gains) losses on equity securities	**(41)**	86
Provision for (reversal of) credit losses	**(43)**	1,645
Deferred income taxes	**165**	(61)
Proceeds from sale of loans	**3,962**	-
Net (gain) on sale of loans	**(86)**	-
Loans originated for sale	**(4,043)**	-
(Increase) decrease in accrued interest receivable and other assets	**341**	(260)
Increase (decrease) in accrued interest payable and other liabilities	**425**	(743)
Net Cash Provided by Operating Activities	**2,295**	2,412
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available for sale:		
Proceeds from maturities, calls and principal repayments	**13,402**	14,638
Purchases	**(2,326)**	(9,605)
Proceeds from sales	**742**	-
Net (increase) decrease in loans	**17,306**	(12,724)
Purchases of premises and equipment	**(826)**	(536)
Proceeds from sale of other real estate owned	**-**	92
Proceeds from life insurance	**-**	233
Net disposition of restricted investment in bank stocks	**472**	184
Net Cash Provided (Used) in Investing Activities	**28,770**	(7,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	**23,353**	(24,606)
Net (decrease) in short-term borrowings	**(20,000)**	(14,009)
Increase in long-term debt	**20,000**	113,000
Decrease in long-term debt	**(53,000)**	(77,000)
Cash dividends paid	-	(1,812)
Net Cash (Used) by Financing Activities	**(29,647)**	(4,427)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,418**	(9,733)
CASH AND CASH EQUIVALENTS - BEGINNING	**14,122**	23,855
CASH AND CASH EQUIVALENTS - ENDING	**$ 15,540**	$ 14,122

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

UNRESTRICTED AND RESTRICTED CASH AND CASH EQUIVALENTS:

Restricted cash and cash equivalents	**$ 480**	$ 1,200
Unrestricted cash and cash equivalents	**15,060**	12,922
	$ 15,540	$ 14,122

SUPPLEMENTARY CASH FLOWS INFORMATION

Interest paid	**$ 14,284**	$ 11,063
Income taxes paid	**$ 250**	$ 243

Non-cash investing activities

Unrealized gains (losses) on debt securities available for sale – net of tax	**$ (2,707)**	$ 4,634
Unrealized gains (losses) on interest rate swap – net of tax	**$ 44**	$ (507)
Other real estate acquired in settlement of loans	**-**	$ 84

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

First Community Financial Corporation (the Corporation) through its wholly-owned subsidiary, Pennian Bank (the Bank), provides loan, deposit, trust and other related financial services through eleven full service banking offices in Cumberland, Dauphin, Juniata and Perry Counties of Pennsylvania. The Corporation's other subsidiary, First Community Financial Capital Trust I (the Trust), was established during December 2003 for the purpose of issuing $5,000,000 of trust preferred securities. On June 29, 2017, the bank changed from a National-Chartered bank to a Pennsylvania State-chartered bank. The Bank's name was changed from The First National Bank of Mifflintown to Pennian Bank on July 1, 2017. In February 2019, the Bank formed a subsidiary Pennian Insurance Agency. The Corporation is subject to regulation and supervision by the Federal Reserve Board and the Bank is subject to regulation and supervision by the Pennsylvania Department of Banking and the FDIC.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation, and its wholly-owned subsidiaries, the Bank and the Trust. In consolidation, significant intercompany accounts and transactions between the Bank and the Corporation have been eliminated. The Trust qualifies as a variable interest entity and is therefore consolidated within. The subordinated debt of the Trust is reflected as a liability of the Corporation.

Subsequent Events

The Corporation has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2024, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through February 27, 2025 the date these consolidated financial statements were available to be issued. In January 2025, the Corporation approved the purchase of a branch location in Camp Hill, Pennsylvania for $850,000 that settled on February 26, 2025.

Basis of Accounting

The Corporation uses the accrual basis of accounting.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet dates, and the reported amounts of income and expenses for the years then ended. Actual results could differ from those estimates. The material estimates that are particularly susceptible to significant change in the near term are the determination of the allowance for credit losses, the evaluation of other-than-temporary impairment of securities, the valuation of foreclosed real estate and deferred tax assets.

While management uses available information to recognize losses on loans, future additions to the allowance for credit losses may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for credit losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination. Because of these factors, management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Trust Department Assets

Assets held by the Trust Department in an agency or fiduciary capacity for its customers are excluded from the consolidated financial statements since they do not constitute assets of the Corporation. The market value of assets held by the Trust Department amounted to $85,723,000 and $82,257,000 at December 31, 2024 and 2023, respectively. Income from fiduciary activities is recognized on the accrual method.

Significant Group Concentrations of Credit Risk

Most of the Corporation's activities are with customers located within the Central Pennsylvania region. Note 3 discusses the types of securities in which the Corporation invests. Note 4 discusses the types of lending that the Corporation engages in. The Corporation does not have any significant concentrations in any one customer or industry, except for agricultural loans as disclosed in Note 4.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and due from banks, interest bearing demand deposits, federal funds sold and investments with an original maturity of 90 days or less. Federal funds are typically purchased and sold for one day periods. At times, the Corporation may have due from bank balances with its correspondent banks that exceed the federally insured limits, which management considers to be normal and acceptable business risk.

Securities

Investments of the Corporation are exposed to various risks, such as interest rate, market, currency and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment assets reported in the financial statements.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Securities available for sale are those debt securities that the Corporation intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell an available for sale debt security would be based on various factors. These securities are stated at fair value. Unrealized gains (losses) are reported as changes in other comprehensive income, a component of shareholders' equity, net of the related deferred tax effect. Premiums and discounts are recognized as interest income over the estimated lives of the securities, using the interest method. Securities held to maturity are those debt securities that the Corporation has the intent and ability to hold to maturity. These debt securities are stated at cost adjusted for amortization of premiums and accretion of discounts, which is recognized as interest income over their estimated lives, using the interest method. Purchase premiums are recognized in interest income using the interest method through the earliest call date. Equity securities unrealized gains and losses are recognized in the consolidated statements of income and comprehensive income. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. On a quarterly basis, held to maturity debt securities are measured for expected credit losses on a collective (pool) basis by major security type. The Corporation held no securities classified as held to maturity at or during the years ended December 31, 2024 and 2023. At least quarterly, available for sale debt securities in an unrealized loss position are evaluated individually for impairment. A debt security is deemed impaired if the fair value of the investment is less than its amortized cost. The Corporation considers both its intent to sell and the likelihood that it will not have to sell the investment securities before recovery of their amortized cost basis during its evaluation. If the Corporation intends to sell the investment security or it is more likely than not that it will be required to sell the investment security, the entire impairment is recorded in earnings. For available for sale securities that do not meet these criteria, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, consideration is given to the issuer of the securities and their

Securities (Continued)

creditworthiness, any changes to the rating of the security and any adverse conditions specifically related to the security, among other factors. Also, the business and financial outlook of the issuer, as well as broader economic performance indicators, may be evaluated. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than amortized cost. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the available for sale debt security is confirmed as uncollectible or when there is an intent or requirement to sell the security. The Corporation has elected to exclude accrued interest receivable on available for sale debt securities from the allowance for credit losses calculation. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days past due. The receivable for interest income that is accrued but not collected is reversed against interest income when the debt security is placed on nonaccrual status.

Time Certificates of Deposit

Time certificates of deposit are carried at cost, which approximates fair value.

Loans Held for Sale

Mortgage loans held for sale are recorded at the lower of cost or market value. Gains and losses realized from the sale of loans and adjustments to market value are included in other income. Mortgage loans are sometimes sold to secondary market investors and other commercial banks. The majority of residential mortgage loans with a fixed rate of fifteen years or longer are sold to secondary market investors with servicing released. At December 31, 2024, the Corporation had $165,000 in loans held for sale. There were no loans held for sale at December 31, 2023.

Loans

The Bank grants commercial, residential and consumer loans to customers primarily within Juniata, Perry, Cumberland, and Dauphin Counties of Pennsylvania and the surrounding area. A large portion of the loan portfolio is secured by real estate. Although the Bank has a diversified loan portfolio, its debtors' ability to honor their contracts is influenced by the region's economy.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for credit losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of related costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Corporation is generally amortizing these amounts over the contractual life of the loan.

Loan delinquency is measured based on the number of days since the payment due date. The Corporation considers a loan as past due when the payment is 30 days delinquent. Loans less than 90 days delinquent are deemed to have an insignificant delay in payment and generally continue to accrue interest. The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 to 120 days past due, or management has significant doubts about further collectability of principal or interest even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid interest credited to income is reversed. Interest received on non-accrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has

Loans (Continued)

performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt. When management determines that the Bank will not be able to collect the entire outstanding principal from either primary or secondary repayment sources, management recommends for charge-off the amount of principal that exceeds the liquidation value (orderly or forced) of the collateral or the entire principal balance if unsecured.

The Corporation evaluates, based on the accounting for loan modifications, whether the borrower is experiencing financial difficulty and the modification results in a more-than-insignificant direct change in the contractual cash flows and represents a new loan or a continuation of an existing loan, which the Corporation refers to as troubled loan modifications.

Loan Risk Assessment:

The Bank has a diverse loan portfolio with varying degrees of risk within each segment of the portfolios as discussed below.

Commercial –

a. Commercial and industrial loans include loans to businesses for general commercial purposes and include permanent and short-term working capital, machinery and equipment financing, and may be either in the form of lines of credit, demand, or term loans. Some commercial and industrial loans may be unsecured to higher-rated customers, but the majority of these loans are secured by the borrower’s accounts receivable, inventory and machinery and equipment. The collateral may also include the business real estate or the business owner’s personal real estate or assets. Commercial and industrial loans have credit exposure since they are more susceptible to risk of loss during a downturn in the economy as borrowers may have greater difficulty in meeting their debt service requirements and the value of the collateral may decline.

b. Obligations of state and political subdivisions in the U.S. loans are generally backed by the full faith, credit and taxing power of the governmental entity.

c. Commercial construction and land development loans are also included in this segment. The risk of loss on these loans is contingent on the assessment of the property’s value at the completion of the project, which should exceed the property’s construction costs. A number of factors can negatively affect the project during the construction phase such as cost overruns, delays in completing the project, competition, and real estate market conditions which may change based on the supply of similar properties in the area. If the collateral value at the completion of the project is not sufficient to cover the outstanding loan balance, repayment of the loan would potentially need to rely on other repayment sources, including the guarantors of the project or other collateral securing the loan.

Commercial Real Estate –

a. Owner-occupied commercial real estate loans are generally dependent upon the successful operation of the borrower’s business, with the cash flows generated from the business being the primary source of repayment of these loans. If the business suffers a downturn in sales or profitability, the borrower’s ability to repay the loan could be in jeopardy, which could increase the risk of loss.

Loan Risk Assessment (Continued)

b. Non-owner occupied and multi-family commercial real estate loans are dependent on the borrower's ability to generate a sufficient level of occupancy to produce rental income that exceeds debt service requirements and operating expenses. Lower occupancy or lease rates may result in a reduction in cash flows, which may affect the ability of the borrower to meet debt service requirements, and may result in lower collateral values, which represents a higher inherent risk than owner-occupied commercial loans.

Agricultural –

Farm and agricultural loans consist of commercial loans to local, family-owned farms for operation of farm activities including raising and selling cattle or milk produced, raising and selling poultry, and raising and selling crops. The risks to repayment of farm loans include unfavorable weather conditions that can affect the production of crops for sale or feed, milk production and mortality rates of cattle and poultry that can be affected if cattle or poultry become ill, and milk or other commodity prices paid which can vary depending on market prices and government subsidies. Collateral for these types of loans typically consists of farm real estate, but can also include equipment, livestock and crops.

Residential –

a. 1-4 family owner-occupied real estate loans include fixed and adjustable-rate first and junior-lien mortgage loans with the underlying 1-4 family owner-occupied residential property securing the loan. Risk exposure is mitigated somewhat through the evaluation of the credit worthiness of the borrower, including credit scores and debt-to-income ratios, and limits on the loan-to-value ratios.

b. Home equity term loans and lines of credit represent a slightly higher risk than 1-4 family first liens, as these loans can be first or second liens on 1-4 family owner occupied residential property, but there are loan-to-value limits on the value of the real estate taken as collateral. The credit worthiness of the borrower is considered including credit scores and debt-to-income ratios.

c. Non-owner occupied 1-4 family residential loans are dependent on the borrower's ability to generate a sufficient level of occupancy to produce rental income that exceeds debt service requirements and operating expenses. Lower occupancy or lease rates may result in a reduction in cash flows, which may affect the ability of the borrower to meet debt service requirements, and may result in lower collateral values, which represents a higher inherent risk than owner-occupied 1-4 family residential loans.

Consumer –

Installment and other consumer loan credit risk is mitigated through evaluation of the credit worthiness of the borrower through credit scores and debt-to-income ratios and, if secured, the collateral value of the assets. However, these loans can be unsecured or secured by assets that may depreciate quickly or may fluctuate and represent a greater risk than 1-4 family residential loans.

Allowance for Credit Losses

Since the adoption of ASC 326 ("CECL") the allowance for credit losses represents the amount that, in management's judgment, appropriately reflects credit losses inherent in the loan portfolio at the balance sheet date. Loans deemed to be uncollectible are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans when received. Changes to the allowance for credit losses are recorded through the provision for (reversal of) credit losses in the consolidated statements of income and comprehensive income. The Corporation has elected to exclude loan accrued interest receivable of $1,201,000 and $1,239,000 at December 31, 2024 and 2023 respectively, from the allowance for credit losses calculation.

The allowance for credit losses is maintained at a level considered appropriate to absorb credit losses over the expected life of the loan. The allowance for credit losses is determined based on a quantitative assessment of two categories of loans: collectively (pooled) evaluated loans and individually evaluated loans. In addition, the allowance for credit losses also includes a qualitative component which adjusts the quantitative model results for risk factors that are not considered within the quantitative model, but are relevant in assessing the expected credit losses within the loan classes under CECL.

Management has adopted a 9-point risk rating scale to measure and manage credit risk within the loan portfolio. The first five levels, representing the lowest risk, are combined and given a "Pass" rating: Level 1 – minimal risk; Level 2 – moderate risk; Level 3 – average risk; Level 4 – acceptable risk; or Level 5 – marginally acceptable risk. Management generally follows regulatory definitions in assigning criticized ratings to loans: Level 6 – "Special Mention;" Level 7 – "Substandard;" Level 8 – "Doubtful;" or Level 9 – "Loss." Special Mention loans have potential weaknesses that may, if not checked or corrected, weaken the asset or inadequately protect the Corporation's position at some future date. These assets pose elevated risk, but their weakness does not yet justify a more severe or classified rating. Substandard loans are classified as they have a well-defined weakness or weaknesses that jeopardize liquidation of the debt. These loans are characterized by the distinct possibility that the Corporation will sustain some loss if the deficiencies are not corrected. A Doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the asset, its classification as Loss is deferred. Loss loans are considered uncollectible, as the borrowers are often in bankruptcy, have suspended debt repayments, or have ceased business operations. Once a loan is classified as Loss, there is little prospect of collecting the loan's principal or interest and it is charged-off.

The Corporation has a loan review policy and program which is designed to identify and monitor risk in the lending function. Semi-annually, an independent third-party performs a loan review of a sample of the loan portfolio. Quarterly, all criticized and classified loans graded Level 6 and higher are reviewed by management.

The allowance for credit losses is measured on a collective basis when similar risk characteristics exist within the Corporation's loan segments between commercial and consumer. For purposes of estimating the Corporation's allowance for credit losses, management generally evaluates collectively evaluated loans by federal call code in order to group loans with similar risk characteristics. Each of these loan segments are broken down into multiple loan classes, which are characterized by loan type, collateral type, risk attributions and the manner in which management monitors the performance of the borrower. The risks associated with lending activities differ and are subject to the impact of change in interest rates, market conditions and the impact on the collateral securing the loans, and general economic conditions. The commercial loan segments include commercial real estate, acquisition and development, commercial and industrial, agriculture, and municipal loan classes. The consumer loan segments include residential mortgage, installment and other consumer loans.

Loans collectively evaluated includes loans on accrual status, except for loans previously restructured that do not share similar risk characteristics which are individually evaluated. The allowance for credit losses for loans collectively evaluated is measured using a lifetime expected loss rate model that considers historical loss performance and past events in addition to forecasts of future economic conditions. The Corporation elected to use the discounted cash flow methodology for the quantitative analysis for all of its loan segments, which applies the probability of default, using a loss driver model and loss given default factors to future cash flows, and then adjusts to the net present value to derive the required reserve. The probability of default estimates is derived through the application of reasonable and supportable economic forecasts to the regression models, which incorporates the Corporation's and peer loss-rate data, unemployment rate and GDP. The reasonable and supportable forecasts of the selected economic metrics are then input into the regression model to calculate an expected default rate. The Corporation has elected to forecast for the first four quarters of the credit loss estimate and revert on a straight-line basis. The expected default rates are then applied to expected loan balances estimated through the consideration of contractual repayment terms and expected prepayments. The prepayment and curtailment assumptions adjust the contractual terms of the loan to arrive at the expected cash flows. The development and validation of credit models also included determining the length of the reasonable and supportable forecast and regression period and utilizing national and/or regional peer group historical loss rates. Management selected the national unemployment rate and GDP as the drivers of the quantitative portion of collectively evaluated reserves on loan classes reliant upon the discounted cash flow methodology, primarily as a result of high correlation coefficients identified in regression modeling. For agriculture, consumer, and municipal loan segments, the quantitative reserve was calculated using third-party credit risk benchmark loss given default inputs.

Loans that do not share similar risk characteristics are evaluated on an individual basis and are excluded from the collective evaluation for the allowance for credit losses. Loans evaluated individually for expected credit losses include loans on nonaccrual status, and may include accruing loans that do not share similar risk characteristics to other accruing loans collectively evaluated, where the total credit exposure of the borrowing relationship is $250,000 or more. In addition, loans evaluated individually for expected credit losses may include loans where the total credit exposure is less than $250,000 if the loan was ever individually evaluated. A specific reserve analysis is applied to the individually evaluated loans, which considers collateral value, an observable market price or the present value of expected cash flows. A specific reserve may be assigned if the measured value of the loan using one of the before mentioned methods is less than the current carrying value of the loan.

A loan is considered collateral-dependent when the Corporation determines foreclosure is probable or the borrower is experiencing financial difficulty and the Corporation expects repayment to be provided substantially through the operation or sale of the collateral. Collateral could be in the form of real estate, equipment or business assets. An allowance for credit losses may result for a collateral-dependent loan if the fair value of the underlying collateral, as of the reporting date, adjusted for expected costs to repair or sell, was less than the amortized cost basis of the loan. If repayment of the loan is instead dependent only on the operation, rather than the sale of the collateral, the measure of the allowance for credit losses does not incorporate estimated costs to sell. For loans analyzed on the basis of projected future principal and interest cash flows, the Corporation will discount the expected cash flows at the effective interest rate of the loan, and an allowance for credit losses would result if the present value of cash flows was less than the amortized cost basis of the loan.

Allowance for Credit Losses (Continued)

Based on management's analysis, adjustments may be applied for additional factors impacting the risk of loss in the loan portfolio beyond the quantitatively calculated reserve on collectively evaluated loans. As the quantitative reserve calculation incorporates historical conditions, management may consider an additional or reduced reserve is warranted through qualitative risk factors based on current and expected conditions. These are the qualitative risk factors considered by management and include significant or unexpected changes in:

- Lending policies, procedures and strategies
- Nature and volume of portfolio
- Staff experience
- Volume and trends in classified loans, delinquencies and nonaccrual
- Concentration risk
- Trends in underlying collateral value
- External factors: competition, legal, regulatory
- Changes in quality of the loan review system
- Economic conditions

For off-balance sheet credit exposures, the Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk from the contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The allowance for credit losses on off-balance sheet credit exposures includes consideration of the utilization rates expected on the loan commitments, and estimates the expected credit losses for the undrawn commitments by the loan segments. The allowance for credit losses on off-balance sheet credit exposures is recorded in other liabilities on the consolidated balance sheets and is adjusted through the provision for credit losses in the consolidated statements of income and comprehensive income.

Quarterly, a comprehensive analysis of the allowance for credit losses is performed by the Corporation. Management evaluates the adequacy of the allowance for credit losses utilizing a defined methodology to determine if it properly addresses the current and expected risks in the loan portfolio, which considers the performance of borrowers and specific evaluation of individually evaluated loans including historical loss experiences, trends in delinquencies, nonperforming loans and other risk assets, and the qualitative factors. Risk factors are continuously reviewed and adjusted, as needed, by management when conditions support a change. Management believes its approach properly addresses relevant accounting and bank regulatory guidance for loans both collectively and individually evaluated.

Restricted Investment in Bank Stocks

Restricted investment in bank stocks represents required investments in the common stock of correspondent banks, including Atlantic Community Bankers Bank in the amount of $20,000, and the Federal Home Loan Bank (FHLB) of Pittsburgh in the amount of $2,807,000 at December 31, 2024. At December 31, 2023, the required investment in Atlantic Community Bankers Bank was $20,000 and the Federal Home Loan Bank (FHLB) of Pittsburgh was $3,279,000. No readily available market exists for these stocks. These restricted investments are carried at cost, which is considered to be fair value.

Management evaluates the restricted stock for impairment in accordance with FASB ASC Topic 321 *Investments – Equity Securities*. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the entity as compared to the capital stock amount and the length of time this situation has persisted, (2) commitments by the entity to make payments required by law or regulation and the level of such payments in relation to the operating

Restricted Investments in Bank Stocks (Continued)

performance of the entity, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the entity.

Management believes no impairment charge is necessary related to its restricted stock as of December 31, 2024 or 2023.

Premises and Equipment

Land is carried at cost. The Corporation capitalizes any eligible assets with a cost of $5,000 or greater. Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the shorter of the estimated useful lives or the lease terms. Maintenance and repairs are expensed when incurred and expenditures for significant improvements are capitalized.

Foreclosed Real Estate

Foreclosed real estate includes assets acquired through foreclosure and loans identified as in-substance foreclosures. A loan is classified as an in-substance foreclosure when the Corporation has taken possession of the collateral regardless of whether formal foreclosure proceedings have been commenced. Foreclosed real estate is initially valued at its estimated fair market value, net of anticipated selling costs, at the time of foreclosure, establishing the property's new basis. Subsequent to foreclosure, valuations are periodically performed by management and the foreclosed assets are carried at the lower of carrying amount or fair value less cost to sell. Gains and losses on the sale of foreclosed real estate and write-downs from periodic revaluations on foreclosed real estate are included in other income, while incurred expenses on foreclosed real estate are included in other expenses. There was no foreclosed real estate at December 31, 2024 or 2023.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Derivative Financial Instruments

The Corporation's asset liability and risk management activities include the use of a derivative to mitigate risk to the Corporation. The Corporation's goal in using an interest rate derivative is to manage interest rate sensitivity and volatility so that movements in interest rates do not significantly adversely affect earnings or capital.

The Corporation records all derivatives on the consolidated balance sheets at fair value. Fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant judgment or estimation.

At inception, the Corporation formally documents all relationships between the hedging instrument and hedged items, as well as the risk management objectives and strategies for undertaking the hedge. The Corporation assesses the hedge to determine whether the hedge is highly effective at inception and then prospectively using a qualitative assessment. The qualitative assessment takes into consideration the factors that were evaluated by the Corporation at inception for the purposes of determining whether the hedging relationship was and continues to be highly effective in achieving offsetting cash flows. The Corporation discontinues hedge accounting when (1) it determines that a derivative is no longer effective in offsetting changes in fair value or cash flows of a hedged item; (2) the derivative expires or is sold, terminated or exercised; (3) probability exists that the forecasted transaction will no longer occur; or (4) management determines that designating the

Derivative Financial Instruments (Continued)

derivative as a hedging instrument is no longer appropriate. When hedge accounting is discontinued and a derivative remains outstanding, the Corporation recognizes the derivative in the consolidated balance sheets at its fair value and changes in the fair value are recognized in the consolidated statements of income and comprehensive income. At inception, the Corporation designates a derivative as (1) a hedge of the exposure to changes in the fair value of recognized assets or liabilities or of unrecognized firm commitments attributable to a particular risk, such as interest rate risk (fair value hedge) or (2) a hedge of the exposure to variability in expected cash flows or other types of forecasted transactions (cash flow hedge). For a derivative treated as a fair value hedge, a change in fair value is recorded as an adjustment to the hedged item and recognized in earnings. For a derivative treated as a cash flow hedge, the amounts in accumulated other comprehensive income related to the derivative designated as a hedging instrument included in the assessment of hedge effectiveness are reclassified to earnings in the same period or periods during which the hedged forecasted transaction affects earnings and presented in the same income statement line item as the earnings effect of the hedged item. For more information on derivative financial instruments see Note 14.

Advertising Costs

The Corporation charges the costs of advertising to expense as incurred. Advertising expense was $221,000 and $421,000 for the years ended December 31, 2024 and 2023, respectively.

Income Taxes

Deferred income taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance, when in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted through the provision for income taxes for the effects of changes in tax laws and rates on the date of enactment.

Earnings per Share

Basic earnings per share represents net income divided by the weighted average number of common shares outstanding during the period. The weighted average number of common shares outstanding was 2,829,567 for the years ended 2024 and 2023.

Segment Reporting

Accounting standards require management to report selected financial and descriptive information about reportable operating segments that exceed certain thresholds. The standards also require related disclosures about products and services, geographic areas, and major customers. Generally, disclosures are required for segments internally identified to evaluate performance and resource allocation. The Corporation's operations are substantially all within a single banking segment, and the financial statements presented herein reflect the combined results of all of its operations with that segment. The Corporation has no foreign operations or customers.

The Corporation has identified its President as the chief operating decision maker ("CODM"), who uses net income to evaluate the results of the business, predominantly in the forecasting process, to manage the Corporation. Additionally, the CODM uses net capital (see Note 11), which is not a measure of profit and loss, to make operational decisions while maintaining capital adequacy, such as whether to reinvest profits or pay dividends. The Corporation's operations constitute a single operating segment and therefore, a single reportable segment, because the CODM manages the business activities using information of the Corporation as a whole. The accounting policies used to measure the profit and loss of the segment are the same as those described in the summary of significant accounting policies.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to 2023 balances to conform to the current year presentation.

Comprehensive Income

Accounting principles generally accepted in the United States of America generally require that recognized revenue, expenses, gains and losses be included in net income. Changes in certain assets and liabilities, such as unrealized gains (losses) on debt securities available for sale, and derivatives used in cash flow hedges, are reported as a separate component of the equity section of the consolidated balance sheets. Such items, along with net income, are components of comprehensive income. Changes in equity securities are recorded in the consolidated statements of income and comprehensive income.

The components of accumulated other comprehensive income (loss) and related tax effects are presented in the following table (in thousands):

	Unrealized Gains/(Losses) on Securities Available for Sale	Cash Flow Hedge	Total
Balance, December 31, 2022	$ (23,651)	$ 3,879	$ (19,772)
Change in unrealized gains on securities available for sale	5,866	-	5,866
Reclassification adjustment for gains on cash flow hedge included in net income	-	1,092	1,092
Change in unrealized losses on cash flow hedge	-	(1,735)	(1,735)
Tax effect of current period changes	(1,232)	136	(1,096)
Other comprehensive income	4,634	(507)	4,127
Balance, December 31, 2023	$ (19,017)	$ 3,372	$ (15,645)
Change in unrealized losses on securities available for sale	(3,426)	-	(3,426)
Reclassification adjustment for gains on cash flow hedge included in net income	-	1,152	1,152
Change in unrealized losses on cash flow hedge	-	(1,095)	(1,095)
Tax effect of current period changes	719	(13)	706
Other comprehensive income	(2,707)	44	(2,663)
Balance, December 31, 2024	$ (21,724)	$ 3,416	$ (18,308)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Serviced

Currently, the Bank originates certain single-family residential loans for immediate sale in the secondary market and does not service those loans. At December 31, 2024 and 2023, the balance of loans serviced for others was $14,526,000 and $16,938,000 respectively. The estimated fair value of mortgage servicing rights (MSRs) related to loans sold and serviced by the Corporation is recorded as an asset upon sale of such loans. MSRs are amortized as a reduction to servicing income over the estimated lives of the underlying loans. MSRs are evaluated periodically for impairment, by comparing the carrying amount to the estimated fair value. Mortgage servicing income was $46,000 and $49,000 for 2024 and 2023, respectively, which is reflected in other income on the consolidated statements of income and comprehensive income. Fair value of MSRs was $0 at December 31, 2024 and 2023.

Off Balance Sheet Financial Instruments

In the ordinary course of business, the Corporation has entered into off balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they become payable.

Fair Value Measurements

Fair values of financial instruments are estimated using relevant information and assumptions, as more fully disclosed in Note 13. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions would significantly affect the estimates.

Revenue Recognition

All of the Corporation's revenue from contracts with customers within the scope of FASB ASC 606, Revenue from Contracts with Customers, is recognized within noninterest income in the statements of income and comprehensive income. Noninterest income covered by this guidance is recognized as services are transferred to customers in an amount that reflects the consideration expected to be entitled to in exchange for those services.

Following is further detail of the various types of revenue the Corporation earns and when it is recognized.

Interest income: Interest income is generated from various sources, including loans outstanding and investments, and is recognized on an accrual basis according to loan agreements, securities contracts or other such written contracts. These revenues are outside the scope of ASC 606.

Service charges on deposit accounts: Service charges are generated from customer deposit accounts for overdraft and account maintenance services. Overdraft fees are recognized when the overdraft occurs. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. The Corporation also earns fees from its customers for other transaction-based services. Such services include safe deposit box, ATM, stop payment, wire transfer fees, foreign currency order fees and merchant service fees. In each case, these service charges and fees are recognized in income at the time or within the same period that the Corporation's performance obligation is satisfied.

Fiduciary activities: Revenue is primarily comprised of fees earned from the management and administration of trusts, estates and other customer assets and by providing investment brokerage services. Fees that are transaction-based (e.g., execution of trades) are recognized at the time of the transaction. Other fees, such as general management of assets, are earned over time as the contracted monthly or quarterly services, such as account availability, reporting and general administration, are provided. These fees are assessed based on either account activity or the market value of assets under management at month end.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Earnings on investment in life insurance: Revenues are generated from life insurance policies by increases in cash surrender values as premiums are paid, and by the redemption and payout of the policies. These revenues are recognized at the time of carriers reporting cash surrender values to the Corporation and at the time proceeds are received. These revenues are outside the scope of ASC 606.

ATM and debit card fees: ATM fees are generated from non-customer ATM transactions initiated with the Corporation's ATM's. These fees are transaction-based and are recognized at the time the Corporation processes the transaction. Other debit card fees are primarily comprised of interchange fees from debit cardholder transactions conducted through various payment networks. Interchange fees from cardholder transactions are substantially driven by the underlying transaction value and are recognized daily, concurrently with the transaction processing services.

Investment securities gains(losses) from sales and unrealized gains(losses) on equities: Gains(losses) represent amounts realized on the sale of all types of investment securities. Unrealized gains(losses) on equity securities represent changes in market value of equity investment securities that are available for sale. These gains(losses) are recognized upon being realized or at the time the investments are marked to market (generally daily), as applicable. These revenues are outside the scope of ASC 606.

Realized gains on sales of assets: Realized gains on the sale of assets represent proceeds in excess of carrying value for property and equipment used in the operations of the Corporation, repossessed assets, or real estate acquired through foreclosure. These gains are recognized at a point in time once control of the assets have transferred to the buyers and collectability of the transaction price is reasonably assured.

Realized gains on loans held for sale: Realized gains on the sale of loans held for sale represent amounts realized on the sale of mortgage loans to the secondary market when the sale is completed.

Mutual fund commissions: Revenues are generated from commissions on the sales of mutual funds. These are transaction-based fees that are recognized in income at the time of sale or within the same period that the Corporation's performance obligation is satisfied.

Other income: Other income is comprised primarily of secondary market loan fees, other fees and commissions, all of which are transaction-based fees that are recognized in income at the time or within the same period that the Corporation's performance obligation is satisfied. Also included within other income is a minimal amount of income from an insignificant investment in a limited liability company. The income recognized from this investment is recognized when earned and is outside the scope of ASC 606.

NOTE 2 - RESTRICTIONS ON CASH AND DUE FROM BANKS

In return for services obtained through correspondent banks, the Corporation is required to maintain non-interest bearing cash balances in those correspondent banks. Compensating balances approximated $500,000 at December 31, 2024 and 2023, respectively. This cash is not included in restricted cash in the Consolidated Statements of Cash Flows.

Cash collateral held at another institution for interest rate swap was $480,000 and $1,200,000 at December 31, 2024 and 2023, respectively. Collateral posted and received is dependent on the market valuation of the underlying hedge.

NOTE 3 - SECURITIES

Amortized cost and fair value at December 31, 2024 and December 31, 2023 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
SECURITIES AVAILABLE FOR SALE:				
December 31, 2024:				
Debt securities:				
U.S. agency securities	**$ 38,738**	**$ -**	**$ (3,704)**	**$ 35,034**
Mortgage-backed securities	**77,147**	**-**	**(12,234)**	**64,913**
State and municipal securities	**82,539**	**19**	**(11,580)**	**70,978**
Equity securities:	**635**	**633**	**-**	**1,268**
	$ 199,059	**$ 652**	**$ (27,518)**	**$ 172,193**
December 31, 2023:				
Debit securities:				
U.S. agency securities	$ 42,664	$ -	$ (3,877)	$ 38,787
Mortgage-backed securities	83,640	75	(11,232)	72,483
State and municipal securities	84,241	71	(9,109)	75,203
Equity securities:	635	592	-	1,227
	$ 211,180	$ 738	$ (24,218)	$ 187,700

The following table shows the Corporation's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2024 and December 31, 2023:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2024			(In Thousands)			
SECURITIES AVAILABLE FOR SALE:						
U.S. agency securities	**$ 4,132**	**$ 15**	**$ 30,902**	**$ 3,689**	**$ 35,034**	**$ 3,704**
Mortgage-backed securities	**10,839**	**183**	**54,073**	**12,051**	**64,912**	**12,234**
State and municipal securities	**3,857**	**44**	**63,365**	**11,536**	**67,222**	**11,580**
	$ 18,828	**$ 242**	**$ 148,340**	**$ 27,276**	**$ 167,168**	**$ 27,518**

NOTE 3 - SECURITIES (CONTINUED)

December 31, 2023	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	12 Months or More Fair Value	12 Months or More Unrealized Losses	Total Fair Value	Total Unrealized Losses
			(In Thousands)			
SECURITIES AVAILABLE FOR SALE:						
U.S. agency securities	$ 617	$ -	$ 37,764	$ 3,877	$ 38,381	$ 3,877
Mortgage-backed Securities	5,654	43	62,845	11,189	68,499	11,232
State and municipal Securities	1,085	4	67,896	9,105	68,981	9,109
	$ 7,356	$ 47	$ 168,505	$ 24,171	$ 175,861	$ 24,218

At December 31, 2024, 63 U.S. agency securities have unrealized losses with aggregate depreciation of 9.6% from the Corporation's amortized cost basis. At December 31, 2023, 63 U.S. agency securities had unrealized losses with aggregate depreciation of 9.2% from the Corporation's amortized cost basis. In management's opinion, these unrealized losses relate primarily to changes in interest rates.

At December 31, 2024, 100 mortgage-backed securities have unrealized losses. The aggregate depreciation from the Corporation's amortized cost basis on these securities is 15.9%. At December 31, 2023, 94 mortgage-backed securities had unrealized losses. The aggregate depreciation from the Corporation's amortized cost basis on these securities was 14.1%. In management's opinion, these unrealized losses relate to changes in interest rates. The Corporation's mortgage backed security portfolio consists of only government sponsored agencies, and contains no private label securities.

At December 31, 2024, 159 state and municipal securities have unrealized losses with aggregate depreciation of 14.7% from the Corporation's amortized cost basis. At December 31, 2023, 157 state and municipal securities had unrealized losses with aggregate depreciation of 11.7% from the Corporation's amortized cost basis. In management's opinion, these unrealized losses relate primarily to changes in interest rates. In analyzing the issuer's financial condition, management considers the issuer's bond rating as well as the financial performance of the respective municipality.

In management's opinion none of the debt securities have declines in value that are deemed to be other than temporary.

NOTE 3 - SECURITIES (CONTINUED)

Amortized cost and fair value at December 31, 2024 by contractual maturity are shown below. Municipal securities with prerefunded issues are included in the category in which payment is expected to occur. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay with or without penalties.

	Debt Securities Available for Sale	
	Amortized Cost	**Fair Value**
1 year or less	**$ 1,696**	**$ 1,662**
Over 1 year through 5 years	**13,248**	**12,393**
Over 5 years through 10 years	**35,853**	**31,644**
Over 10 years	**70,480**	**60,313**
Mortgage-backed securities	**77,147**	**64,913**
	$ 198,424	**$ 170,925**

At December 31, 2024 and 2023, securities with a carrying value of $34,984,000 and $79,702,000 respectively, were pledged as collateral as required by law on public deposits and for other purposes.

NOTE 4 - LOANS

Loans receivable, by loan segment, were comprised of the following as of December 31:

	2024	2023
	(In Thousands)	
Commercial	**$ 83,186**	$ 83,450
Commercial real estate	**139,342**	150,840
Agricultural	**49,792**	46,581
Consumer	**5,500**	8,397
Residential	**176,910**	183,283
Total loans receivable	**$ 454,730**	$ 472,551

The allowance for credit losses, by loan segment, consisted of the following at December 31, 2024:

	Commercial	**Commercial Real Estate**	**Agricultural**	**Consumer**	**Residential Real Estate**	**Total**
December 31, 2023 Total Allowance for credit losses	**$ 1,149**	**$ 3,305**	**$ 531**	**$ 290**	**$ 738**	**$ 6,013**
Provision	**318**	**(1,524)**	**301**	**442**	**420**	**(43)**
Charge-offs	**(145)**	**-**	**-**	**(618)**	**-**	**(763)**
Recoveries	**88**	**39**	**-**	**81**	**40**	**248**
December 31, 2024 Total Allowance for credit losses	**$ 1,410**	**$ 1,820**	**$ 832**	**$ 195**	**$ 1,198**	**$ 5,455**

NOTE 4 – LOANS (CONTINUED)

The allowance for credit losses by loan segment, consisted of the following at December 31, 2023:

	Commercial	Commercial Real Estate	Agricultural	Consumer	Residential Real Estate	Un - allocated	Total
	(in Thousands)						
December 31, 2022 Total Allowance for credit losses	$ 709	$ 1,463	$ 666	$ 443	$ 1,732	$ 159	$ 5,172
ASC 326 adoption	569	1,005	(172)	11	(669)	(159)	585
Provision	(54)	1,626	37	362	(326)	-	1,645
Charge-offs	(80)	(789)	-	(566)	-	-	(1,435)
Recoveries	5	-	-	40	1	-	46
December 31, 2023 Total Allowance for credit losses	$ 1,149	$ 3,305	$ 531	$ 290	$ 738	$ -	$ 6,013

NOTE 4 – LOANS (CONTINUED)

The amortized cost basis of the loan portfolio, by year of origination, loan segment, and credit quality consisted of the following as of December 31, 2024:

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Basis	Revolving Loans Converted to Term	Totals
	2024	2023	2022	2021	2020	Prior			
					In Thousands				
Commercial									
Pass	$ 10,909	$ 13,790	$ 9,357	$ 5,545	$ 3,619	$ 19,913	$ 16,948	$ -	$ 80,081
Special mention	250	1,179	62	21	99	-	1,371	-	2,982
Substandard	-	-	-	14	-	18	91	-	123
Total Commercial	$ 11,159	14,969	$ 9,419	$ 5,580	$ 3,718	$ 19,931	$ 18,410	$ -	$ 83,186
Current period gross charge-offs-Commercial	$ -	$ -	$ -	$ -	$ 19	$ -	$ 126	$ -	$ 145
Commercial real estate									
Pass	$ 4,893	$ 8,399	$ 29,222	$ 38,173	$ 20,533	$ 30,555	$ 2,469	$ -	$ 134,244
Special mention	-	-	711	-	-	42	208	-	961
Substandard	-	-	-	-	-	4,137	-	-	4,137
Total Commercial real estate	$ 4,893	$ 8,399	$ 29,933	$ 38,173	$ 20,533	$ 34,734	$ 2,677	$ -	$ 139,342
Current period gross charge-offs-Commercial real estate	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ ---
Agricultural									
Pass	$ 7,123	$ 3,244	$ 6,607	$ 3,185	$ 2,499	$ 20,778	$ 4,088	$ -	$ 47,524
Special mention	-	-	-	-	-	269	-	-	269
Substandard	-	-	-	-	49	1,822	128	-	1,999
Total Agricultural	$ 7,123	$ 3,244	$ 6,607	$ 3,185	$ 2,548	$ 22,869	$ 4,216	$ -	$ 49,792
Current period gross charge-offs-Agricultural	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer									
Pass	$ 671	$ 253	$ 2,732	$ 47	$ 9	$ 113	$ 1,675	$ -	$ 5,500
Total Consumer	$ 671	$ 253	$ 2,732	$ 47	$ 9	$ 113	$ 1,675	$ -	$ 5,550
Current period gross charge-offs-Consumer	$ 1	$ 10	$ 530	$ 25	$ -	$ -	$ 52	$ -	$ 618
Residential									
Pass	$ 17,051	$ 22,155	$ 39,866	$ 26,901	$ 16,678	$ 36,028	$ 15,844	$ 263	$ 174,786
Special mention	-	366	-	-	-	41	204	-	611
Substandard	173	318	-	-	-	1,022	-	-	1,513
Total Residential	$ 17,224	$ 22,839	$ 39,866	$ 26,901	$ 16,678	$ 37,091	$ 16,048	$ 263	$ 176,910
Current period gross charge-offs-Residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Pass	$ 40,647	$ 47,841	$ 87,784	$ 73,851	$ 43,338	$107,387	$ 41,024	$ 263	$ 442,135
Special mention	250	1,545	773	21	99	352	1,783	-	4,823
Substandard	173	318	-	14	49	6,999	219	-	7,772
	$ 41,070	$ 49,704	$ 88,557	$ 73,886	$ 43,486	$114,738	$ 43,026	$ 263	$ 454,730

NOTE 4 - LOANS (CONTINUED)

The amortized cost basis of the loan portfolio, by year of origination, loan segment, and credit quality consisted of the following as of December 31, 2023:

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Basis	Revolving Loans Converted to Term	Totals
	2023	2022	2021	2020	2019	Prior			
	In Thousands								
Commercial									
Pass	$ 15,191	$ 13,360	$ 7,317	$ 4,725	$ 6,032	$ 18,209	$ 18,393	$ -	$ 83,227
Special mention	-	86	36	16	19	-	10	-	167
Substandard	-	-	23	-	-	20	13	-	56
Total Commercial	$ 15,191	$ 13,446	$ 7,376	$ 4,741	$ 6,051	$ 18,229	$ 18,416	$ -	$ 83,450
Current period gross charge-offs-Commercial	$ -	$ -	$ -	$ -	$ -	$ -	$ 80	$ -	$ 80
Commercial real estate									
Pass	$ 8,874	$ 28,028	$ 40,327	$ 22,755	$ 12,063	$ 30,015	$ 3,134	$ -	$ 145,196
Substandard	-	457	-	-	4,337	850	-	-	5,644
Total Commercial real estate	$ 8,874	$ 28,485	$ 40,327	$ 22,755	$ 16,400	$ 30,865	$ 3,134	$ -	$ 150,840
Current period gross charge-offs-Commercial real estate	$ -	$ 39	$ -	$ -	$ 750	$ -	$ -	$ -	$ 789
Agricultural									
Pass	$ 2,713	$ 6,414	$ 3,412	$ 2,621	$ 5,196	$ 18,867	$ 3,198	$ -	$ 42,421
Special mention	5	1,614	-	-	-	257	86	-	1,962
Substandard	-	-	-	57	-	2,006	135	-	2,198
Total Agricultural	$ 2,718	$ 8,028	$ 3,412	$ 2,678	$ 5,196	$ 21,130	$ 3,419	$ -	$ 46,581
Current period gross charge-offs-Agricultural	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer									
Pass	$ 465	$ 6,173	$ 114	$ 41	$ 13	$ 141	$ 1,450	$ -	$ 8,397
Total Consumer	$ 465	$ 6,173	$ 114	$ 41	$ 13	$ 141	$ 1,450	$ -	$ 8,397
Current period gross charge-offs-Consumer	$ -	$ 520	$ 25	$ -	$ -	$ -	$ 21	$ -	$ 566
Residential									
Pass	$ 24,160	$ 39,512	$ 27,978	$ 19,073	$ 4,532	$ 37,194	$ 29,065	$ 311	$ 181,825
Special mention	-	-	-	-	-	44	-	-	44
Substandard	-	301	-	-	-	1,113	-	-	1,414
Total Residential	$ 24,160	$ 39,813	$ 27,978	$ 19,073	$ 4,532	$ 38,351	$ 29,065	$ 311	$ 183,283
Current period gross charge-offs-Residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Pass	$ 51,403	$ 93,487	$ 79,148	$ 49,215	$ 27,836	$104,426	$ 55,240	$ 311	$ 461,066
Special mention	5	1,700	36	16	19	301	96	-	2,173
Substandard	-	758	23	57	4,337	3,989	148	-	9,312
	$ 51,408	$ 95,945	$ 79,207	$ 49,288	$ 32,192	$108,716	$ 55,484	$ 311	$ 472,551

NOTE 4 - LOANS (CONTINUED)

The amortized cost basis of nonaccrual loans, by loan segment, with and without reserves consisted of the following at December 31, 2024:

	Amortized Cost	Related Allowance	Interest Income Recognized
With no allowance needed			
Commercial	$ 87	$ -	$ 16
Commercial Real Estate	4,137	-	148
Agricultural	652	-	-
Residential	775	-	29
With an allowance recorded			
Commercial	-	-	-
Commercial Real Estate	-	-	-
Agricultural	-	-	-
Residential	-	-	-
Total			
Commercial	87	-	16
Commercial Real Estate	4,137	-	148
Agricultural	652	-	-
Residential	775	-	29
Total	$ 5,651	$ -	$ 193

NOTE 4 - LOANS (CONTINUED)

The amortized cost basis of nonaccrual loans, by loan segment, with and without reserves consisted of the following at December 31, 2023:

	Amortized Cost	Related Allowance	Interest Income Recognized
With no allowance needed			
Commercial	$ 13	$ -	$ -
Commercial Real Estate	5,641	-	290
Agricultural	771	-	-
Residential	671	-	12
With an allowance recorded			
Commercial	-	-	-
Commercial Real Estate	-	-	-
Agricultural	-	-	-
Residential	-	-	-
Total			
Commercial	13	-	-
Commercial Real Estate	5,641	-	290
Agricultural	771	-	-
Residential	671	-	12
Total	$ 7,096	$ -	$ 302

An age analysis of past-due loans is as follows as of December 31, 2024:

	30 – 59 Days Past Due	60 – 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	90+ Days Past Due Still Accruing
			(In Thousands)				
Commercial	**$ 25**	**$ -**	**$ -**	**$ 25**	**$ 83,161**	**$ 83,186**	**$ -**
Commercial Real Estate	**720**	**-**	**-**	**720**	**138,622**	**139,342**	**-**
Agricultural	**-**	**-**	**-**	**-**	**49,792**	**49,792**	**-**
Consumer	**23**	**86**	**20**	**129**	**5,371**	**5,500**	**20**
Residential	**413**	**-**	**37**	**450**	**176,460**	**176,910**	**-**
Total	**$ 1,181**	**$ 86**	**$ 57**	**$ 1,324**	**$ 453,406**	**$ 454,730**	**$ 20**

NOTE 4 - LOANS (CONTINUED)

An age analysis of past-due loans is as follows as of December 31, 2023:

	30 – 59 Days Past Due	60 – 89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans	90+ Days Past Due Still Accruing
	(In Thousands)						
Commercial	$ -	$ -	$ -	$ -	$ 83,450	$ 83,450	$ -
Commercial Real Estate	-	454	-	454	150,386	150,840	-
Agricultural	8	-	-	8	46,573	46,581	-
Consumer	57	93	82	232	8,165	8,397	82
Residential	25	32	41	98	183,185	183,283	-
Total	$ 90	$ 579	$ 123	$ 792	$ 471,759	$ 472,551	$ 82

The following table presents the amortized cost basis of the loans modified to borrowers experiencing financial difficulty disaggregated by class of financing receivable and type of modification granted during the twelve months ended December 31, 2024 and December 31, 2023.

	Term Extension	
December 31,2024	**Amortized Cost Basis**	**% of Class of Financing Receivable**
	(Dollars in Thousands)	
Commercial	**$ 62**	**0.08%**
Commercial Real Estate	**4,137**	**2.97%**
Residential	**318**	**0.18%**
Total	**$ 4,517**	

	Term Extension	
December 31,2023	Amortized Cost Basis	% of Class of Financing Receivable
	(Dollars in Thousands)	
Agricultural	$ 25	0.05%
Total	$ 25	

NOTE 4 - LOANS (CONTINUED)

The following table presents the financial effect of the modifications made to borrowers experiencing financial difficulty for the twelve months ended December 31, 2024 and 2023:

	Term Extension	
December 31,2024	**Weighted Average Term (in years)**	**Reduction of Monthly Payment Amounts**
Commercial	**0.50**	**No**
Commercial Real Estate	**0.72**	**No**
Residential	**0.67**	**No**

	Term Extension	
December 31,2023	Weighted Average Term (in years)	Reduction of Monthly Payment Amounts
Agricultural	0.67	No

During the twelve months ended December 31, 2024 and December 31, 2023, there were no loans modified due to financial difficulty where there was an interest rate reduction or principal balance forgiveness.

During the twelve months ended December 31, 2024 and December 31, 2023, there were no loans modified due to financial difficulty that defaulted in the twelve months subsequent to modification.

The following table presents the performance of loans that have been modified in the last twelve months as of December 31, 2024:

December 31, 2024	**Current**	**30 – 89 Days Past Due**	**90+Days Past Due**	**Total Past Due**
	(In Thousands)			
Commercial	**$ 62**	**$ -**	**$ -**	**$ -**
Commercial Real Estate	**3,417**	**720**	**-**	**720**
Residential	**318**	**-**	**-**	**-**
Total	**$ 3,797**	**$ 720**	**$ -**	**$ 720**

NOTE 4 - LOANS (CONTINUED)

The following table presents the performance of loans that have been modified in the last twelve months as of December 31, 2023:

December 31, 2023	Current	30 – 89 Days Past Due	90+ Days Past Due	Total Past Due
	(In Thousands)			
Agricultural	$ 25	$ -	$ -	$ -
Total	$ 25	$ -	$ -	$ -

There were no commitments to lend additional funds to borrowers with loan modifications as a result of financial difficulty as of December 31, 2024 and 2023.

At December 31, 2024 and December 31, 2023, no consumer mortgage loans were in process of foreclosure.

In the ordinary course of business, the Corporation has loan, deposit and other routine transactions with its officers, directors and principal shareholders and entities in which they have principal ownership. Changes during 2024 and 2023 in these related party loans were as follows (in thousands):

	2024	2023
	(In Thousands)	
Balance, beginning	**$ 1,273**	$ 1,618
Advances	**37**	1,110
Repayments	**(304)**	(1,455)
Balance, ending	**$ 1,006**	$ 1,273

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment at December 31 were as follows:

	Range of Useful Lives (in years)	**2024**	2023
		(In Thousands)	
Land	-	**$ 773**	$ 773
Buildings and improvements	7 - 39	**8,470**	8,402
Furniture, equipment and software	3 - 20	**9,165**	8,840
Right of use assets	3 - 5	**703**	269
Subtotal		**19,111**	18,284
Accumulated depreciation		**(14,023)**	(13,497)
Premises and equipment, net		**$ 5,088**	$ 4,787

NOTE 6 - LEASES

The Corporation follows FASB ASC 842, *Leases*, which requires recognizing right-of-use (ROU) assets and lease liabilities on the consolidated balance sheets. Lease liabilities represent the Corporation's obligation to make lease payments and are presented at each reporting date as the net present value of the remaining contractual cash flows. Cash flows are discounted based on the best estimate of the rate implicit in the lease. Right-of-use assets represent the Corporation's right to use the underlying asset for the lease term and are calculated as the sum of the lease liability and if applicable, prepaid rent, initial direct costs and any incentives received from the lessor.

The Corporation's long-term lease agreements are classified as operating leases. Certain of these leases offer the option to extend the lease term and the Bank has included such extensions in its calculation of the lease liabilities to the extent the options are reasonably assured of being exercised. The lease agreements do not provide for residual value guarantees and have no restrictions or covenants that would impact dividends or require incurring additional financial obligations. There are no variable short-term lease costs for the years ended December 31, 2024 and 2023.

The Corporation leases its Delaware office (Juniata County), West Shore office (Cumberland County), the Trust & Financial Services office in Mifflintown, the Loan Production Office in Camp Hill, the Elizabethville office (Dauphin County), and the land on which its East Waterford office (Juniata County) was constructed. The East Waterford land lease is for five years and expires on June 30, 2029 with a five-year renewal option. The West Shore office lease is for five years and expires December 31, 2028, and there is one renewal option for five years. The Trust and Financial Services office lease is for one year and expires February 28, 2025, and there is a renewal option that allows the lease to be renewed at a year-to-year discretion. The Delaware office lease is for five years and expires March 31, 2029, and there is no renewal option. The Loan Production Office lease is for five years and expires February 28, 2026. The Elizabethville office lease is for five years and expires September 30, 2028, and there are two renewal options each for five years. The Corporation also leases three copy machines. The Corporation also received rental income for leasing of available space at its Loysville office (Perry County).

As of December 31, 2024 and 2023, the weighted average remaining lease term for all operating leases is 3.7 and 3.5 years, respectively. The discount rates used are based on the best estimate of the rate implicit in the leases. The weighted average discount rate associated with operating leases as of December 31, 2024 and 2023, is 4.02% and 3.68%, respectively.

During the years ended December 31, 2024 and 2023, rent expense associated with leases is as follows:

	2024	2023
	(In Thousands)	
Operating lease cost:		
Fixed rent expense	**$ 197**	$ 218
Sublease income	**(10)**	(36)
Net lease cost	**187**	182
Lease cost included in net occupancy and equipment	**187**	182

NOTE 6 – LEASES (CONTINUED)

Amounts recognized as right-of-use assets related to operating leases are included in premises and equipment, net and related liabilities are included in other liabilities on the consolidated balance sheets. At December 31, 2024 and 2023, right-of-use assets and lease liabilities in operating leases were as follows:

	2024	2023
	(In Thousands)	(In Thousands)
Operating lease right-of-use assets	**$ 703**	$ 269
Operating lease liabilities	**703**	269

During the years ended December 31, 2024 and 2023, the corporation had the following cash and non-cash activities associated with leases:

	2024	2023
	(In Thousands)	(In Thousands)
Cash paid for amounts related in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 197**	$ 218
Supplementary cash flows information:		
Additions to ROU assets and lease liabilities obtained from new operating leases:	**669**	187

The future payments due under operating leases as of December 31, 2024 are as follows:

		2024
		(In Thousands)
Due in	2025	**$ 238**
	2026	193
	2027	182
	2028	175
	2029 and thereafter	9
	Total	$ 797
	Less effects of discounting	(94)
	Lease liabilities recognized	$ 703

NOTE 7 - DEPOSITS

Deposits were comprised of the following as of December 31:

	2024	2023
	(In Thousands)	
Non-interest bearing demand	**$ 105,691**	$ 108,811
Interest bearing demand	**85,417**	87,488
Savings	**214,297**	193,739
Time deposits less than $100,000	**78,961**	83,054
Time deposits greater than $100,000	**99,054**	86,975
Total	**$ 583,420**	$ 560,067

Time deposits greater than $250,000 were $40,094,000 and $32,288,000 at December 31, 2024 and 2023, respectively.

Scheduled maturities of time deposits at December 31, 2024 were as follows (in thousands):

2025	**$ 152,086**
2026	**17,488**
2027	**4,887**
2028	**1,935**
2029 and thereafter	**1,619**
Total	**$ 178,015**

The aggregate amount of deposit account overdrafts reclassified as loan balances were $408,000 and $67,000 at December 31, 2024 and 2023, respectively.

Total aggregate deposits of employees, officers, directors and related interests were $7,159,000 and $6,906,000 at December 31, 2024 and 2023, respectively.

NOTE 8 - BORROWINGS

Short-term borrowings at December 31 were as follows:

	2024	2023
	(In Thousands)	
Amount outstanding at end of year:		
Short-term borrowings:		
FHLB Open Repo Plus overnight line	**$ 8,000**	$ 28,000
	$ 8,000	$ 28,000
Weighted average interest rate at end of year	**4.71 %**	5.68 %
Maximum amount outstanding at any end of month	**$ 41,200**	$ 34,000
Daily average amount outstanding	**10,938**	24,605
Approximate weighted average interest rate for the year	**5.84 %**	5.35 %

NOTE 8 – BORROWINGS (CONTINUED)

FHLB and FRB term advances at December 31 were as follows:

	2024	2023
	(In Thousands)	
FHLB:		
Fixed Rate:		
Maturing in 2024 with a weighted average rate of 4.95%	**$ -**	$ 29,000
Maturing in 2025 with a weighted average rate of 4.32%	**26,000**	2,000
Maturing in 2026 with a weighted average rate of 4.12%	**10,000**	-
FRB:		
Fixed Rate:		
Matured in 2024 with a weighted average of 4.83%	**$ -**	38,000
Total	**$ 36,000**	$ 69,000

The Corporation has a maximum borrowing capacity through the Federal Home Loan Bank of approximately $265,821,000, of which $143,177,000 was available at December 31, 2024. The borrowing capacity is collateralized by security agreements in certain residential real estate backed assets of the Corporation, including loans and investments. At December 31, 2024, the carrying amount of the qualifying loan collateral was $386,656,000.

The Corporation also has $78,170,000 in letters of credit through the Federal Home Loan Bank issued to municipalities to secure deposits at December 31, 2024.

The Corporation had borrowings with the Federal Reserve's Bank Term Funding Program. These borrowings were term fixed-rate advances that were paid off during 2024. At December 31, 2024, there were no advances remaining.

The Corporation has a $5,000,000 unsecured fed fund borrowing line at Atlantic Community Bankers Bank. At December 31, 2024, and 2023, there were no outstanding balances on this borrowing line.

The Corporation has issued $5,155,000 of floating rate junior subordinated deferrable interest debentures to a consolidated subsidiary trust, First Community Financial Capital Trust I (the Trust). The Corporation owns all of the common equity of the Trust. The debentures held by the Trust are the sole assets of the Trust.

The Trust issued $5,000,000 of mandatorily redeemable preferred securities to third-party investors. The Corporation's obligations under the debentures and related documents, taken together, constitute a full and unconditional guarantee by the Corporation of the Trust's obligations under the preferred securities. The junior subordinated debt securities pay interest quarterly at SOFR plus 3.00% (7.92% and 8.66% at December 31, 2024 and 2023, respectively). Pursuant to the debenture agreement, the Corporation can elect to defer payments of interest for up to 20 consecutive quarterly periods, provided there is no event of default as defined in the indenture. The Corporation has not deferred any quarterly interest payments through December 31, 2024. The preferred securities are redeemable quarterly by the Corporation at 100% of principal plus accrued interest. The preferred securities must be redeemed upon maturity of the debentures on January 7, 2034. The terms of the junior subordinated deferrable interest debentures match those of the preferred securities.

NOTE 9 - INCOME TAXES

The components of income tax expense (benefit) for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
	(In Thousands)	
Federal:		
Current	**$ 168**	$ (196)
Deferred	**165**	(61)
Total	**$ 333**	$ (257)

	Percentage of Income before Income Taxes	
	2024	2023
Federal income tax at statutory rate	**21.0 %**	21.0 %
Tax-exempt income	**(23.6)**	(40.2)
Earnings on investment in life insurance	**(3.9)**	(8.1)
Total	**(6.5) %**	(27.3) %

Components of deferred tax assets and liabilities at December 31 were as follows:

	2024	2023
	(In Thousands)	
Deferred tax assets:		
Allowance for credit losses	**$ 1,091**	$ 1,199
Nonaccrual loans interest	**3**	9
Unrealized loss on available for sale debt securities	**5,775**	5,056
Retirement liabilities	**637**	618
Deferred loan fees	**240**	261
Municipal bond accretion	**33**	23
State net operating loss carryforward	**419**	408
Gross deferred tax asset	**8,198**	7,574
Valuation allowance	**(419)**	(408)
	7,779	7,166
Deferred tax liabilities:		
Accumulated depreciation	**117**	112
Unrealized gain on cash flow hedge	**908**	896
Deferred loan costs	**801**	754
Unrealized gain on equity securities	**133**	124
	1,959	1,886
Net Deferred Tax Assets	**$ 5,820**	$ 5,280

NOTE 9 – INCOME TAXES (CONTINUED)

The Corporation accounts for income taxes in accordance with income tax accounting guidance (FASB ASC 740, *Income Taxes*). The Corporation follows accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

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

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

As of December 31, 2024, the Corporation has state net operating loss carryforwards of $419,000 that expire through 2044. Management does not believe that these net operating loss carryforwards will be utilized prior to their expiration, as they were incurred by the holding company with little revenue opportunities to offset the losses, and as such, a valuation allowance has been provided for them.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be sustained upon examination. The term “more likely than not” means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals of litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being sustained upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management’s judgment.

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

NOTE 10 - RETIREMENT PLANS

The Corporation maintains a 401(k) plan for the benefit of eligible employees. Employer contributions include matching a portion of employee contributions. Corporation contributions to the Plan were $263,000 and $254,000 for the years ended December 31, 2024 and 2023, respectively.

The Corporation maintains non-qualified compensation plans for selected employees (supplemental retirement) and directors (deferred fees). The estimated present value of future benefits is accrued over the period from the effective date of the agreements until the expected retirement dates of the individuals. Expenses include the following amounts for these non-qualified plans:

	2024	2023
	(In Thousands)	
Employee compensation	**$ 128**	$ 122
Director compensation	**118**	150

NOTE 10 - RETIREMENT PLANS (CONTINUED)

The balance accrued for these plans included in other liabilities as of December 31, 2024 and 2023 totaled $3,033,000 and $2,943,000, respectively.

The Corporation is the owner of single premium life insurance policies on participants as part of a strategy to fund the benefits in the non-qualified retirement plans. At December 31, 2024 and 2023, the cash value of these policies was $13,453,000 and $13,186,000, respectively. The Corporation also uses annuities to fund the benefits of these plans. The value of these annuities was $3,390,000 at December 31, 2024 and $3,466,000 at December 31, 2023, and they are included in other assets on the consolidated balance sheets.

The Corporation has an Employee Stock Ownership Plan (ESOP). Contributions to the ESOP are made by the Corporation, and the ESOP uses funds contributed to purchase Corporation stock for the accounts of ESOP participants. All employees who meet the eligibility requirements are participants in the Plan and receive an allocation of cash and stock contributions based on eligible compensation. Stock purchases can be made on the market or from the Corporation. Dividends paid on shares held by the ESOP are included in the calculation of weighted-average shares outstanding for purposes of calculating earnings per share. The Corporation's contributions to the ESOP totaled $253,000 in 2024 and 2023 and are reflected as compensation expense. The ESOP did not purchase any shares in 2024 and purchased 8,000 shares in 2023. The ESOP held 52,688 shares of the Corporation at December 31, 2024 and December 31, 2023, all of which were allocated to participants as of those dates.

Under Federal income tax regulations, the employer stock that is held by the Plan and its participants is not readily tradable on an established market, or subject to trading limitations, includes a put option. The put option is a right to demand that the Corporation buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the current value of the stock. The Corporation can pay for the purchase with interest over a period of five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash. The Corporation may assign the put option to the Plan.

The estimated fair value of the shares subject to a put or repurchase obligation at December 31, 2024 is approximately $856,000 based on the most recent valuation performed for ESOP purposes as of December 31, 2023. This value does not contemplate transactions occurring in 2024.

NOTE 11 - REGULATORY MATTERS AND SHAREHOLDERS' EQUITY

The Corporation and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth below) of Tier 1 capital to average assets and of Tier 1 and total capital (as defined in the regulations) to risk weighted assets. Management believes, as of December 31, 2024, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2024, the most recent notification from the regulators categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

NOTE 11 – REGULATORY MATTERS AND SHAREHOLDERS' EQUITY (CONTINUED)

The actual and required capital amounts and ratios were 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)					
BANK:									
As of December 31, 2024:									
Tier 1 leverage ratio (to average assets)	**$60,395**	**8.5**	**%**	**$≥28,338**	**≥4.0**	**%**	**$≥35,423**	**≥ 5.0**	**%**
Common Equity tier 1 capital ratio (to risk-weighted assets)	**60,395**	**14.4**		**≥18,930**	**≥4.5**		**≥27,343**	**≥6.5**	
Tier 1 risk-based capital ratio (to risk-weighted assets)	**60,395**	**14.4**		**≥25,240**	**≥6.0**		**≥33,654**	**≥ 8.0**	
Total risk-based capital ratio (to risk-weighted assets)	**65,657**	**15.6**		**≥33,654**	**≥8.0**		**≥42,067**	**≥10.0**	
As of December 31, 2023:									
Tier 1 leverage ratio (to average assets)	$59,330	8.1	%	$≥29,247	≥4.0	%	$≥36,559	≥ 5.0	%
Common Equity tier 1 capital ratio (to risk-weighted assets)	59,330	13.4		≥19,877	≥4.5		≥28,712	≥6.5	
Tier 1 risk-based capital ratio (to risk-weighted assets)	59,330	13.4		≥26,503	≥6.0		≥35,337	≥ 8.0	
Total risk-based capital ratio (to risk-weighted assets)	64,859	14.7		≥35,337	≥8.0		≥44,172	≥10.0	

Under the provisions of the Pennsylvania Banking Code, cash dividends may be paid from accumulated net earnings (retained earnings) so long as minimum capital requirements are met. The minimum capital requirements stipulate that the Bank's surplus or additional paid-in capital be equal to the amount of capital. Pennian Bank is well above these requirements and the balance of $51,780,000 in its retained earnings at December 31, 2024 is available for cash dividends to the Corporation. First Community Financial Corporation's balance of retained earnings at December 31, 2024 is $42,238,000 and would be available for dividends, although payment of dividends to such extent would not be prudent or likely.

The Board of Directors of the Corporation have authorized and approved the repurchase of shares of outstanding Corporation common stock in an aggregate amount not to exceed $1,000,000 (based on gross consideration paid). Share repurchases will be made from time to time and may be affected through open market purchases, block trades, or in privately negotiated transactions. The Corporation did not purchase shares under this plan in 2024 or 2023.

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

The Corporation is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist primarily of commitments to extend credit (typically mortgages and commercial loans) and, to a lesser extent, standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheet. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on balance sheet instruments. The Corporation does not anticipate any material losses from these commitments.

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK (CONTINUED)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extensions of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property and equipment and income-producing commercial properties. On loans secured by real estate, the Corporation generally requires loan to value ratios of no greater than 80%.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements and similar transactions. The terms of the letters of credit vary and may have renewal features. The credit risk involved in using letters of credit is essentially the same as that involved in extending loans to customers. The Corporation holds collateral supporting those commitments for which collateral is deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees.

The Corporation has not been required to perform on any financial guarantees, and has not incurred any losses on its commitments, during the past two years.

A summary of the Corporation's commitments, both fixed and variable rates, at December 31 were as follows:

	2024	2023
	(In Thousands)	
Commitments to extend credit	**$ 127,616**	$ 130,143
Standby letters of credit	**$ 1,968**	$ 1,286

In addition to the allowance for credit losses on loans, the Corporation maintains an allowance for lending-related commitments such as unfunded loan commitments and letters of credit. The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The allowance for lending-related commitments on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans, and are discussed in Note 1. The allowance for credit losses for unfunded loan commitments of $118,000 and $80,000 at December 31, 2024 and December 31, 2023 respectively, is separately classified on the consolidated balance sheets within the line item "Other Liabilities." The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2024 and 2023:

NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK (CONTINUED)

	Total Allowance for Credit Losses – Unfunded Loan Commitments	
	In thousands	
	2024	2023
Beginning balance at January 1	**$ 80**	$ 382
Adjustment for implementation of ASC 326 on January 1, 2023	**-**	(204)
Recoveries	**-**	-
Provision for credit losses on changes in unfunded commitments (included in other operating expenses)	**38**	(98)
Ending balance at December 31	**$ 118**	$ 80

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Management uses its best judgment in estimating the fair value of the Corporation's consolidated financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Bank could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective period-ends and have not been re-evaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

ASC Topic 820, *Fair Value Measurements and Disclosure*, which defines fair value, establishes a framework for measuring fair value under GAAP, expands disclosures about fair value measurements, and applies to other accounting pronouncements that require or permit fair value measurements.

Fair value measurement and disclosure guidance defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Additional guidance is provided on determining when the volume and level of activity for the asset or liability has significantly decreased.

Fair value measurement and disclosure provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with fair value measurement and disclosure guidance.

ASC Topic 820 clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. This Topic provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.

Fair value measurement and disclosure establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

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

The following describes the valuation techniques used by the Corporation to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the consolidated financial statements:

Securities available for sale: Securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data. Third party vendors compile prices from various sources and may determine the fair value of identical or similar securities by using pricing models that consider observable market data (Level 2). For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or transferability, and such adjustments are generally based on available unobservable market evidence (Level 3).

Loans held for sale: Residential mortgage loans held for sale are recorded at fair value. Fair value measurement is determined based upon third party quotes obtained on similar loans. (Level 2).

Cash flow hedge: The Corporation recognizes cash flow hedges at fair value. The Corporation has contracted with a third party to provide valuations for cash flow hedges using standard valuation techniques such as dealer quotes, pricing models, discounted cash flow methodologies or similar techniques (Level 2).

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Description	December 31, 2024	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Securities Available for Sale:				
U. S. agency securities	**35,034**	**-**	**35,034**	**-**
Mortgage-backed securities	**64,913**	**-**	**64,913**	**-**
State and municipal securities	**70,978**	**-**	**70,978**	**-**
Equity securities	**1,268**	**428**	**-**	**840**
Total Securities available for sale	**172,193**	**428**	**170,925**	**840**
Loans held for sale	**165**	**-**	**165**	**-**
Cash Flow Hedge	**4,324**	**-**	**4,324**	**-**
Total Financial Assets	**$ 176,682**	**$ 428**	**$ 175,414**	**$ 840**

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Description	December 31, 2023	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
U. S. agency securities	$ 38,787	$ -	$ 38,787	$ -
Mortgage-backed securities	72,483	-	72,483	-
State and Municipal securities	75,203	-	75,203	-
Equity securities	1,227	401	-	826
Total Securities available for sale	$ 187,700	$ 401	$ 186,473	$ 826
Cash Flow Hedge	4,267	-	4,267	-
Total financial assets	$ 191,967	$ 401	$ 190,740	$ 826

The table below presents a reconciliation of activity for available for sale securities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods ending December 31, 2024 and December 31, 2023.

	2024	2023
Fair Value, beginning of year	**$ 826**	$ 840
Total gains (losses) included in earnings	**14**	(14)
Total gains (losses) included in other comprehensive income	**-**	-
Transfers in/out	**-**	-
Fair Value, end of year	**$ 840**	$ 826

The following table presents additional qualitative information about assets measured on a recurring basis and for which the Corporation has utilized Level 3 inputs to determine fair value as of December 31, 2024 and 2023:

	Quantitative information about Level 3 fair value measurements for **December 31, 2024**			
	Fair Value	Valuation Techniques	Weighted Average	Unobservable Input
Securities available for sale	**$ 840**	Last sale price	-	-

	Quantitative information about Level 3 fair value measurements for **December 31, 2023**			
	Fair Value	Valuation Techniques	Weighted Average	Unobservable Input
Securities available for sale	**$ 826**	Last sale price	-	-

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following describes the valuation techniques used by the Corporation to measure certain financial assets recorded at fair value on a nonrecurring basis in the consolidated financial statements:

Individually Evaluated Loans: Loans individually evaluated for credit expected losses include nonaccrual loans and other loans that do not share similar risk characteristics to loans in the ASC 326 loan pools, which have been classified as Level 3. Individually evaluated loans with an allocation to the allowance for credit losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for credit losses on the consolidated statements of income and comprehensive income. The measurement of loss associated with loans evaluated individually for all loan classes can be based on either the observable market price of the loan, the fair value of the collateral or discounted cash flows. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The value of real estate collateral is determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Corporation using observable market data (Level 2). However, if the collateral is a house or building in the process of construction or if an appraisal of the real estate property is over two years old, then the fair value is considered Level 3. The value of business equipment is based upon an outside appraisal, if deemed significant, or the net book value on the applicable business' financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports (Level 3).

Foreclosed Real Estate: Certain assets such as real estate owned are measured at fair value less the estimated cost to sell.

There were no assets measured at fair value on a non-recurring basis at December 31, 2024 and 2023.

The following information regarding the fair value of the Corporation's financial instruments should not be interpreted as an estimate of the fair value of the entire Corporation since a fair value calculation is only provided for a limited portion of the Corporation's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Corporation's disclosures and those of other companies may not be meaningful.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The estimated fair values of the Corporation's financial instruments were as follows at December 31, 2024 and 2023.

	December 31, 2024				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	$ 15,540	$ 15,540	$ 15,540	$ -	$ -
Time certificates of deposit	199	199	199	-	-
Investment securities:					
Available for sale	172,193	172,193	428	170,925	840
Loans held for sale, at fair value	165	165		165	
Loans, net	449,275	437,033	-	437,033	-
Accrued interest receivable	2,223	2,223	-	2,223	-
Investment in life insurance	13,453	13,453	-	13,453	-
Investment in annuities	3,390	3,390	-	3,390	-
Restricted investment in bank stocks	2,827	2,827	-	2,827	-
Cash flow hedge	4,324	4,324	-	4,324	-
Total financial assets	$ 663,589	$ 651,347	$ 16,167	$ 634,340	$ 840
Financial liabilities:					
Deposits	$ 583,420	$ 583,151	$ -	$583,151	$ -
Short-term borrowings	8,000	8,000	-	8,000	-
FHLB advances	36,000	35,950	-	35,950	-
Junior subordinated debt	5,155	5,155	-	5,155	-
Accrued interest payable	455	455	-	455	-
Total financial liabilities	$ 633,030	$ 632,711	$ -	$ 632,711	$ -
Off-balance sheet financial instruments	$ -	$ -	$ -	$ -	$ -

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	December 31, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	$ 14,122	$ 14,122	$ 14,122	$ -	$ -
Time certificates of deposit	199	199	199	-	-
Investment securities:					
Available for sale	187,700	187,700	401	186,473	826
Loans, net	466,538	446,851	-	446,851	-
Accrued interest receivable	2,311	2,311	-	2,311	-
Investment in life insurance	13,186	13,186	-	13,186	-
Investment in annuities	3,466	3,466	-	3,466	-
Restricted investment in bank stocks	3,299	3,299	-	3,299	-
Cash flow hedge	4,267	4,267	-	4,267	-
Total financial assets	$ 695,088	$ 675,401	$ 14,722	$ 659,853	$ 826
Financial liabilities:					
Deposits	$ 560,067	$ 559,592	$ -	$559,592	$ -
Short-term borrowings	28,000	28,000	-	28,000	-
FHLB advances	69,000	68,888	-	68,888	-
Junior subordinated debt	5,155	5,155	-	5,155	-
Accrued interest payable	538	538	-	538	-
Total financial liabilities	$ 662,760	$ 662,173	$ -	$ 662,173	$ -
Off-balance sheet financial instruments	$ -	$ -	$ -	$ -	$ -

NOTE 14 – DERIVATIVE INSTRUMENTS & HEDGING ACTIVITIES

The Corporation's derivative instrument is used as risk management tool to manage differences in the amount, timing, and duration of the Corporation's exposure to variability in expected cash flows. The Corporation's objectives in using interest rate derivatives are to add stability to net interest income and to manage its exposure to interest rate movements. To accomplish this objective, the Corporation primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Corporation making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

At December 31, 2024 and 2023, the Company had one interest rate swap designated as a cash flow hedging instrument. The Corporation entered into an interest rate swap agreement on September 24, 2020 to manage the interest rate exposure on $24,000,000 of its FHLB borrowing. This portion of its FHLB borrowings have a current maturity of March 2025, though the Corporation will renew these borrowings throughout the ten-year term of the swap agreement. Generally accepted accounting principles require that unrealized gains and losses from swap agreements be recognized in current earnings unless they meet certain conditions from the time of their inception and throughout their term. If these conditions are met and ongoing assessments of the hedge effectiveness occur at least quarterly, these principles allow for the unrealized gains and losses to instead be presented as a component of other comprehensive income. The Corporation performed all steps necessary upon inception of the swap to classify the unrealized gains and losses as a component of other comprehensive income and will take actions necessary to continue meeting these criteria prospectively. The most significant aspect of this commitment is that the Corporation will renew its $24,000,000 FHLB borrowing through the duration of the swap. If these criteria cease to be met, all accumulated unrealized gains and losses associated with the swap agreement will be reclassified to earnings at that time.

By entering into the swap agreement and designating it as a cash flow hedge, the Corporation expects to effectively convert the variable rates associated with the ongoing FHLB borrowings to a fixed rate. The Corporation pays a fixed interest rate of 0.76% to the counterparty, Stifel, on the notional amount of the swap and it receives a floating rate of interest from the counterparty on the same notional amount. The swap agreement was executed prior to the cessation of the use of LIBOR in derivatives contracts. Per guidance by the International Swap Dealers Association ("ISDA") and the Alternative Reference Rate Committee ("ARRC"), the floating rate is based on the Secured Overnight Financing Rate (SOFR) plus a spread adjustment. The spread adjustment reflects the differences between SOFR, and the appropriate term historical LIBOR rate. The spread adjustment was computed as the median difference between SOFR and the appropriate term LIBOR rate using a 5-year look back period. The floating rate for this swap is SOFR + 26.161bps.

Interest payments are calculated and paid quarterly on a net basis, and the related impact of this net transaction is presented as an adjustment to the interest expense of the associated FHLB borrowing within current earnings.

The notional amount of the swap is not exchanged and does not represent exposure to credit loss. In the event of a default by the counterparty, the risk in this transaction is the cost of replacing the agreement at current market rates.

NOTE 14 – DERIVATIVES INSTRUMENT & HEDGING ACTIVITIES (CONTINUED)

The following table summarizes the Corporation's derivative financial instrument as of December 31, 2024 and 2023:

Derivative designated as hedging instrument	Notional Contract Amount	Fair Value	Balance Sheet Location
	(In thousands)		
2024			
Cash flow hedge	**$ 24,000**	**$ 4,324**	**Interest rate swap asset**
2023			
Cash flow hedge	$ 24,000	$ 4,267	Interest rate swap asset

The maturity date of the cash flow hedge is September 24, 2030.

The following table summarizes the effect of the Corporation's derivative financial instrument on net income for the twelve months ended December 31, 2024 and 2023:

Derivative designated as hedging instrument	Amount of Gain Reclassified from AOCI Into Income	Location of Loss Recognized from AOCI Into Income
	(In thousands)	
2024		
Cash flow hedge	**$ 1,152**	Interest Expense: Long-term debt, net
2023		
Cash flow hedge	$ 1,092	Interest Expense: Long-term debt, net

Interest Expense (Income):

Financial statement line	**2024**	2023
	(in thousands)	
Interest (Income) Expense – Long-term debt, net	**$ (1,152)**	$ (1,092)

NOTE 15 - CONTINGENCIES

The Corporation is subject to claims and lawsuits which arise primarily in the ordinary course of business. Based on information presently available and advice received from legal counsel representing the Corporation in connection with any such claims and lawsuits, it is the opinion of management that the disposition or ultimate determination of any such claims and lawsuits will not have a material adverse effect on the consolidated financial position, consolidated results of operations or liquidity of the Corporation.

NOTE 16 - CONDENSED FINANCIAL INFORMATION FOR PARENT COMPANY ONLY

BALANCE SHEETS

	December 31, 2024	December 31, 2023
	(In Thousands)	
ASSETS		
Cash	**$ 608**	$ 525
Investment in bank subsidiary	**42,089**	43,686
Investment in consolidated subsidiary trust	**155**	155
Securities available for sale	**1,268**	1,227
Other assets	**3**	87
Total Assets	**$ 44,123**	$ 45,680
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities	**$ 230**	$ 225
Junior subordinated debt	**5,155**	5,155
Shareholders' equity	**38,738**	40,300
Total Liabilities and Shareholders' Equity	**$ 44,123**	$ 45,680

STATEMENTS OF INCOME

	Years Ended December 31, 2024	Years Ended December 31, 2023
	(In Thousands)	
Dividends from bank subsidiary	**$ 385**	$ 2,011
Other dividends	**61**	60
Unrealized gains(losses) on equity securities	**41**	(86)
	487	1,985
Expenses	**451**	332
Net income before equity in undistributed earnings	**36**	1,653
Equity in undistributed earnings in bank subsidiary	**1,065**	(454)
Net Income	**$ 1,101**	$ 1,199
Total Comprehensive Income (Loss)	**$ (1,562)**	$ 5,326

NOTE 16 - CONDENSED FINANCIAL INFORMATION FOR PARENT COMPANY ONLY (CONTINUED)

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2024	2023
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 1,101**	$ 1,199
Equity in undistributed earnings of bank subsidiary	**(1,065)**	454
Unrealized gains(losses) on securities	**(41)**	86
(Increase) decrease in other assets	**84**	(37)
Increase (decrease) in other liabilities	**4**	(2)
Net Cash Provided by Operating Activities	**83**	1,700
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	**0**	(1,812)
Net Cash Used in Financing Activities	**0**	(1,812)
Net Increase (Decrease) in Cash	**83**	(112)
CASH - BEGINNING	**525**	637
CASH - ENDING	**$ 608**	$ 525

Summary of Selected Financial Data

(Amounts in Thousands, Except Per Share Data)

	2024	2023	2022	2021	2020
Income Statement Data					
Net interest income	**$ 15,651**	$ 16,611	$ 20,245	$ 18,013	$ 15,640
Provision for (reversal of) credit losses	**(43)**	1,645	550	125	600
Gains on sales of securities	**-**	-	-	39	249
Other income	**4,195**	3,859	3,501	3,508	3,148
Other expenses	**18,455**	17,880	17,215	15,582	13,859
Income before Income Taxes	**1,434**	942	5,981	5,853	4,578
Income tax expense (benefit)	**333**	(257)	739	686	513
Net Income	**$1,101**	$ 1,199	$ 5,242	5,167	4,065
Balance Sheet Data (Period End)					
Total assets	**$ 676,761**	$ 707,545	$ 707,771	$ 698,408	$608,291
Loans, net	**449,275**	466,538	455,924	404,355	380,726
Investments:					
Available for sale	**172,193**	187,700	187,373	233,568	169,701
Deposits	**583,420**	560,067	584,673	589,532	494,263
Short-term borrowings	**8,000**	28,000	42,009	3,150	3,827
Long-term debt	**41,155**	74,155	38,155	43,155	49,155
Shareholders' equity	**38,738**	40,300	37,167	57,163	55,795
Per Share Data					
Basic earnings	**$0.39**	$0.42	$1.85	$1.83	$1.44
Cash dividends declared	**0.00**	0.64	0.80	0.80	0.70
Book value	**13.69**	14.24	13.13	20.20	19.76
Weighted average common shares outstanding	**2,830**	2,830	2,830	2,825	2,824
Selected Ratios					
Return on average assets	**0.16** %	0.17 %	0.74 %	0.78 %	0.70 %
Return on average shareholders' equity	**2.73** %	3.17 %	11.46 %	9.03 %	7.65 %
Average equity to average assets	**5.76** %	5.39 %	6.49 %	8.66 %	9.15 %
Allowance for credit losses to total loans at end of period	**1.21** %	1.29 %	1.13 %	1.16 %	1.20 %
Dividend payout ratio	**0.00** %	151.04 %	43.19 %	43.79 %	48.61 %

Summary of Selected Financial Data (Continued)

The following represents summarized unaudited quarterly financial data of the Corporation which in the opinion of management, reflects adjustments (comprising only normal recurring accruals) necessary for fair presentation:

	Three Months Ended			
	December 31	**September 30**	**June 30**	**March 31**
	(In Thousands, Except per Share Amounts)			
2024:				
Interest income	**$ 7,491**	**$ 7,494**	**7,546**	**7,291**
Interest expense	**3,402**	**3,553**	**3,566**	**3,650**
Net interest income	**4,089**	**3,941**	**3,980**	**3,641**
Provision for (reversal of) credit losses	**105**	**(324)**	**75**	**101**
Provision for income taxes	**498**	**(12)**	**21**	**(174)**
Net income	**25**	**723**	**539**	**(186)**
Net income per share, basic	**0.01**	**0.26**	**0.19**	**-0.07**
2023:				
Interest income	$ 7,234	$ 7,198	$ 6,844	$ 6,677
Interest expense	3,461	3,101	2,645	2,135
Net interest income	3,773	4,097	4,199	4,542
Provision for (reversal of) credit losses	1,251	86	308	-
Provision for income taxes	(305)	19	(42)	71
Net income	(608)	573	364	870
Net income per share, basic	(0.22)	0.20	0.13	0.31

DIRECTORS

FIRST COMMUNITY FINANCIAL CORPORATION and PENNIAN BANK

DAVID L. SWARTZ

Chairman of the Board of Directors of the Company and the Bank; Retired, Assistant Director for Animal Systems Programs for Penn State Extension

DANIEL L. BENNER

Vice Chairman of the Board of Directors of the Company and the Bank; Co-Owner of Benner's Butcher Shoppe LLC, Benner's Swine Barn LLC and Benner's Mobile Court LLC, Thompsontown, PA

SCOTT E. FRITZ

President and Chief Executive Officer of the Company and the Bank

JAMES M. SHEAFFER

Secretary of the Board of Directors of the Company and the Bank; Owner and Dealer Principal, Sheaffer Dodge-Chrysler-Jeep-Ram, Mexico, PA

MATTHEW J. FORD

Principal Partner of BFE Associates, LLC, Pleasant Gap, PA

JOHN P. HENRY, III

Vice President of JPH Enterprises, LLC, Port Royal, PA

ROBIN HOLMAN LOY

Attorney-at-Law, New Bloomfield, PA

DAVID M. McMILLEN

Owner of David McMillen Custom Contracting, Inc., Loysville, PA

TIMOTHY P. STAYER

Retired, EVP and Chief Operating Officer of the Company and the Bank

OFFICERS

FIRST COMMUNITY FINANCIAL CORPORATION

DAVID L. SWARTZ

Chairman

DANIEL L. BENNER

Vice Chairman

SCOTT E. FRITZ

President and Chief Executive Officer

JAMES M. SHEAFFER

Secretary

WILLIAM B. MARTIN

Treasurer

BOBBI J. LEISTER

Assistant Secretary

JENNIFER S. MAHONEY

Assistant Secretary

OFFICERS

PENNIAN BANK

SCOTT E. FRITZ
President & Chief Executive Officer

KIMBERLY A. BENNER
EVP & Director of Wealth Management

WILLIAM R. FEIST IV
EVP & Chief Lending Officer

WILLIAM B. MARTIN
EVP & Chief Financial Officer

MICHAEL A. MOORE
EVP & Chief Risk Officer

NANCI L. AUMILLER
SVP & AML/CFT/OFAC and Security Officer

KARL M. BARRY
SVP & Director of Operations

GEORGE LEWIS DAVEY
SVP & Market Executive

JEREMY A. DOBBIN
SVP & Market Executive

TERESA L. GREIDER
SVP & Finance

AUDRA L. HUNTER
SVP & Director of Retail Delivery

CANDACE A. HOFFMAN
SVP & Director of Human Resources

HEATHER J. MILTENBERGER
SVP & Director of Marketing and Business Services

SHAWN R. PROPER
SVP & Director of Mortgage Services and Consumer Lending

NANETTE W. STAKE
SVP & Information Security Officer

CANDICE NEFF BARNETT
VP & Relationship Banking Manager

GENNA R. BROWNBACK
VP & Regional Branch Manager

JUDY V. BUCKLEY
VP & AML/CFT and Security Manager

BRENDA M. L. COMP
VP & IT Manager

BILLIE JO DEITER
VP & Branch Executive Officer/
Retail Sales Specialist

SUSAN M. DROLSBAUGH
VP & Operations Manager

STEPHANIE J. ELDER
VP & Mortgage Specialist

JEFFREY S. FAGAN
VP & Credit Officer

MICHELE M. FRY
VP & Branch Executive Officer

IRA J. HENRY
VP & Loan Documentation Manager

DORIANN F. HOFFMAN
VP & Senior Financial Analyst

MARK A. HOLST
VP & Cash Management Product Manager

BRIAN A. HUMMEL
VP & Financial Consultant

SUSAN L. JENNINGS
VP & Controller

NOEL E. KRISTOFF
VP & Mortgage Loan Originator

RICHARD R. LEITZEL
VP & Internal Financial Consultant

OFFICERS

PENNIAN BANK

DOUGLAS K. McNELIS
VP & Mortgage Loan Originator

ERIC S. PASQUINI
VP & Financial Advisor

KRISTIN ROMBAUGH
VP & Mortgage Sales Manager

J. NEAL SHAWVER
VP & Credit Administration Manager

JAMIE S. STEFFEN
VP & Branch Executive Officer

KAYELENE G. SUNDERLAND
VP & Trust Officer

HOLLY N. TUSING
VP & Regional Branch Manager

NATHAN L. COOK
AVP & Community Development Banker

ERIC A. DAKEY
AVP & Commercial Loan Officer

FLORENCE E. DRESSLER
AVP & Internal Mortgage Loan Originator

JENNIFER R. FORNWALT
AVP & Human Resources Officer

MEGAN L. KERSTETTER
AVP & Product and Business Systems Officer

JENNIFER S. MAHONEY
AVP & Executive Assistant

KIMBERLY A. MANGANARO
AVP & Secondary Market
Mortgage Underwriter

CATHRYN A. MEEHAN
AVP & Risk Management Officer

CHRISTI R. PARTNER
AVP & Portfolio Manager

BRENDA F. BLAKEY
Staff Accountant

RACHAEL N. CLARK
Associate Retail Underwriter

CORYANN CATALANO-ALEXANDRE
Relationship Banker

DANIELLE N. DOEBLER
Credit Supervisor

STACY P. DURBIN
Relationship Banker

JESSICA L. FURLER
Deposit Operations Supervisor

KAYLA R. GRIMM
Branch Executive Officer

SHELLEY HYSONG
Mortgage Processor

BOBBI J. LEISTER
Corporate Relations/Senior Marketing Officer

KIMBERLY McADAMS
Branch Executive Officer

JESSIE E. MARSHALL
Mortgage Processor

TAMMY S. MARSHALL
Credit Analyst

STEPHANIE L. PERRING
Portfolio Manager

EMILY L. RUNYEON
Commercial Loan Officer

JILL M. WALLS
Credit Analyst

SHARON L. WEHLER
Loan Administration Officer

KIRA M. ZIMMERMAN
Retail Banking Administrator

DIRECTORS EMERITI AND ADVISORY BOARDS

DIRECTORS EMERITI

JOSEPH E. BARNES, SR.
NANCY S. BRATTON
WILLIAM R. BUNT
C. ROBERT HOCKENBROCK
SAMUEL G. KINT
DARWIN L. KITNER
NORMAN F. LOVE
JANE B. MARHEFKA
JAMES R. McLAUGHLIN
CLAIR E. McMILLEN
FRED E. MORROW
CHARLES C. NYCE
SAMUEL R. RITZMAN
CHARLES C. SANER
ROGER SHALLENBERGER
ROBERT E. SHEAFFER
LOWELL M. SHEARER
CHARLES C. SMITH
MERVIN J. STRAWSER
JOHN A. TETWILER
TERRY K. URICH
ALAN E. VARNER

ADVISORY BOARDS

JUNIATA COUNTY

DENNIS L. BASSLER
DAVID S. CLARK
JEFFREY J. FRYMOYER
KEVIN L. LONG
RONALD H. MAST
BARBARA G. WILSON

PERRY COUNTY

PETER E. BRUMMER
GERALD R. GABEL
TERRY J. HELLER
JOHN K. McCLELLAN
CLEE L. McMILLEN
JAMES E. SWENSON

BANK LOCATIONS

First Community Financial Corporation and Wholly Owned Subsidiary, Pennian Bank

Pennian Bank is a full-service financial institution serving customers in Cumberland, Dauphin, Juniata and Perry Counties.

JUNIATA COUNTY

MAIN OFFICE
2 North Main Street
Mifflintown, PA 17059
717-436-2144

DELAWARE OFFICE
24021 Rt. 333
Thompsontown, PA 17094
717-535-5158

EAST WATERFORD OFFICE
9775 Rt. 75 South
East Waterford, PA 17021
717-734-2400

FERMANAGH OFFICE
50 Stop Plaza Drive
Mifflintown, PA 17059
717-436-8968

TUSCARORA VALLEY OFFICE
5804 William Penn Highway
Port Royal, PA 17082
717-436-8947

PENNIAN WEALTH MANAGEMENT GROUP
146 Stoney Creek Drive
Mifflintown, PA 17059
717-436-2144

DAUPHIN COUNTY

NORTHERN DAUPHIN OFFICE
34 South Market Street
Elizabethville, PA 17023
717-320-8919

PERRY COUNTY

BLOOMFIELD BOROUGH OFFICE
216 South Carlisle Street
New Bloomfield, PA 17068
717-582-3977

ICKESBURG OFFICE
250 Tuscarora Path
Ickesburg, PA 17037
717-438-3050

LOYSVILLE OFFICE
3544 Shermans Valley Road
Loysville, PA 17047
717-789-2400

NEWPORT OFFICE
75 Red Hill Road
Newport, PA 17074
717-567-2380

CUMBERLAND COUNTY

WEST SHORE OFFICE
559 North 12th Street
Lemoyne, PA 17043
717-510-7201

LOAN PRODUCTION OFFICE
2120 Market Street
Camp Hill, PA 17011
717-510-7274

ONLINE
www.pennian.bank

TOLL FREE
1-866-950-2144

Follow us on Facebook, Instagram and LinkedIn!

Stock and Dividend Information

The Corporation has only one class of common stock authorized, issued and outstanding. Although shares of the Corporation's common stock are traded from time to time in private transactions, and in the over-the-counter market, there is no established public trading market for the stock. The Corporation's common stock is not listed on any stock exchange or automated quotation system and there are no present plans to so list the stock. There can be no assurance that, at any given time, any persons will be interested in acquiring shares of the Corporation's common stock. Price quotations for the Corporation's common stock do not appear regularly in any generally recognized investment media.

The Corporation pays dividends on the outstanding shares of our common stock as determined by the Board of Directors from time to time. It has been the practice of the Board of Directors to declare cash dividends on a quarterly basis. Future dividends will depend upon our earnings, financial position, cash requirements and such other factors as the Board of Directors may deem relevant. The following table sets forth the cash dividends declared per share of the Corporation's common stock and the highest and lowest per share prices at which the Corporation's common stock has traded in private transactions and in the over-the-counter market during the periods indicated. To the best of management's knowledge, such prices do not include any retail mark-up, mark-down or commission. Shares may have been sold in other transactions, the price and terms of which are not known to the Corporation. Therefore, the per share prices at which the Corporation's stock has previously traded may not necessarily be indicative of the true market value of the shares.

	Per Share Sales Price		
Quarter	**High**	**Low**	**Dividends per Share**
First, 2024	$20.00	$19.00	$0.00
Second	19.50	15.00	0.00
Third	13.50	10.00	0.00
Fourth	12.50	10.25	0.00
First, 2023	$22.75	$22.70	$0.16
Second	22.50	22.50	0.16
Third	22.15	22.00	0.16
Fourth	21.25	19.50	0.16

The authorized common stock of the Corporation consists of 10,000,000 shares of common stock, par value $5.00 per share, of which 2,829,567 shares were outstanding at December 31, 2024. There were no shares of the Corporation's common stock (i) that are subject to outstanding options, warrants or securities convertible into common stock; (ii) that the Corporation has agreed to register under the Securities Act for sale by security holders; or (iii) that are or have been proposed to be publicly offered by the Corporation. The Corporation had approximately 777 shareholders of record as of December 31, 2024.

Notice of Annual Meeting

The annual meeting will be held on April 8, 2025. 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. Instructions to attend the meeting are enclosed.

Pennian Bank
Two North Main Street
Mifflintown, PA 17059

www.pennian.bank
1-866-950-2144 Member FDIC