Woodlands
FINANCIAL SERVICES
COMPANY

Annual Report
2024

Woodlands
FINANCIAL SERVICES
COMPANY

OUR MISSION

Woodlands Bank recognizes that our customers are the reason for our existence. Through our staff of professional employees we will consistently strive to deliver the best possible personalized service to individuals and local businesses while, at the same time, creating economic value for our shareholders.

It is our primary aim to make Woodlands Bank
"Rooted in Our Communities"

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Dear Friends:

We are pleased to present the financial results of Woodlands Financial Services Company (Company) for the year 2024. The year was marked by its challenging nature on multiple fronts. The legal process related to the large credit charge-off at the end of 2023 moved forward in a deliberate, but slow pace throughout the year with some progress being made. This progress during the year has led to optimism that some tangible benefits will be realized, and a much clearer view will come into focus in 2025 related to this litigation. Throughout the year, significant resources and focus were devoted to the core conversion project which went live in early October. The data testing and validation efforts coupled with training across the various departments of the bank culminated in a conversion that, while not without some pain, was largely successful. This new core system, along with the numerous ancillary systems, will allow for the achievement of many of the Company's strategic objectives. Management balanced its focus on these Company-specific challenges with navigating an historically difficult banking environment due to the Federal Reserve Open Market Committee's (Fed) austerity in combating inflation using high interest rates on the short end of the curve and balance sheet contraction. The resulting margin compression and stranded, unrealized losses in the investment portfolio received some relief during the third and fourth quarters when the Fed began to lower the overnight borrowing rate. A safety and soundness examination of Woodlands Bank (Bank) during the first quarter of the year provided the Board of Directors and management with assurances that, despite the challenges being faced, the Bank remained in a strong position relative to capital, asset quality, and management.

Net income for the year was $3.11 million. This result, following a year marred by a large credit charge-off, provided some restoration of capital as well as allowing the Company to continue paying dividends at an acceptable level to the shareholders. There was a marked rise in monthly net income over the course of the year, and as projected by management, this was due to the repricing of the loan portfolio and the maturation and paydowns in the investment portfolio. By the end of the year, margins were approaching levels necessary to support targeted, traditional earnings levels. The Trust and Asset Management Department continued to contribute significant income to the bottom line as the department's customer base and assets under management grew substantially during the year. This non-interest income source will receive significant attention related to the Company's strategic efforts as market conditions present quite attractive opportunities for continued growth and profitability. The Company was also able to manage non-interest expenses during the year with only an increase of 3.8% for the year despite the challenges being faced and the projects undertaken.

Total assets ended the year at $600.9 million. This 1.9% reduction in the overall balance sheet during the year reflects the concerted efforts by management to take a more discerning view of its use of capital related to loan growth as well as to continue the shrinking of the Company's investment portfolio through normal paydowns and maturities. This approach ensures the careful use of capital while attempting to bolster regulatory ratios and increase margins through shedding lower-yielding assets and higher-cost funding from the balance sheet. Despite the strategy, the Company experienced a 1.8% growth in net loans for the year. In addition, total deposits increased $22.8 million, 4.5%, year-over-year, partially replacing the high-cost borrowings of $37.8 million that was present on the balance sheet at the end of 2023. Liquidity remains strong, and while a few problem credits exist at the end of the year, management feels that these credits will be resolved with little to no impact on the Company's bottom line or reserves beyond what has already been built into the projected expense for credit losses for the year.

While the financial results of 2024 remain below those of the Company's historic targets, management remains steadfast in its confidence that the Company is positioned for the type of growth and earnings that produce shareholder returns that should be expected. Through the combination of the successful completion of internal strategic projects and objectives and the market conditions and disruption that exists, the Company is poised to be a formidable presence in our markets and beyond. As was stated in my letter last year, the sharpest edges are forged through extreme heat and pressure, and the incredibly dedicated and talented employees across the Bank have faced the challenges of the last few years with a tenacity and determination of which I couldn't be prouder. While we have always focused on maintaining the core principles and behaviors that define the Woodlands brand of community banking, there is at present a convergence of internal and external factors that will enable us to deliver on those promises to our customers and our shareholders in a much bigger and better way in 2025 and beyond. Thank you all for your continued support of and advocacy for our unique brand of community banking. We truly are excited for what lies ahead for the Company and for everybody that has a connection to what we do.

Sincerely,

Jon P. Conklin

Jon P. Conklin
Chairman, President and CEO

IN MEMORIAM OF
JOHN E. HOFFMAN

In July, the Woodlands family lost an instrumental figure in the formation and subsequent growth and success of Woodlands Bank (Bank) and Woodlands Financial Services Company (Company) with the passing of John E. Hoffman. During the Bank's formation in 1989, John became an organizer whose efforts were instrumental in raising the capital necessary for the Bank to open its doors in October 1990. Upon opening, John was elected unanimously to serve as the Vice-Chairman of the Board of Directors (Board), a position that he held until his retirement from the Board at the end of 2006. Both prior to and following his retirement from the Board, John played a key role in every building and construction project undertaken by the Bank. Utilizing his professional expertise as an architect, John spent countless hours assisting the Bank with building plans as well as overseeing the construction work until project completion. John remained deeply involved with both the Bank and the Company serving as a Director Emeritus right up until his passing in July. John's contributions to the success of the Bank and the Company are immeasurable, and his keen insight and calm demeanor will be missed by all who were fortunate enough to work or spend time with John in any capacity.

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Independent Auditor's Report

To the Board of Directors and Stockholders
Woodlands Financial Services Company and Subsidiaries
Williamsport, Pennsylvania

Opinion

We have audited the consolidated financial statements of Woodlands Financial Services Company and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors and Stockholders
Woodlands Financial Services Company and Subsidiaries

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

MMQ + Associates, P.C.

Scranton, Pennsylvania
February 26, 2025

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

(in thousands except per share amounts)

	2024	2023
ASSETS		
Cash and due from banks	$ 9,483	$ 11,253
Interest-bearing deposits with banks	767	1,426
Government money market funds	5	178
Federal funds sold	-	586
Cash and cash equivalents	10,255	13,443
Available-for-sale securities	110,287	124,098
Held-to-maturity securities	-	100
Loans and leases, net	441,437	433,819
Bank premises and equipment, net	10,906	11,229
Accrued interest receivable	1,963	2,024
Deferred tax assets, net	5,331	6,079
Cash surrender value of life insurance	12,782	12,448
Restricted stock	1,656	2,668
Other assets	6,300	6,699
Total assets	$ 600,917	$ 612,607
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Non-interest bearing	$ 146,794	$ 146,173
Interest bearing	389,150	366,939
Total deposits	535,944	513,112
Federal funds purchased	155	38,000
Long-term debt	23,951	23,941
Accrued interest payable	649	776
Other liabilities	4,566	3,609
Total liabilities	565,265	579,438
Stockholders' equity		
Common stock, $5.00 par value, 10,000,000 shares authorized; 1,551,057 and 1,548,908 shares issued and 1,396,757 and 1,394,608 outstanding	7,755	7,744
Preferred stock, $5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	-	-
Additional paid-in capital	8,344	8,320
Retained earnings	35,562	34,070
Accumulated other comprehensive income	(11,440)	(12,396)
Total	40,221	37,738
Less: Treasury stock at cost, 154,300 shares	(4,569)	(4,569)
Total stockholders' equity	35,652	33,169
Total liabilities and stockholders' equity	$ 600,917	$ 612,607

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

(in thousands except per share amounts)

	2024	2023
Interest income		
Interest and fees on loans and leases	$ 23,468	$ 20,920
Interest on cash and cash equivalents	149	133
Interest and dividends on investments:		
Taxable	2,895	3,199
Tax-exempt	520	559
Dividends	197	78
Interest on Federal funds sold	117	83
Total interest income	27,346	24,972
Interest expense		
Interest on deposits	9,571	7,479
Interest on borrowed funds	2,432	1,614
Total interest expense	12,003	9,093
Net interest income	15,343	15,879
Expense for credit loss	300	10,265
Net interest income, after expense for credit loss	15,043	5,614
Other income		
Service charges and other fees	963	974
Other operating income	1,924	1,956
Trust department income	1,720	1,654
Gain on sale of loans and other assets, net	56	33
Loss on investment securities, net	-	(43)
Total other income	4,663	4,574
Other expenses		
Salaries and employee benefits	8,489	8,402
Occupancy expense	776	783
Furniture and equipment expense	827	750
FDIC insurance premiums	480	276
Data processing expense	1,283	1,291
Professional fees	729	375
Other operating expenses	3,756	3,867
Total other expenses	16,340	15,744
Income (loss) before income taxes	3,366	(5,556)
Provision (credit) for income taxes	255	(1,573)
Net income (loss)	$ 3,111	$ (3,983)
Net income (loss) per common share	$ 2.23	$ (2.86)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

(in thousands except per share amounts)

	2024	2023
Net income (loss)	$ 3,111	$ (3,983)
Other comprehensive income, net of tax:		
Unrealized holding gains arising during the year	956	2,372
Less: Reclassification adjustment for losses included in net income	-	(34)
Other comprehensive income	956	2,406
Comprehensive income (loss)	$ 4,067	$ (1,577)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

(in thousands except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2022	$ 7,736	$ 8,299	$ 39,643	$ (14,802)	$ (4,569)	$ 36,307
Net loss			(3,983)			(3,983)
Other Comprehensive Income				2,406		2,406
Issuance of 1,640 shares under employee stock purchase plan	8	21				29
Cash dividends declared ($1.14 per share)			(1,590)			(1,590)
Balance, December 31, 2023	7,744	8,320	34,070	(12,396)	(4,569)	33,169
Net income			3,111			3,111
Other Comprehensive Income				956		956
Issuance of 2,149 shares under employee stock purchase plan	11	24				35
Cash dividends declared ($1.16 per share)			(1,619)			(1,619)
Balance, December 31, 2024	$ 7,755	$ 8,344	$ 35,562	$ (11,440)	$ (4,569)	$ 35,652

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

(in thousands except per share amounts)

	2024	2023
Operating activities		
Net income (loss)	$ 3,111	$ (3,983)
Adjustments to reconcile net income to net cash provided by operating activities:		
Expense for credit loss	300	10,265
Depreciation	496	496
Amortization of securities (net of accretion)	(545)	548
(Gain) loss on sale of investment securities, loans and other assets, net	(56)	10
Increase in cash surrender value of life insurance	(334)	(315)
Sale of mortgage loans originated for sale	2,602	553
Mortgage loans originated for sale	(2,681)	(546)
Deferred taxes (benefit)	495	(1,583)
Debt issuance costs	9	9
Decrease (increase) in accrued interest receivable	60	(190)
Decrease (increase) in other assets	399	(1,546)
(Decrease) increase in accrued interest payable	(127)	719
Increase in other liabilities	957	58
Net cash provided by operating activities	4,686	4,495
Investing activities		
Purchase of available-for-sale securities	-	(1,998)
Proceeds from sales and repayments of available-for-sale securities	15,567	11,720
Proceeds from maturities of held-to-maturity securities	100	200
Net increase in loans and leases	(7,782)	(33,956)
Proceeds from sale of other real estate	-	97
Purchase of restricted stock	(175)	(2,023)
Proceeds from sale of restricted stock	1,187	-
Purchase of bank premises and equipment	(174)	(317)
Net cash provided by (used in) investing activities	8,723	(26,277)
Financing activities		
Net increase (decrease) in deposits	22,832	(53,940)
(Decrease) increase in short-term borrowings	(37,845)	38,000
Proceeds from long-term borrowings	-	20,000
Dividends paid to stockholders of common stock	(1,619)	(1,590)
Proceeds from issuance of common stock	35	29
Net cash (used in) provided by financing activities	(16,597)	2,499
Net decrease in cash and cash equivalents	(3,188)	(19,283)
Cash and cash equivalents at January 1	13,443	32,726
Cash and cash equivalents at December 31	$ 10,255	$ 13,443

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Woodlands Financial Services Company (Company) is a Pennsylvania corporation organized as a financial services holding company of Woodlands Bank (Bank) and Woodlands Stock Corporation. The Bank is a state chartered commercial bank located in Williamsport, Pennsylvania and operates as a traditional community bank, providing commercial and consumer banking and trust services in Lycoming and Clinton Counties and the surrounding market area.

Basis of Presentation

The Financial Statements of the Company have been consolidated with those of its wholly-owned subsidiaries, Woodlands Bank and Woodlands Stock Corporation, eliminating all intercompany items and transactions.

All information is presented in thousands of dollars, except per share amounts.

The Company has evaluated subsequent events through February 26, 2025, the date that these financial statements were available to be issued, and concluded no events or transactions occurred during that period requiring recognition or disclosure.

Segment Reporting

Public business enterprises are required to report financial and descriptive information about their reportable operating segments. The Company has determined that its only reportable segment is community banking.

Use of Estimates

The preparation of 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of investment securities.

Per Share Data

Earnings per share of common stock have been computed on the basis of the weighted-average number of shares of common stock outstanding during the period. The number of common shares used in computing basic and diluted earnings per share and dividends per share was 1,395,688 in 2024 and 1,393,795 in 2023.

Investment Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Investments in securities are classified in two categories and accounted for as follows:

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Securities Held-to-Maturity - Bonds, notes and other debt securities for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts, computed by a method that approximates the effective interest method, over the remaining period to maturity.

Securities Available-for-Sale - Bonds, notes, other debt securities, mortgage-backed securities not classified as securities to be held-to-maturity and equity securities are carried at fair value with unrealized holding gains and losses, net of tax, reported as a net amount in a separate component of stockholders' equity until realized.

The amortization of premiums on mortgage-backed securities is based on the Espiel prepayment model which mirrors the dynamic nature of prepay speeds over the life of the securities. The model incorporates underlying factors such as changes in interest rates, details of origination, ages of loan, loan types, loan balances and credit ratings to more accurately project future prepayment activity. The four sources of prepayment incorporated into the model include U.S. home sales and activity, borrower refinancing activity, principal curtailment, and loan default.

Gains and losses on the sale of securities available-for-sale are determined using the specific identification method and are reported as a separate component of other income in the Consolidated Statements of Income.

The Company evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. The Company employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments. In the event that the cost of an investment exceeds its fair value, the Company evaluates, among other factors, the magnitude and duration of the decline in fair value; the expected cash flows of the securities; the financial health of and business outlook for the issuer; the performance of the underlying assets for interests in securitized assets; and the Company's intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in investment income and a new cost basis in the investment is established.

Loans and Leases

Loans are stated at unpaid principal balance, net of unamortized deferred loan fees and costs and an allowance for credit losses. Interest income is accrued on the unpaid principal balance of the loans. The Company recognizes nonrefundable loan origination fees and certain direct loan origination costs over the life of the related loans as an adjustment of the loan yield using the interest method.

Loans are placed on nonaccrual status when principal or interest is past due 90 days or more and the collection of interest is doubtful. Interest accrued but not collected as of the date of placement on nonaccrual status is reversed and charged against current income. Interest income on the nonaccrual loans is recognized only to the extent of interest payments received. Loans are returned to the accrual status when factors indicating doubtful collectability cease to exist.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Allowance for Credit Losses

The Company's allowance for credit losses is determined using a current expected credit loss (CECL) model. The CECL methodology recognizes lifetime expected credit losses immediately when a financial asset is originated or purchased. The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans. The allowance for credit losses is established through expense for credit losses charged against income. Loans or leases deemed to be uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance for credit losses.

The Company's methodologies for estimating the allowance for credit losses consider available relevant information about the collectability of cash flows, including information about past events, current economic conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions expected to exist through the contractual lives of the loans and leases that are reasonable and supportable, to the identified pools of loans and leases with similar risk characteristics for which the historical loss experience was observed. The allowance for credit losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans and leases that are classified as special mention, substandard, or doubtful. Each special mention, substandard, and doubtful loan is analyzed under ASC 326-20 to determine the risk characteristics of each asset. If an analyzed loan does not have materially different risk characteristics than other loans within the pool, the loan balance is included in the appropriate homogeneous pool for the reserve calculation. When an individually analyzed loan is determined to have different risk characteristics than the remainder of the pool, the bank chooses one of the following to measure expected credit losses:

- The present value of expected future cash flows discounted at the loan's effective interest rate
- The fair value of collateral less costs to sell, if the loan is collateral dependent. A loan is collateral dependent if repayment of the loan is expected to be provided soley by the underlying collateral and there are no other available and reliable sources of repayment.

Mortgage Banking Activity

Loans held for sale consist of residential mortgage loans originated by the Company. They are recorded at the lower of cost or estimated fair value on an aggregate basis. Gains and losses are included in the Consolidated Statements of Income.

Bank Premises and Equipment

Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are expensed as incurred. When premises or equipment are retired or sold, the remaining cost and accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Other Real Estate

Other real estate acquired through foreclosure or other means is recorded at the lower of its carrying value or fair value of the property at the transfer date, less estimated selling costs. Costs to maintain other real estate are expensed as incurred. Other real estate is included with other assets in the balance sheets. The Company had no other real estate owned as of December 31, 2024 or 2023.

Revenue Recognition

The Company recognizes revenue from various activities. Certain revenues are generated from contracts where they are recognized when, or as services are provided to customers for amounts the Company expects to be entitled. Revenue generating activities related to financial assets and liabilities are also recognized, including interest on loans, fees on depository accounts, and gains and losses on securities. Certain specific policies include the following:

- Trust services recognized over the period in which services are performed and are based on a percentage of the fair value of the assets under management.

- Service fees include service charges on deposit accounts received under depository agreements with customers. Checking or savings accounts may contain fees for various services used on a day-to-day basis by a customer. Fees are recognized as services are delivered to and consumed by the customer, or as penalty fees are charged.

- Credit and debit card revenue includes interchange from credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Company records interchange as services are provided. Transaction and account management fees are recognized as services are provided.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2024 and 2023, amounted to $301 and $300, respectively.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) as well as deferred taxes on temporary differences. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of temporary differences between book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for years before 2021.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Cash Flows

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, due from banks, interest bearing balances with banks, government money market funds and Federal funds sold for a one-day period.

The Company paid interest and income taxes of $12,130 and $0 during the year ended December 31, 2024 and $8,374 and $700 during the year ended December 31, 2023, respectively.

Non-cash transactions during the years ended December 31, 2024 and 2023 included the change in unrealized gains (losses) on available-for-sale securities of $1,210 and $3,002, respectively, and the net acquisition of real estate in the settlement of loans of $0 and $71, respectively.

Long-Lived Assets

The Company reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets might not be recoverable.

Trust Assets and Income

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the financial statements since such items are not assets of the Company. Trust income is reported on a cash basis, which is not materially different from the accrual basis.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which created a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU required financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU required that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. ASU 2016-13 was effective for the Company on January 1, 2023. The adoption of ASU 2016-13 did not have a significant impact on the Company's consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* ASU No. 2019-04 was issued as part of the FASB's ongoing project to improve upon its Accounting Standards Codification (ASC), and to clarify and improve areas of guidance related to recently issued standards on credit losses, hedging, and recognition and measurement. This guidance contains several effective dates. The amendments related to ASC 326 were effective for the Company as of January 1, 2023, the amendments related to ASC 815 and ASC 825 were effective for the Company as of January 1, 2020. Neither amendment had a significant impact on the Company's consolidated financial statements.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity,* which addresses the complexity of its guidance for certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 removes the accounting models that require beneficial conversion features or cash conversion features associated with convertible instruments to be recognized as a separate component of equity, adds certain disclosure requirements for convertible instruments, amends the guidance for the derivatives scope exception for contracts in an entity's own equity and simplifies the diluted earnings per share calculation for certain situations. This ASU was effective for the Company beginning on January 1, 2024. The adoption of ASU 2020-06 did not have a significant impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.* This ASU eliminated the accounting guidance for troubled debt restructurings by creditors in ASC 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, for public business entities, ASU 2022-02 required that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. This guidance was effective for the Company as of January 1, 2023. The adoption of this standard primarily impacted the Company's disclosures but did not have a material impact on its consolidated financial position and consolidated results of operations.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures,* which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This guidance is effective for the Company beginning on January 1, 2025. The adoption of ASU 2023-09 is not expected to have a significant impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-01, Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards. The ASU adds an example with four fact patterns to ASC 718-10, Compensation – Stock Compensation – Overall, in order to assist preparers of financial statements in determining whether profits interest units should be accounted for within the scope of the guidance in ASC 718 or ASC 710, Compensation - General. The ASU only addresses the scope determination and does not amend the recognition or measurement guidance in either ASC 710 or ASC 718. This ASU is effective for the Company beginning on January 1, 2025. The adoption of ASU 2024-01 is not expected to have a significant impact on the Company's consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. ASU 2024-03 adds Subtopic 220-40, Expense Disaggregation Disclosures, to the Accounting Standards Codification. The ASU requires public business entities to disclose in the notes to their financial statements disaggregated information, in tabular format, about relevant expense captions that are presented on their annual and interim income statements. This ASU is effective for the Company's annual financial statements beginning on January 1, 2027. The adoption of ASU 2024-03 is not expected to have a significant impact on the Entity's consolidated financial position or results of operations.

In November 2024, the FASB issued ASU 2024-04, Debt – Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments. The ASU clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. This ASU is effective for the Company beginning on January 1, 2026. The adoption of ASU 2024-04 is not expected to have a significant impact on the Entity's consolidated financial statements.

Note 2 – Restrictions on Cash and Due from Banks

Banks are required to maintain reserves, in the form of cash balances with the Federal Reserve Bank, against their deposit liabilities. The Company may, from time to time, maintain balances with financial institutions in excess of federally insured limits.

Note 3 – Investment Securities

The amortized cost and fair value of investment securities are as follows:

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Government securities	$ 20,186	$ -	$ 1,535	$ 18,651
State and political subdivisions	43,936	-	6,818	37,118
Corporate securities	19,620	-	1,943	17,677
Mortgage-backed securities	41,026	6	4,191	36,841
Total available-for-sale	$ 124,768	$ 6	$ 14,487	$ 110,287
Held-to-maturity:				
Other securities	$ -	$ -	$ -	$ -

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Government securities	$ 22,252	$ -	$ 1,822	$ 20,430
State and political subdivisions	45,730	-	6,472	39,258
Corporate securities	19,883	-	2,659	17,224
Mortgage-backed securities	51,925	43	4,782	47,186
Total available-for-sale	$ 139,790	$ 43	$ 15,735	$ 124,098
Held-to-maturity:				
Other securities	$ 100	$ -	$ 1	$ 99

The amortized cost and estimated fair value of debt securities at December 31, 2024, by contractual maturity, are presented in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or repayment penalties.

Note 3 – Investment Securities – (Continued)

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,495	$ 2,489	$ -	$ -
Due after one year through five years	26,236	24,233	-	-
Due after five years through ten years	23,477	20,839	-	-
Due after ten years	31,534	25,885	-	-
Subtotal	83,742	73,446	-	-
Mortgage-backed securities	41,026	36,841	-	-
Total debt securities	$ 124,768	$ 110,287	$ -	$ -

There were no sales of available-for-sale debt securities during 2024.

Proceeds from sales of available-for-sale debt securities during 2023 were $4,156. Gross gains and gross losses realized on these sales were $1 and $44, respectively.

Investment securities with a carrying value of $88,814 at December 31, 2024 and $107,864 at December 31, 2023, were pledged as collateral for public deposits and other items as provided by law.

Gross unrealized losses and fair values, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position are shown below.

	December 31, 2024					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Government securities	$ -	$ -	$ 18,651	$ 1,535	$ 18,651	$ 1,535
State and political subdivisions	561	1	36,557	6,817	37,118	6,818
Corporate securities	-	-	15,933	1,943	15,933	1,943
Mortgage-backed securities	825	1	32,900	4,190	33,725	4,191
Total	$ 1,386	$ 2	$ 104,041	$ 14,485	$ 105,427	$ 14,487

	December 31, 2023					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Government securities	$ -	$ -	$ 20,430	$ 1,822	$ 20,430	$ 1,822
State and political subdivisions	3,036	60	36,222	6,412	39,258	6,472
Corporate securities	-	-	15,735	2,659	15,735	2,659
Mortgage-backed securities	49	1	42,858	4,781	42,907	4,782
Other securities	-	-	99	1	99	1
Total	$ 3,085	$ 61	$ 115,344	$ 15,675	$ 118,429	$ 15,736

Note 3 – Investment Securities – (Continued)

The table at December 31, 2024 includes five (5) securities that have unrealized losses for less than twelve months and one hundred seventy four (174) securities that have been in an unrealized loss position for twelve or more months. The table at December 31, 2023 includes nine (9) securities that have unrealized losses for less than twelve months and one hundred eighty four (184) securities that have been in an unrealized loss position for twelve or more months.

Investment securities, other than mortgage-backed securities - The unrealized losses on the Company's investments in investment securities, other than mortgage-backed securities, were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2024.

Mortgage-backed securities - The unrealized losses on the Company's investments in mortgage-backed securities were caused by interest rate increases. The contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2024.

Note 4 – Loans and Leases

Major classifications of loans and leases are as follows:

	December 31,	
	2024	2023
Commercial	$ 82,537	$ 79,105
Consumer	3,063	1,107
Real estate:		
Construction	6,267	8,039
Farmland	10,303	9,649
Residential	134,545	133,152
Home equity lines of credit	51,350	50,981
Multi-family	19,479	16,457
Commercial	139,276	140,514
Gross loans and leases	446,820	439,004
Less: Allowance for credit losses	5,383	5,185
Loans and leases, net	$ 441,437	$ 433,819

Net unamortized loan and lease costs of $0 at December 31, 2024 and $2 at December 31, 2023 are included in the carrying value of loans and leases shown above.

Note 4 – Loans and Leases – (Continued)

Age Analysis of Past Due Loans
As of December 31

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment 90+ Days and Accruing
2024							
Commercial	$ 2,097	$ 458	$ 775	$ 3,330	$ 79,207	$ 82,537	$ -
Commercial real estate	6,301	473	3,820	10,594	164,731	175,325	-
Consumer	1	1	-	2	3,061	3,063	-
Residential	1,911	744	1,503	4,158	181,737	185,895	-
Total	$ 10,310	$ 1,676	$ 6,098	$ 18,084	$ 428,736	$ 446,820	$ -
2023							
Commercial	$ 12	$ 101	$ 309	$ 422	$ 78,683	$ 79,105	$ 249
Commercial real estate	66	381	627	1,074	173,585	174,659	-
Consumer	1	-	-	1	1,106	1,107	-
Residential	954	301	502	1,757	182,376	184,133	-
Total	$ 1,033	$ 783	$ 1,438	$ 3,254	$ 435,750	$ 439,004	$ 249

Credit Quality Indicators. As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to (i) loan delinquency, (ii) the level of classified commercial loans, (iii) net charge-offs, (iv) non-performing loans (see details above) and (v) the general economic conditions in the State of Pennsylvania.

The Company utilizes a risk grading matrix to assign a risk grade to each of its commercial and residential loans. Loans are graded on a scale of 1 to 10. A description of the general characteristics of the 10 risk grades is as follows:

Pass Credits (Rating 1 through 5): Loans that are adequately protected by the current sound worth and debt service capacity of the borrower, guarantor, or the underlying collateral generally are considered pass credits. Similarly, loans to sound borrowers that are renewed or restructured in accordance with prudent underwriting standards are considered pass credits.

Watch (Rating 6): Watch credits are current and performing, but certain credit characteristics may have become impaired. Watch credits are those that require additional monitoring but do not fall into the problem asset grade.

Special Mention (Rating 7): A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Note 4 – Loans and Leases – (Continued)

Substandard Assets (Rating 8): A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful Assets (Rating 9): An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss Assets (Rating 10): Assets classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Credit Risk Profile by Payment Activity

	Consumer	
	2024	2023
Performing	$ 3,062	$ 1,106
Nonperforming	1	1
Total	$ 3,063	$ 1,107

Credit Quality Indicators as of December 31, 2024 and 2023

Commercial Credit Exposure Credit Risk Profile by Credit Worthiness Category

	Commercial		Commercial Real Estate	
	2024	2023	2024	2023
Pass	$ 68,413	$ 69,569	$ 156,138	$ 158,675
Watch	184	5,860	2,951	4,364
Special mention	7,852	185	969	3,268
Substandard	6,088	3,491	15,267	8,352
Total	$ 82,537	$ 79,105	$ 175,325	$ 174,659

Residential Credit Exposure Credit Risk Profile by Credit Worthiness Category

	Residential	
	2024	2023
Pass	$ 180,806	$ 179,354
Watch	366	1,413
Special mention	217	69
Substandard	4,506	3,297
Total	$ 185,895	$ 184,133

Note 4 – Loans and Leases – (Continued)

The Company separately determines any specific allocation of loss for individually analyzed loans in accordance with ASC 326-20 and adds that amount to the required reserve. If a loan is analyzed individually but the amount of expected credit loss is determined as zero, no reserve is required. If a loan is analyzed individually and a loss is expected a reserve for that loss shall be added to the allowance for credit loss.

Loans in excess of 180 days past due have been individually analyzed under ASC 326-20. Generally, the bank does not allocate a specific reserve for shortfalls where accounts exceed 180 days past due, rather the loss is recognized.

When a loan is collateral dependent, the recorded investment in excess of the fair value of the collateral that has been identified as uncollectible shall be promptly reserved or charged off against the allowance. A reserve for the shortfall may be deemed appropriate in the cases where the borrower is still making payments. Fair value of collateral is generally determined with a current appraisal.

Segmentation of the homogeneous portfolio includes the following categories identified: 1-4 family (owner occupied), 1-4 family junior lien loans, 1-4 family revolving lines of credit, 1-4 family (non-owner occupied), commercial real estate (owner occupied), commercial real estate (non-owner occupied), land development, student housing, C & I, unsecured (commercial), tax exempts and non-profits, and consumer & other.

The Company has calculated the average life of each segment in the portfolio adjusting for anomalies as appropriate. The changes in the average life are adjusted annually as necessary.

Additional risk factors are considered by management based on its judgment of selected environmental factors, specifically economic conditions, delinquency trends, concentrations and underwriting standards, changes in the value[s] of underlying collateral supporting loans in the Company's homogeneous pools, changes in lending policy, changes in lending staff, changes in the Company's loan review system, effect of external legal, regulatory and competitive factors and other qualitative adjustments as necessary. The Company evaluated suggested alternatives for calculating the qualitative factors related to economic and business conditions and implemented a matrix to measure these conditions.

Specifically Analyzed Loans
For the Year Ended December 31, 2024

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial Real Estate	$ 5,753	$ 5,753	$ -	$ 5,811	$ 356
Commercial	3,023	3,023	-	2,376	177
Consumer	-	-	-	-	-
Residential Real Estate	1,998	1,998	-	2,320	103
With an allowance recorded:					
Commercial Real Estate	2,003	2,003	24	2,168	143
Commercial	724	724	89	781	48
Consumer	1	1	1	1	-
Residential Real Estate	132	132	3	70	8
Total:	$ 13,634	$ 13,634	$ 117	$ 13,527	$ 835
Commercial Real Estate	$ 7,756	$ 7,756	$ 24	$ 7,979	$ 499
Commercial	$ 3,747	$ 3,747	$ 89	$ 3,157	$ 225
Consumer	$ 1	$ 1	$ 1	$ 1	$ -
Residential Real Estate	$ 2,130	$ 2,130	$ 3	$ 2,390	$ 111

Note 4 – Loans and Leases – (Continued)

Specifically Analyzed Loans
For the Year Ended December 31, 2023

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial Real Estate	$ 652	$ 652	$ -	$ 657	$ 48
Commercial	145	145	-	172	13
Consumer	-	-	-	-	-
Residential Real Estate	810	810	-	817	31
With an allowance recorded:					
Commercial Real Estate	-	-	-	-	-
Commercial	121	121	65	124	7
Consumer	1	1	1	1	1
Residential Real Estate	232	232	19	239	23
Total:	$ 1,961	$ 1,961	$ 85	$ 2,010	$ 123
Commercial Real Estate	$ 652	$ 652	$ -	$ 657	$ 48
Commercial	$ 266	$ 266	$ 65	$ 296	$ 20
Consumer	$ 1	$ 1	$ 1	$ 1	$ 1
Residential Real Estate	$ 1,042	$ 1,042	$ 19	$ 1,056	$ 54

Non-Accrual and Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured with the minimum of a six month positive payment history.

Non-accrual loans at December 31, 2024 and 2023, segregated by class of loans, were as follows:

	2024	2023
Commercial	$ 952	$ 266
Commercial real estate	6,239	652
Consumer	1	1
Residential real estate	2,271	1,110
Total	$ 9,463	$ 2,029

Note 4 – Loans and Leases – (Continued)

Allowance for Credit Losses and Recorded Investment in Loans For The Year Ended December 31, 2024

	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
Allowance for credit losses:						
Beginning balance	$ 1,127	$ 2,322	$ 30	$ 1,616	$ 90	$ 5,185
Expense for credit loss	126	(45)	35	(98)	282	300
Loans charged off	(39)	-	(27)	(12)	(63)	(141)
Recoveries	29	-	4	-	6	39
Ending balance	$ 1,243	$ 2,277	$ 42	$ 1,506	$ 315	$ 5,383
Ending balance: Individually evaluated for impairment	89	24	1	3	-	117
Ending balance: Collectively evaluated for impairment	$ 1,154	$ 2,253	$ 41	$ 1,503	$ 315	$ 5,266
Loans:						
Ending balance	$ 82,537	$ 175,325	$ 3,063	$ 185,895		$ 446,820
Ending balance: Individually evaluated for impairment	3,747	7,756	1	2,130		13,634
Ending balance: Collectively evaluated for impairment	$ 78,790	$ 167,569	$ 3,062	$ 183,765		$ 433,186

Note 4 – Loans and Leases – (Continued)

Allowance for Credit Losses and Recorded Investment in Loans For The Year Ended December 31, 2023

	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
Allowance for credit losses:						
Beginning balance	$ 770	$ 2,126	$ 14	$ 1,776	$ 68	$ 4,754
Expense for credit loss	10,168	196	18	(139)	22	10,265
Loans charged off	(9,811)	-	(2)	(21)	-	(9,834)
Recoveries	-	-	-	-	-	-
Ending balance	$ 1,127	$ 2,322	$ 30	$ 1,616	$ 90	$ 5,185
Ending balance: Individually evaluated for impairment	65	-	1	19	-	85
Ending balance: Collectively evaluated for impairment	$ 1,062	$ 2,322	$ 29	$ 1,597	$ 90	$ 5,100
Loans:						
Ending balance	$ 79,105	$ 174,659	$ 1,107	$ 184,133		$ 439,004
Ending balance: Individually evaluated for impairment	266	652	1	1,042		1,961
Ending balance: Collectively evaluated for impairment	$ 78,839	$ 174,007	$ 1,106	$ 183,091		$ 437,043

The Company's allowance for credit losses is determined using a current expected credit loss (CECL) model. The CECL methodology recognizes lifetime expected credit losses immediately when a financial asset is originated or purchased. The allowance, in the judgment of management, is necessary to reserve for estimated credit losses and risks inherent in the underlying financial assets. The Company's allowance for credit loss methodology includes allowance allocations calculated in accordance with ASC 326-20, Financial instruments - Credit Losses - Measured at Amortized Cost. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions. The expense for credit losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. The expense for credit losses also reflects the totality of actions taken on all financial assets for a particular period. In other words, the amount of the expense reflects not only the necessary increases in the allowance for credit losses related to newly originated or acquired financial assets, but it also reflects actions taken to increase or decrease the necessary allowance related to any specifically analyzed credits and pools of financial assets with similar risk characteristics.

Note 4 – Loans and Leases – (Continued)

The Company has no commitments to loan additional funds to borrowers whose loans have been modified.

The Company grants commercial and consumer loans to customers primarily in Lycoming and Clinton Counties, Pennsylvania. The Company has a concentration of loans secured by real estate. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on, among other things, the economic conditions within Lycoming and Clinton Counties.

Transactions in the allowance for credit losses are summarized as follows:

	Years Ended December 31,	
	2024	2023
Beginning balance	$ 5,185	$ 4,754
Expense for credit loss	300	10,265
Loans charged off	(141)	(9,834)
Recoveries of loans previously charged off	39	-
Ending balance	$ 5,383	$ 5,185

The Company considers a loan to be a troubled debt restructuring when for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. The Company may consider granting a concession in an attempt to protect as much of its investment as possible.

The restructuring of a loan may include, but is not necessarily limited to (1) the transfer from the borrower to the Bank of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan (2) the issuance or other granting of an equity interest to the Company by the borrower to satisfy fully or partially a debt unless the equity interest is granted pursuant to existing terms for converting the debt in to an equity interest (3) a modification of the loan terms, such as a reduction of the stated interest rate, principal, or accrued interest or an extension of the maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, or (4) a reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement and (5) a reduction of accrued interest.

Note 4 – Loans and Leases – (Continued)

Gross loans as of December 31, 2024 made to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2024 are as follows:

	Interest Rate Reduction	Payment Deferral	Term Extension	Total	Percentage of Total Loans
Commercial	$ -	$ 2,009	$ 4,954	$ 6,963	1.56%
Commercial Real Estate	-	2,784	197	2,981	0.62%
Residential	-	70	-	70	0.02%
Total	$ -	$ 4,863	$ 5,151	$ 10,014	2.20%

The financial impact of the loan modifications made to borrowers experiencing financial difficulty during the year-ended December 31, 2024 provided a weighted average payment delay of 6 months and added a weighted average 3.4 months to the life of the modified loans.

There were no modifications that subsequently defaulted during the 12 months ended December 31, 2024. The Bank did not forgive debt with the modification of any loans.

Age Analysis of Modified Loans
As of December 31, 2024

	30-89 Days Past Due	90+ Days Past Due	Non-Accrual	Current	Total
Commercial	$ -	$ 1,848	$ -	$ 5,115	$ 6,963
Commercial Real Estate	-	-	2,000	981	2,981
Residential	-	-	-	70	70
Total	$ -	$ 1,848	$ 2,000	$ 6,166	$ 10,014

Gross loans as of December 31, 2023 made to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2023 are as follows:

	Interest Rate Reduction	Payment Deferral	Term Extension	Total	Percentage of Total Loans
Commercial	$ 145	$ -	$ -	$ 145	0.03%
Total	$ 145	$ -	$ -	$ 145	0.03%

The financial impact of the loan modifications made to borrowers experiencing financial difficulty during the year-ended December 31, 2023 was a 2.50% interest rate reduction.

There were no modifications that subsequently defaulted during the 12 months ended December 31, 2023. The Bank did not forgive debt with the modification of any loans.

Note 4 – Loans and Leases – (Continued)

Age Analysis of Modified Loans
As of December 31, 2023

	30-89 Days Past Due	90+ Days Past Due	Non-Accrual	Current	Total
Commercial	$ -	$ -	$ -	$ 145	$ 145
Total	$ -	$ -	$ -	$ 145	$ 145

Note 5 – Bank Premises and Equipment

Bank premises and equipment are summarized as follows:

	December 31, 2024	December 31, 2023
Land	$ 3,108	$ 3,108
Bank premises	11,820	11,717
Furniture and equipment	2,388	2,317
Capitalized software	560	560
Total	17,876	17,702
Less: accumulated depreciation	6,970	6,473
Bank premises and equipment, net	$ 10,906	$ 11,229

Depreciation of bank premises and equipment charged to operations amounted to $496 and $496 for the years ended December 31, 2024 and 2023, respectively.

Note 6 – Cash Surrender Value of Life Insurance

The Company has purchased Bank Owned Life Insurance (BOLI) policies on certain officers. The policies are split-dollar life insurance policies which provide for the Company to receive the cash value of the policy and to split the residual proceeds with the officer's designated beneficiary upon the death of the insured, while the officer is employed at the Company. The majority of the residual proceeds are retained by the Company per the individual agreements with the insured officers.

Note 7 – Restricted Stock

Restricted stock at December 31, 2024 and 2023 consisted of Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB) and Atlantic Community Bankers Bank (ACBB) stock, which are required investments in order to participate in various programs including an available line of credit program. All restricted stock is stated at par value as they are restricted to purchases and sales with the various institutions.

Note 8 – Deposits

The composition of deposits is as follows:

	December 31, 2024	December 31, 2023
Demand - non-interest bearing	$ 146,794	$ 146,173
Demand - interest bearing	152,740	157,478
Savings	120,579	124,577
Time - over $250,000	18,597	9,818
Time - other	97,234	75,066
Total	$ 535,944	$ 513,112

The scheduled maturities of time deposits at December 31, 2024 are as follows:

2025	$ 103,930
2026	6,322
2027	2,546
2028	1,464
2029	1,569
Total	$ 115,831

Time deposits of $250,000 or more totaled $18,597 and $9,818 at December 31, 2024 and 2023, respectively. Interest expense related to these deposits was $518 and $224 in 2024 and 2023, respectively.

Note 9 – Short-Term Borrowings

Securities sold under agreements to repurchase and Federal funds purchased generally mature within 1 to 30 days. Federal Home Loan Bank advances mature within one year of issuance date.

A summary of short-term borrowings is as follows:

	Years Ended December 31, 2024	Years Ended December 31, 2023
Amount outstanding at year-end	$ 155	$ 38,000
Average interest rate at year-end	5.50%	5.33%
Maximum amount outstanding at any month-end	$ 36,000	$ 38,000
Average amount outstanding	$ 20,851	$ 22,159
Average interest rate	5.13%	5.35%

There were no investment securities pledged to secure repurchase agreements at December 31, 2024 or 2023.

Note 9 – Short-Term Borrowings – (Continued)

The Bank has the availability of Federal funds credit lines of $5,500. There was an outstanding balance on the lines of $155 at December 31, 2024 and no outstanding balance at December 31, 2023.

The Bank participated in the Federal Reserve's Bank Term Funding Program (BTFP) established in March 2023. There was one loan with an outstanding balance of $10,000 at December 31, 2023. There was no outstanding balance at December 31, 2024.

The Bank has available three types of borrowings with the Federal Home Loan Bank (FHLB). Advances under the FHLB “Open RepoPlus” are short-term borrowings maturing within one year and bear interest at a variable rate based on a requested interest payment frequency. Advances under the FHLB “RepoPlus” and “Mid-Term Repo” are borrowings maturing from 1 day to 3 years and bear interest at a fixed rate or an adjustable rate set at the time of funding. The Bank has a borrowing limit under this arrangement of approximately $222,069, exclusive of any outstanding advances. All advances are collateralized by the Bank’s FHLB stock and certain permitted bank loans and securities under a floating-lien agreement.

Note 10 – Long-Term Debt

Long-term debt consists of four loans with FHLB and two issuances of subordinated debt, net of related fees. These loans bear interest at rates which range from 4.75% to 5.75% per annum and mature at various dates through the year 2030.

The following table summarizes the maturities of borrowed funds at December 31, 2024:

2025	10,000
2026	10,000
After 2029	3,951
Total	23,951

Note 11 – Income Taxes

The components of applicable income taxes are as following:

	Years Ended December 31,	
	2024	2023
Current payable	$ (240)	$ 10
Deferred taxes (benefit)	495	(1,583)
Provision (credit) for income taxes	$ 255	$ (1,573)

Note 11 – Income Taxes – (Continued)

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31, 2024	December 31, 2023
Deferred tax assets:		
Allowance for loan losses	$ 1,152	$ 1,111
Deferred expenses	629	537
Investment in limited partnership	33	23
Net operating loss	767	1,415
Unrealized holding loss on available-for-sale securities	3,041	3,295
Total	5,622	6,381
Deferred tax liabilities:		
Premises and equipment	270	281
Securities discount accretion	21	21
Total	291	302
Deferred tax asset, net	$ 5,331	$ 6,079

The reconciliation between the expected statutory income tax rate and the effective income tax rate is as follows:

	Years Ended December 31, 2024		2023	
	Amount	%	Amount	%
Provision (credit) at statutory rate	$ 704	21.0	$ (1,167)	(21.0)
Tax-exempt income	(288)	(8.6)	(242)	(4.4)
Nondeductible interest expense	27	0.8	17	0.3
Other items	(188)	(5.6)	(181)	(3.3)
Total	$ 255	7.6	$ (1,573)	(28.4)

Note 12 – Commitments and Contingencies

The Bank leases facilities and office equipment under noncancellable operating leases which expire in various years through 2044. The minimum annual rental commitments under these leases at December 31, 2024 are as follows:

2025	$ 4
2026	4
2027	5
2028	5
2029	5
Thereafter	75
Total	$ 98

The total rental expense for these operating leases in 2024 and 2023 amounted to $10 and $10, respectively.

Note 13 – Employee Benefit Plans

The Company maintains a defined contribution benefit plan under Section 401(k) of the Internal Revenue Code, which covers substantially all eligible employees. This plan permits employees to make contributions, which are matched by the Company based on a percentage of the employee's compensation, subject to certain restrictions. The cost of this plan is charged to operating expense annually as benefit costs are incurred. The Company's contribution to the plan was $247 and $234 for the years ended December 31, 2024 and 2023, respectively.

The Company has a supplemental non-qualified, non-funded retirement plan, for which the Company has purchased cost recovery life insurance on the lives of the participants. The Company is the owner and beneficiary of such policies. The amount of the coverage is designed to provide sufficient revenues to cover all costs of the plan if assumptions made as to mortality experience, policy earnings and other factors are realized. As of December 31, 2024 and 2023, the cash surrender value of these policies was $10,252 and $9,973, respectively.

Note 14 – Employee Stock Purchase Plan

The Company has an employee stock purchase plan that allows participating employees to purchase, through payroll deductions, shares of the Company's common stock at 90% of the fair market value at specified dates. Under the plan, employees purchased 2,149 shares in 2024 and 1,640 shares in 2023. There were 3,227 common shares available for issuance under this plan at December 31, 2024.

Note 15 – Related Party Transactions

In the normal course of business, loans are extended to directors, executive officers and their associates. In management's opinion, all of these loans are on substantially the same terms and conditions as loans to other individuals and businesses of comparable creditworthiness.

A summary of loan activity for those directors, executive officers, and their associates for the years ended December 31, 2024 and 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2024	$ 8,978	$ 3,319	$ 2,830	$ 9,467
2023	$ 8,084	$ 4,590	$ 3,696	$ 8,978

The Company held related party deposits of $5,430 and $6,092 at December 31, 2024 and 2023, respectively.

Note 16 – Other Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheets, such items, along with net income, are components of comprehensive income. A summary of other comprehensive income for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Components of other comprehensive income:		
Unrealized holding gains arising during the year	$ 1,210	$ 3,002
Reclassification adjustment for investment securities:		
Losses included in net income during the year	-	43
Net unrealized gains	1,210	3,045
Tax effect	(254)	(639)
Other comprehensive income	$ 956	$ 2,406

Note 17 – Off-Balance Sheet Risk

In the normal course of business, there are outstanding commitments and contingent liabilities, created under prevailing terms and collateral requirements such as commitments to extend credit, financial guarantees and letters of credit, which are not reflected in the accompanying Financial Statements. The Company does not anticipate any losses as a result of these transactions. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

Financial instruments whose contract amounts represent credit risk at December 31, 2024 and 2023 are as follows:

	2024	2023
Commitments to extend credit	$ 1,446	$ 13,222
Unfunded commitments under lines of credit	$ 109,971	$ 114,999
Standby letters of credit	$ 2,539	$ 2,371

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 expiration dates of one year or less or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Various actions and proceedings are presently pending to which the Company is a party. Management is of the opinion that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the financial position of the Company.

Note 18 – Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Reserve Bank (FRB) and the Commonwealth of Pennsylvania Department of Banking and Securities. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company 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 Company's and the Bank's 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 Company and the Bank to maintain minimum amounts and ratios (set forth in the following Capital Adequacy table) of Tier I, Common Equity Tier I and Total Capital to risk-weighted assets and of Tier I Capital to average assets (Leverage ratio). The table also presents the Company's actual capital amounts and ratios. Management believes, as of December 31, 2024 and 2023, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2024 and 2023, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", the Bank must maintain minimum ratios as set forth in the table. There are no conditions or events since December 31, 2024 that management believes have changed the Bank's categorization.

The following table reflects the Company's and Bank's actual regulatory capital and ratios as well as the ratios required for the Company and Bank to be considered adequately capitalized under the regulatory framework for prompt corrective action.

	Actual		For Capital Adequacy Purposes		To Be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024						
Total Capital (to Risk-Weighted Assets)						
Company	$ 56,580	11.8%	$ 38,222	8.0%	N/A	N/A
Bank	$ 56,517	11.8%	$ 38,222	8.0%	$ 47,778	10.0%
Tier 1 Capital (to Risk-Weighted Assets)						
Company	$ 47,092	9.9%	$ 28,667	6.0%	N/A	N/A
Bank	$ 51,030	10.7%	$ 28,667	6.0%	$ 38,222	8.0%
Common Equity Tier 1(to Risk-Weighted Assets)						
Company	$ 47,092	9.9%	$ 21,500	4.5%	N/A	N/A
Bank	$ 51,030	10.7%	$ 21,500	4.5%	$ 31,055	6.5%
Tier 1 Capital (to Average Assets)						
Company	$ 47,092	7.6%	$ 24,845	4.0%	N/A	N/A
Bank	$ 51,030	8.2%	$ 24,842	4.0%	$ 31,053	5.0%

Note 18 – Regulatory Matters - (Continued)

December 31, 2023	Actual		For Capital Adequacy Purposes		To Be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk-Weighted Assets)						
Company	$ 54,855	11.5%	$ 38,095	8.0%	N/A	N/A
Bank	$ 54,548	11.5%	$ 38,087	8.0%	$ 47,609	10.0%
Tier 1 Capital (to Risk-Weighted Assets)						
Company	$ 45,566	9.6%	$ 28,572	6.0%	N/A	N/A
Bank	$ 49,259	10.3%	$ 28,565	6.0%	$ 38,087	8.0%
Common Equity Tier 1(to Risk-Weighted Assets)						
Company	$ 45,566	9.6%	$ 21,429	4.5%	N/A	N/A
Bank	$ 49,259	10.3%	$ 21,424	4.5%	$ 30,946	6.5%
Tier 1 Capital (to Average Assets)						
Company	$ 45,566	7.3%	$ 25,011	4.0%	N/A	N/A
Bank	$ 49,259	7.9%	$ 25,011	4.0%	$ 31,264	5.0%

Restrictions imposed by Federal Reserve Regulation H limit dividend payments in any year to the current year's net income plus the retained net income of the prior two years without the prior regulatory approval of the Federal Reserve Bank. Accordingly, Bank dividends in 2025 may not exceed Bank net income for 2025 less $3,774. Additionally, banking regulations limit the amount of dividends that may be paid to the Company by the Bank without prior approval of the Bank's regulatory agency.

The Bank is subject to regulatory restrictions that limit its ability to loan or advance funds to the Company. At December 31, 2024, the regulatory lending limit amounted to approximately $8,478.

Note 19 – Fair Value of Financial Instruments

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2024 and 2023, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize information other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement, in its entirety, falls has been determined based on the lowest level input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

	Fair Value Measurements at December 31, 2024 Using			
	Quoted Prices in Active Markets for Identical Instrument (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Input (Level 3)	Total
Assets Measured at Fair Value on a Recurring Basis:				
Available-for-sale securities:				
U.S. Government securities	$ 18,651	$ -	$ -	$ 18,651
States and political subdivisions	-	37,118	-	37,118
Corporate securities	-	17,677	-	17,677
Mortgage-backed securities	-	36,841	-	36,841
Assets Measured at Fair Value on a Nonrecurring Basis:				
Specifically analyzed loans	$ -	$ -	$ 13,517	$ 13,517
Restricted stock	-	-	1,656	1,656

Note 19 – Fair Value of Financial Instruments – (Continued)

	Fair Value Measurements at December 31, 2023 Using			
	Quoted Prices in Active Markets for Identical Instrument (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Input (Level 3)	Total
Assets Measured at Fair Value on a Recurring Basis:				
Available-for-sale securities:				
U.S. Government securities	$ 20,430	$ -	$ -	$ 20,430
States and political subdivisions	-	39,258	-	39,258
Corporate securities	-	17,224	-	17,224
Mortgage-backed securities	-	47,186	-	47,186
Assets Measured at Fair Value on a Nonrecurring Basis:				
Specifically analyzed loans	$ -	$ -	$ 1,876	$ 1,876
Restricted stock	-	-	2,668	2,668

Impaired loans, which are measured for impairment primarily using the fair value of the collateral for collateral dependent loans, were approximately $13,634, with an allowance for loan and lease losses of approximately $117 for the year ended December 31, 2024 and approximately $1,961, with an allowance for loan and lease losses of approximately $85 for the year ended December 31, 2023.

The carrying values and estimated fair values of financial instruments of the Company are as follows:

	December 31, 2024				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
FINANCIAL ASSETS					
Cash and cash equivalents	$ 10,255	$ 10,255	$ -	$ -	$ 10,255
Investment securities	110,287	18,651	91,636	-	110,287
Loans and leases, net	441,437	-	-	422,298	422,298
Accrued interest receivable	1,963	-	1,963	-	1,963
Cash surrender value of life insurance	12,782	-	12,782	-	12,782
Restricted stock	1,656	-	-	1,656	1,656
FINANCIAL LIABILITIES					
Deposits	$ 535,944	$ -	$ 535,443	$ -	$ 535,443
Borrowed funds	24,106	-	24,021	-	24,021
Accrued interest payable	649	-	649	-	649

Note 19 – Fair Value of Financial Instruments – (Continued)

	December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
FINANCIAL ASSETS					
Cash and cash equivalents	$ 13,443	$ 13,443	$ -	$ -	$ 13,443
Investment securities	124,198	20,430	103,767	-	124,197
Loans and leases, net	433,819	-	-	399,013	399,013
Accrued interest receivable	2,024	-	2,024	-	2,024
Cash surrender value of life insurance	12,448	-	12,448	-	12,448
Restricted stock	2,668	-	-	2,668	2,668
FINANCIAL LIABILITIES					
Deposits	$ 513,112	$ -	$ 512,707	$ -	$ 512,707
Borrowed funds	61,941	-	61,474	-	61,474
Accrued interest payable	776	-	776	-	776

Generally Accepted Accounting Principles (GAAP) require disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For the Company, as for most financial institutions, the majority of its assets and liabilities are considered financial instruments. However, many such instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction. Also, it is the Company's general practice and intent to hold its financial instruments to maturity and not to engage in trading or sales activities, except for certain loans and investments. Therefore, the Company had to use significant estimates and present value calculations to prepare this disclosure.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, management is concerned that there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and methodologies in the absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

Estimated fair values have been determined by the Company using the best available data and an estimation methodology suitable for each category of financial instruments. The estimation methodologies used at December 31, 2024 and December 31, 2023 are outlined below. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed in the fair value measurements section above. The estimated fair value approximates carrying value for cash and cash equivalents, accrued interest and the cash surrender value of life insurance policies. The methodologies for other financial assets and financial liabilities are discussed below:

Investment securities - The fair value of investment securities is based on quoted market prices, where available. If quoted market prices are not available, external pricing services that approximate fair value are used.

Note 19 – Fair Value of Financial Instruments – (Continued)

Loans - Fair values are estimated for portfolios of loans with similar financial characteristics. For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Restricted stock - All restricted stock is stated at par value as they are restricted to purchases and sales with the various institutions.

Deposits - The fair value of deposits with no stated maturity is the amount payable on demand as of December 31, 2024 and 2023. For time deposits, fair value is estimated by discounting the contractual cash flows using a discount rate equal to the rate currently offered for similar deposits of similar maturities.

Borrowed Funds - Rates available to the Company for borrowed funds with similar terms and remaining maturities are used to estimate the fair value of borrowed funds.

Note 20 – Condensed Financial Statements of Parent Company

The condensed financial statements for Woodlands Financial Services Company are as follows:

	December 31,	
BALANCE SHEETS	2024	2023
ASSETS		
Cash and cash equivalents	$ 5	$ 182
Investment in subsidiaries	39,595	36,862
Other assets	3	67
Total Assets	$ 39,603	$ 37,111
LIABILITIES AND STOCKHOLDERS' EQUITY		
Borrowed funds	$ 3,951	$ 3,942
Stockholders' equity	35,652	33,169
Total Liabilities and Stockholders' Equity	$ 39,603	$ 37,111

	Years Ended December 31,	
STATEMENTS OF INCOME	2024	2023
Dividends from subsidiaries	$ 1,626	$ 1,822
Equity in undistributed earnings (losses) of subsidiaries	1,777	(5,551)
Expenses	(292)	(254)
Net income (loss)	$ 3,111	$ (3,983)

Note 20 – Condensed Financial Statements of Parent Company – (Continued)

STATEMENTS OF CASH FLOWS	Years Ended December 31,	
	2024	2023
Operating Activities:		
Net income (loss)	$ 3,111	$ (3,983)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Equity in undistributed (earnings) losses of subsidiaries	(1,777)	5,551
Decrease (Increase) in other assets	64	(5)
Net cash provided by operating activities	1,398	1,563
Investing Activities:		
Investment in subsidiaries	-	-
Net cash provided by investing activities	-	-
Financing Activities:		
Increase in subordinated debt	9	10
Issuance of common stock	35	29
Purchase of treasury stock	-	-
Dividends paid	(1,619)	(1,590)
Net cash used by financing activities	(1,575)	(1,551)
(Decrease) increase in cash and cash equivalents	(177)	12
Cash and cash equivalents at January 1	182	170
Cash and cash equivalents at December 31	$ 5	$ 182

WOODLANDS BANK

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woodlandsbank.com

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Jersey Shore, PA 17740
570-398-2850

WILLIAMSPORT
213 West Fourth Street
Williamsport, PA 17701
570-321-1600

LOYALSOCK
2450 East Third Street
Williamsport, PA 17701
570-327-5263

NEWBERRY
1980 West Fourth Street
Williamsport, PA 17701
570-327-1550

SOUTH WILLIAMSPORT
618 West Southern Ave.
So. Williamsport, PA 17702
570-323-5263

HUGHESVILLE
2 South Main Street
Hughesville, PA 17737
570-584-2385

LOCK HAVEN
202 North Jay Street
Lock Haven, PA 17745
570-748-5166

WOODLANDS FINANCIAL SERVICES COMPANY COMMON STOCK

is traded over-the-counter
under the symbol of WDFN
The following brokers make a market
in the common stock:

D.A. Davidson & Co.
Tom Dooley, SVP, Community Bank Professional
3773 Attucks Drive
Powell, OH 43065
800-394-9230

REGISTRAR & TRANSFER AGENT:

Broadridge Corporate Issuer Solutions
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Brentwood, NY 11717
844-318-0132
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