JBT BANCORP, INC. 2023 ANNUAL REPORT

jbt®

150 Years of Smiles!

1873 · 2023

JBT's 150th year celebration included sponsoring this custom ice sculpture that was displayed at the Lititz Fire & Ice Festival in February 2023.

At JBT, we are proud of our long, successful, and storied history. There are very few companies that can claim a run of relevance and independence for 150 consecutive years. As important as that history is, our stakeholders are even more interested in what we are doing today and where we are headed tomorrow. Every day of our past has added to our platform and helped our Bank move forward to chart its own future. The essence of JBT today has been built, refined, and advanced over time by the people within our organization.

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JBT BANCORP, INC.

150th Anniversary *Community Fun Day*

As part of our 150th anniversary, JBT hosted a Community Fun Day on May 20, the date of our actual anniversary. The event was our way of saying "Thank You!" to the clients and communities we're proud to serve. The turnout was tremendous. There were carnival games and prizes, large inflatables, including a slide, soccer goal, and axe throwing. There were face painters, caricaturists, balloon artists, a dunk tank with local celebrities, politicians, and JBT President and CEO Troy Peters. There was a petting zoo, a scavenger hunt, and more. We even had the privilege of honoring Betty Young, a JBT client for over 80 years, who came out to enjoy the fun and festivities.

HONORING BETTY YOUNG


FROGGY VALLEY 100.1


AXE THROWING
AXE THROWING


Snap, Post & Share Your Fun Photo!
#JBT150th


Stormers
jbt Staff
jbt Staff


Tropical Shaved KONA ICE
KONA ICE
WATCH FOR CHILDREN
LOCAL SCHOOLS
$6
FLAVORWAVE

Community Commitment

JBT's community involvement aligns with our commitment to truly be part of the communities we serve. That commitment is the motivation behind our support of organizations and initiatives like Community Homes of Lebanon County's Canal Street Affordable Housing Development, Lebanon Family Health Services, Power Packs, St. Daniel's Preschool, Annville Free Library, Big Brothers Big Sisters, The Salvation Army, and more. Beyond financial contributions, JBT employees give back generously of their time. At JBT, giving back is who we are.

ST. DANIEL'S PRESCHOOL

"We appreciate JBT's commitment to quality early learning education and their commitment to the many families in Robesonia, Wernersville and other nearby communities that will benefit from these scholarships."

Samuel Thomas
Board President
St. Daniel's Preschool

"The Lebanon Salvation Army sincerely thanks JBT for its annual support of our Red Kettle Campaign. This crucial event serves as our primary fund raiser to support vital programs and services for those in need in Lebanon County. In 2023, JBT employees donated 30 hours to bell ringing across various locations, resulting in a remarkable $2,771 in kettle donations. We extend our heartfelt gratitude to JBT for playing a pivotal role in helping the Lebanon Salvation Army continue 'Doing The Most Good' in Lebanon County."

Terry Weaver
Chair, Red Kettle Campaign, Lebanon Salvation Army

"This generous donation from JBT will aid Power Packs' efforts to provide weekly healthy food and education to the record numbers of food insecure families coming to Power Packs who need help putting food on their tables, and provide them with hope for a brighter future ahead."

Brad Peterson
Executive Director
Power Packs Project

"In order to accomplish all that we believe Annville Free Library can be, having the support of business leaders like JBT is not only very appreciated, it's vital. We are grateful to JBT for taking such a significant role in helping us achieve our vision."

Martin Brandt
Board President
Annville Free Library

"There is such a critical need for safe, affordable housing for the area's senior and ambulatory disabled populations, as well as low income families. The Canal Affordable Housing Development is an important step in meeting that need and the commitment of JBT continues to be a strong show of support for this critical need in our community. We thank them!"

Charlie Rush
CEO, Community Homes of Lebanon County

COMMUNITY HOMES OF LEBANON COUNTY

Team Players

We understand what it takes to deliver bigger smiles to clients. From conducting routine daily banking transactions to creating customized solutions for complex financial needs, each person, each department, each JBT branch works together to spell out the best possible result for you.

With JBT, you can always ***Bank on a Smile.®***

Board of Directors

Glenn T. Wenger
Chairman
Director - 2008
CEO, Wengers of Myerstown;
Chairman, Ag Industrial, Inc.;
President, JK&B Inc.

Edwin C. Hostetter II CPA CGMA
Vice Chairman
Director - 2013
CPA and CGMA (Inactive) and
Management Consultant; Vice
President & Chief Financial Officer,
SSM Group, Inc. (Retired)

Edward L. Anspach
Second Vice Chairman
and Secretary
Director - 1987
President, Anspach Autos

Troy A. Peters
Director - 2016
President and Chief Executive
Officer, JBT Bancorp, Inc.,
Jonestown Bank & Trust Co.

Jeffrey L. Bohn
Director - 1987
Former Owner & President,
JP Donmoyer, Inc.; Executive
Director, Shining Light, Inc.

Lloyd A. Deaven, Jr.
Director - 1998
President, Patriot Auto Parts
(Retired)

Jonathon E. Hollinger
Director - 2022
President & CEO,
Pleasant View Communities

Brian R. Miller
Director - 2015
Insurance Agency Principal,
Richard S. Miller, Inc.

Sallie A. Neuin
Director - 2009
Lebanon County Treasurer;
Lebanon County Tax
Claim Director

Dr. Sina V. Patel
Director - 2022
Vice President, Jay Guruji, Inc.;
Online Associate Faculty,
The University of Arizona
Global Campus

Eric A. Trainer
Director - 2011
Co-owner & Operator, Trainer's
Midway Diner, Quality Inn at Midway,
Microtel Inn & Suites—Hamburg,
Pappy T's Pub & Lounge—Hamburg

Executive Officers

Standing L-R:

Richard M. Rollman
Chief Lending Officer

Michael E. Grenier
Chief Risk Officer

Timothy D. Gingrich
Chief Information Officer

Seated L-R:

Robert B. Weidler Jr.
Chief Financial Officer

Troy A. Peters
President
Chief Executive Officer

Edward T. Martel, Jr.
Chief Operating Officer

Troy A. Peters
President & Chief Executive Officer

In March 2023, Peters testified on behalf of the Pennsylvania Association of Community Bankers before the United States House of Representatives Small Business Committee and Subcommittee on Economic Growth, Tax, and Capital Access.

JBTC
TRADED ON
OTCQX

On November 15, 2023, JBT Bancorp, Inc. (OTCQX: JBTC) began trading on the OTCQX® Best Market, an upgrade from the OTC Markets Group, Inc. (OTCQX: OTCM) Pink® Market. JBT Bancorp, Inc. trades under the symbol "JBTC". OTCQX is a market designed to meet the unique needs of U.S. financial institutions that are established, well-managed, and strongly capitalized. To qualify for OTCQX, community banks must meet high financial standards, follow best practice corporate governance, and demonstrate compliance with applicable regulatory requirements.

Dear Shareholder

It is my privilege to provide an annual update on the performance of JBT Bancorp, Inc. (Company) and our wholly owned subsidiary, Jonestown Bank & Trust Co. (Bank). The operating environment in 2023 was dynamic and challenging to say the least. Throughout the year JBT remained strong, well capitalized, and true to its mission as we recognized our 150th year in business and continued to build an enduring organization for the future.

Focused on Fundamentals

Annual earnings decreased 3.3% to $7.8 million, or $3.20 per share. The resulting return on average equity and return on average assets were 10.81% and 0.87%, respectively.

The year began as a continuation of the previous one marked by strong growth and continued central bank attempts to tame inflation. However, in March three large bank failures triggered the FDIC's "systemic risk exception" ensuring that depositors would be made whole in the event of an institution's failure – including deposits in excess of current insurance limits. A remarkable combination of economic events, including the incredibly large infusion of pandemic-related stimulus, insufficient loan demand, and swelled security portfolios, coupled with the most aggressive Fed Funds increases in forty years, ultimately created losses in security portfolios and distinct liquidity concerns throughout the industry.

Through these tumultuous times, JBT stayed the course. We focused on long-term priorities and fundamental balance sheet management. Close attention was required to manage liquidity and finish the year in a stronger cash position than the prior year.

The competition for deposits certainly did heat up over the summer months, and money began moving into certificate of deposits at ever increasing rates. Over the course of the year, we saw a 57.0% increase in CD balances while total deposits finished down 2.8%. With deposits becoming more expensive and difficult to attract, we utilized other funding sources such as advances from the Federal Home Loan Bank – doubling our outstanding balance to $83.1 million. Funding costs put pressure on our margin, but we were able to navigate that challenge well, finishing the year in the top 13.0% of banks in the state in terms of margin performance. We also increased net interest income by 5.2% over the prior year.

While prudently using our funding sources, we purposefully slowed loan growth. Total loan balances remained nearly flat by end of year, down just 0.2%. One discipline that we did increase modestly was commercial lending, where we could be selective and accept higher yielding credits. The mortgage market slowed for the third consecutive year and the volume we did produce was largely in the form of variable rate products that remained on the balance sheet. Indirect lending was managed to a level consistent with the prior year end.

Credit Quality

Overall credit quality remained strong and well-managed. We compared favorably to peer institutions in key credit quality metrics such as non-performing assets, loans on non-accrual, and other real estate owned. Credit quality was especially strong in our commercial, mortgage, and cannabis portfolios with delinquency rates at or near historic lows. With the rapid growth in the indirect portfolio over the last several years, it was expected that elevated levels of charge-off activity would follow. Factors that contributed to the increase included inflation, higher interest rates, the resumption of federal student loan payments, and overall increased levels of consumer debt. The loan portfolio is monitored closely by a well-designed credit administration program and the Bank stands well-prepared to identify and address emerging credit challenges.

The transition to the Current Expected Credit Loss methodology (CECL), directly affecting the Bank's loan loss reserve, was

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smooth and the amount set aside for credit losses, $9.1 million, remained balanced from the previous year.

Delivering Channel Enhancements

We continued our strategies to evolve and align our delivery resources with client preferences and expectations. Clients clearly enjoy the value, convenience, and capabilities of our digital offerings including our mobile application, bill pay, card management, and digital wallet. Businesses are quickly adopting solution services such as fraud prevention, cash-flow management, and electronic payments.

While branch locations still play a critical role, we were able to consolidate our Ebenezer branch into nearby offices and adjust staffing and hours throughout our branch network to gain efficiencies. We also divested our off-site ATMs while still allowing our clients to use them without fee.

In the fall, we transitioned our debit card from Discover® to Visa® to allow for broader acceptance. This move has received wide-spread accolades among our client base and we anticipate growing our interchange income as a result.

Move to OTCQX

In November, our stock began trading on the OTCQX market. This was the result of an invitation to upgrade from OTC Pink to OTCQX. OTC Markets Group, Inc. (OTCQX: OTCM), operates an open, transparent, and connected financial market for over 12,000 U.S. and global securities. It is a market designed to meet the unique needs of U.S. financial institutions that are established, well-managed, and strongly capitalized. To qualify for OTCQX, community banks must meet high financial standards, follow best practice corporate governance, and demonstrate compliance with applicable securities laws. Currently, there are more than 100 community and regional banks trading on OTCQX.

This move provides increased exposure for our stock and significantly increases the amount of corporate financial information available for existing and prospective shareholders, both of which are positives for the continued strength and stability of our company.

In short, JBT Bancorp, Inc. was elevated because of how we conduct business and pursue excellence on every level – a very noteworthy accomplishment.

150th Anniversary Celebration

During the year, we celebrated our 150th anniversary as an independent community bank. On May 20, the actual date of our 150th anniversary, we hosted a public Community Fun Day event in conjunction with Union Canal Days in Lebanon. The event was free to attend and the turnout was tremendous, with an attendance of nearly 2,500 people.

There are very few organizations in the United States that have a century and a half of continuous operation behind them. That backdrop provides a mature perspective that we have successfully navigated many different cycles, events, and crises before, and that with a solid and fundamental business model, we can endure difficult environments that will surely present themselves again.

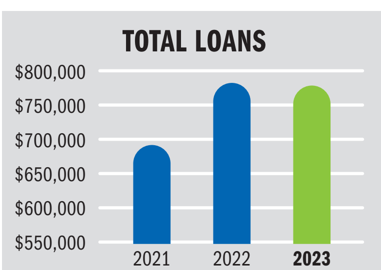
Thank You

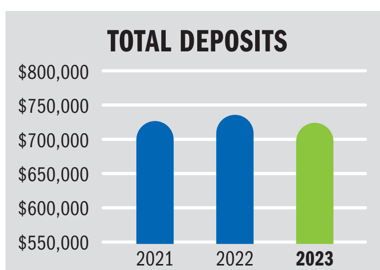
As always, we sincerely appreciate the efforts of our employees that show up every day to inspire confidence and improve the financial lives of our clients. The level of dedication and energy they bring each day is contagious and rewarding. We also thank you, our shareholders, for your dedication, investment, and support, as we continue to move your Company forward.

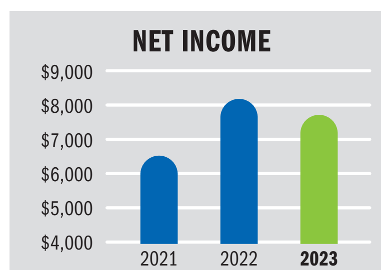
Troy A. Peters
President & Chief Executive Officer

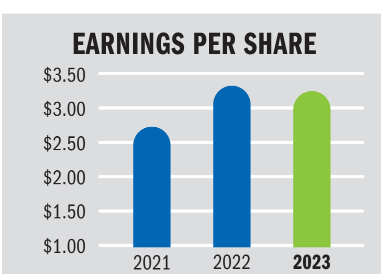
Financial Highlights

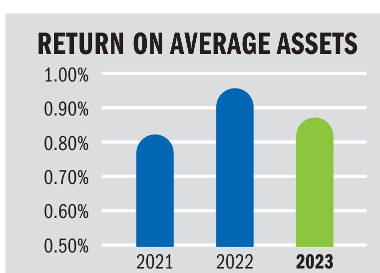
(Dollars in thousands, except per share amounts)	2023	2022	Change
Results of Operations			
Net interest income	$ 31,199	$ 29,662	5.2%
Provision for loan losses	1,194	1,200	-0.5%
Net income	7,793	8,060	-3.3%
Per Share Data			
Basic earnings	$ 3.20	$ 3.31	-3.3%
Cash dividends	0.98	0.88	11.4%
Book value	31.05	29.01	7.0%
Financial Condition at Year-end			
Assets	$ 894,577	$ 868,113	3.0%
Deposits	719,000	739,394	-2.8%
Loans receivable, net	776,088	777,754	-0.2%
Allowance for loan loss	9,101	9,208	-1.2%
Stockholders' equity	75,563	70,602	7.0%
Financial ratios			
Return on average assets	0.87%	0.95%	-8.4%
Return on average equity	10.81%	11.89%	-9.1%

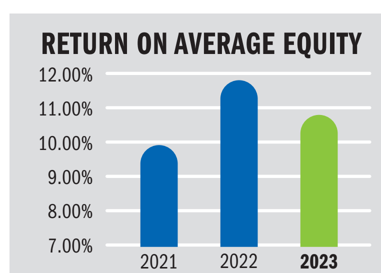












Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Shareholders and the Board of Directors
JBT Bancorp, Inc.
Jonestown, Pennsylvania

Opinion

We have audited the consolidated financial statements of JBT Bancorp, Inc., which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit 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 JBT Bancorp, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2023, the entity adopted new accounting guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 326, Financial Instruments – Credit Losses (ASC 326) using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

The consolidated financial statements of JBT Bancorp, Inc. for the year ended December 31, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on February 24, 2023.

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 JBT Bancorp, Inc.'s ability to continue as a going concern for one year from the date 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of JBT Bancorp, Inc.'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 JBT Bancorp, Inc.'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

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

CROWE LLP

Crowe LLP

Washington, D.C.
March 5, 2024

(Dollar amounts in thousands)

CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
ASSETS		
Cash and due from banks	$ 12,552	$ 10,662
Interest bearing deposits in other banks	30,212	14,435
Cash and cash equivalents	42,764	25,097
Securities available for sale, at fair value	34,799	30,483
Securities held to maturity	-	400
Loans	785,189	786,962
Less allowance for loan losses	9,101	9,208
Net loans	776,088	777,754
Restricted investment in bank stock	4,001	2,339
Other real estate owned	-	-
Premises and equipment	8,885	9,246
Bank-owned life insurance	19,836	15,942
Accrued interest receivable	3,092	2,681
Other assets	5,112	4,171
Total assets	$ 894,577	$ 868,113
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest-bearing	$ 133,964	$ 138,456
Interest-bearing	585,036	600,938
Total deposits	719,000	739,394
Federal Home Loan Bank advances	83,125	41,647
Subordinated debt	9,915	9,905
Accrued interest payable and other liabilities	6,974	6,565
Total liabilities	$ 819,014	$ 797,511
Shareholders' equity		
Preferred stock, no par value; $1,000 per share liquidation preference; 3,996,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value $2.00; 6,000,000 shares authorized; issued and outstanding 2,433,696 on December 31, 2023 and December 31, 2022	4,867	4,867
Surplus	7,394	7,394
Retained earnings	65,391	60,273
Accumulated other comprehensive income (loss)	(2,089)	(1,932)
Total shareholders' equity	$ 75,563	$ 70,602
Total liabilities and shareholders' equity	$ 894,577	$ 868,113

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

(Dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2023	2022
Interest and dividend income		
Loans, including fees	$ 41,042	$ 31,563
Taxable securities	1,183	1,025
Tax-exempt securities	131	113
Dividend income on securities	311	97
Other	1,507	336
Total interest and dividend income	44,174	33,134
Interest expense		
Deposits	8,624	2,539
Federal Home Loan Bank advances	3,965	548
Subordinated debentures	386	385
Total interest expense	12,975	3,472
Net interest income	31,199	29,662
Credit loss provision - loans	1,394	1,200
Credit loss provision - off-balance sheet credit exposures	(200)	
Credit loss provision	1,194	1,200
Net interest income after credit loss provision	30,005	28,462
Non-interest income		
Service charges on deposit accounts	1,796	1,569
Debit and credit card fees	1,624	1,486
Earnings on investments in life insurance	411	641
Net gains on sales of loans	4	96
Other	480	469
Total non-interest income	4,315	4,261
Non-interest expense		
Salaries and employee benefits	12,321	11,905
Data processing	4,149	3,459
Occupancy	1,430	1,352
Advertising	989	902
Equipment expense	675	667
Pennsylvania bank shares tax	723	667
Federal deposit insurance	610	513
Other	3,769	3,360
Total non-interest expense	24,666	22,825
Income before income taxes	9,654	9,898
Income tax expense	1,861	1,838
Net income	$ 7,793	$ 8,060
Earnings per share, basic and diluted	$ 3.20	$ 3.31
Weighted-average shares outstanding	2,433,696	2,433,696

(Dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31, 2023	2022
Net Income	$ 7,793	$ 8,060
Unrealized gains (losses) on debt securities available-for-sale:		
Unrealized holding gain (loss) arising during the year	(462)	(2,814)
Tax effect	97	591
Net of tax	(365)	(2,223)
Defined benefit pension plan:		
Net gain (loss) arising during the year	263	177
Tax effect	(55)	(37)
Net of tax	208	140
Total other comprehensive income	(157)	(2,083)
Comprehensive income	$ 7,636	$ 5,977

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2021	$ 4,867	$ 7,394	$ 54,355	$ 151	$ 66,767
Comprehensive income:					
Net income	-	-	8,060	-	8,060
Other comprehensive (loss), net of taxes	-	-	-	(2,083)	(2,083)
Dividends declared ($0.88 per share)	-	-	(2,142)	-	(2,142)
Balance, December 31, 2022	$ 4,867	$ 7,394	$ 60,273	$ (1,932)	$ 70,602
Comprehensive income:					
Reclassification related to adoption of ASU 2018-02	-	-	(290)	-	(290)
Net income	-	-	7,793	-	7,793
Other comprehensive (loss), net of taxes	-	-	-	(157)	(157)
Dividends declared ($0.98 per share)	-	-	(2,385)	-	(2,385)
Balance, December 31, 2023	$ 4,867	$ 7,394	$ 65,391	$ (2,089)	$ 75,563

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

(Dollar amounts in thousands)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2023	2022
OPERATING ACTIVITIES		
Net income	$ 7,793	$ 8,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Credit loss expense	1,394	1,200
Depreciation and amortization	659	692
Net amortization of securities premiums and discounts	47	157
Net amortization of deferred loan fees	2,368	328
Deferred income taxes	(609)	22
Loss on disposal of property and equipment	7	11
Net (gain) on sale of loans	(4)	(96)
Proceeds from sales of loans	188	3,019
Loans originated for sale	(184)	(2,923)
Earnings on investment in Bank-owned life insurance, net	(411)	(641)
Amortization of subordinated debt issuance costs	10	11
(Increase) decrease in accrued interest receivable and other assets	(1,182)	756
Increase (decrease) in accrued interest payable and other liabilities	1,137	356
Net cash provided by operating activities	11,213	10,952
INVESTING ACTIVITIES		
Proceeds from maturities and principal repayments		
Securities held to maturity	400	15
Securities available for sale	2,089	5,225
Purchase of securities available for sale	(6,914)	(3,858)
Proceeds of life insurance death benefit	-	492
Net (increase) in loans	(4,162)	(89,842)
Redemption (purchase) of restricted bank stock	(1,662)	(658)
Purchase of premises and equipment	(305)	(173)
Purchase of bank-owned life insurance	(3,483)	-
Proceeds from sale of foreclosed assets	1,792	1,372
Net cash used for investing activities	(12,245)	(87,427)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(20,394)	15,183
Proceeds from Federal Home Loan Bank advances	51,000	29,000
Repayments of Federal Home Loan Bank advances	(9,522)	(12,590)
Dividends on common stock	(2,385)	(2,142)
Net cash provided by financing activities	18,699	29,451
Increase in cash and cash equivalents	17,667	(47,024)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,097	72,121
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 42,764	$ 25,097
Cash paid during the year for:		
Interest	$ 12,197	$ 3,343
Taxes	$ 2,454	$ 1,590
Supplemental noncash disclosures:		
Recognition of operating lease right of use asset and liability	$ 432	$ 270

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Operations

JBT Bancorp, Inc., (the "Company"), a bank holding company incorporated under the laws of Pennsylvania, was formed under the Agreement and Plan of Share Exchange and Reorganization entered into as of December 8, 2020 by and between Jonestown Bank and Trust Company and JBT Bancorp, Inc. The agreement was approved by shareholder vote on April 27, 2021 and became effective on May 4, 2021. The Company provides a full range of financial services through its wholly-owned subsidiary, Jonestown Bank & Trust Company. Jonestown Bank & Trust Company, (the "Bank"), operates 11 full service offices and 2 limited service offices. As a state bank, the Bank is subject to regulation of the Pennsylvania Department of Banking and Securities and the Federal Deposit Insurance Corporation. The area served by the Company is principally Lebanon County, northern Lancaster County, and eastern Berks County, Pennsylvania.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, the Bank. In consolidation, significant intercompany accounts and transactions between the Bank and the Company have been eliminated.

Basis of Accounting

The Company 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks and interest-bearing deposits in other banks with original maturities of 90 days or less, if any.

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Debt Securities

Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

1. Summary of Significant Accounting Policies (continued)

Debt Securities (continued)

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. The amount of accrued interest reversed against interest income totaled $0 and $0 for the years ended December 31, 2023 and 2022, respectively.

Allowance for Credit Losses – Available-For-Sale Securities

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If 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 the amortized cost basis. 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 credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $300 at December 31, 2023 and is excluded from the estimate of credit losses.

Equity Securities

Equity securities are carried at fair value with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Loans Held for Sale

Mortgage loans originated and intended or sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net realized losses, if any, are recorded as a valuation allowance and charged to earnings.

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

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of deferred loan fees and costs. Accrued interest receivable totaled $2,775 at December 31, 2023 and was reported in Accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

1. Summary of Significant Accounting Policies (continued)

Loans (continued)

Commercial loans include advances to local businesses for various commercial purposes including working capital, inventory, equipment, machinery, commercial vehicles, and municipal improvements. These loans may be structured as a line of credit or term loan. A significant portion of these loans are either secured by business real estate or the business owner's personal real estate. Loans secured solely by a business' accounts receivable, inventory, and equipment represent a small portion of this loan segment. Commercial loans are typically a risker loan segment as they are more vulnerable to economic conditions. The Company attempts to mitigate this risk through strong underwriting standards, acquiring collateral and personal guarantees of the business owners when warranted, and by performing annual relationship reviews. This segment also includes a small number of municipal loans that are provided to support local municipal projects and school districts. These loans present a lower risk to the Company, as they are secured by the entity's taxing authority or revenue streams.

Commercial Real Estate loans include advances to local businesses for the purchase, refinance, or improvement of a business property. These loans are structured as term loans, with variable rate loan features, and are secured by a senior or junior lien on the property. A specialty within this segment includes hotel/motel financing. Commercial Real Estate loans are typically a risker loan segment as they are more vulnerable to economic conditions. The Company attempts to mitigate these risks by having strong underwriting standards, acquiring the personal guarantees of the business owners when warranted, and by performing annual relationship reviews

Commercial Real Estate Construction loans includes loans to fund various commercial construction projects, including new projects or renovations to existing projects. These loans are typically secured by the property being improved. Loans remain in this segment until the completion of the project. Risk during construction is managed by a third-party inspection company to ensure that the work is completed per original specifications. After completion of the project, the loan is transferred to another loan segment based upon its specific type.

Residential Real Estate loans are comprised of three segments: Mortgages, Home Equity and Investment.

Mortgages are advanced for consumer purposes and are secured by a first lien on the consumer's personal residence. Customers have the choice of either fixed rate or adjustable rate. The Company manages the risks associated with this loan segment by having strong underwriting criteria, including requiring private mortgage in place for loans that exceed a loan to value of 80%.

Home Equity Loans, which include both term loans and lines of credit options, are offered for various consumer purposes. These loans are secured by either a senior or junior lien on a customer's personal residence. The Company manages the risks associated with this loan segment by having strong underwriting criteria, including a maximum loan to value of 80%.

Investment Property Loans represent loans advanced for the purchase or refinance of 1-4 family residential properties that will be held for investment where the owner intends to rent the property, which typically is the primary repayment source of the loan. These loans are processed as commercial term loans and are underwritten including the projected income and expenses of the subject property. This segment proposes additional risk to the Company, as economic conditions can impact property owner's cash flow due to occupancy issues. The Company manages the risks of this segment by having strong underwriting criteria, including occupancy discounts and having a maximum loan to value of 80%.

Indirect loans are loans advanced for the purpose of purchasing consumer automobiles, motorcycles, or recreation merchandise. These loans are processed through a network of local dealers that the Company has agreed to do business with. Dealers are vetted to mitigate risk. This segment is a significant business operation for the Company. The Company has many risk management initiatives in place to manage the risk associated with this type of business.

Consumer loans, including both term loans and lines of credit, are offered for a variety of consumer purposes. These loans may be either secured or unsecured. Loans are typically collateralized by automobile titles, recreational merchandise, or deposit accounts. The risks associated with this loan type are mitigated by strong underwriting criteria. These loans present a greater risk of loss to the Company than consumer loans secured by real estate, as many have no collateral or have collateral the depreciates rapidly.

1. Summary of Significant Accounting Policies (continued)

Loans (continued)

Interest income on residential and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Mortgage loans are charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer and credit card loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses - Loans

The allowance for credit losses – loans ("ACL") represents an amount that in management's judgment, is reflective of potential credit losses inherent in the loan portfolio as of the balance sheet date. Balances deemed to be uncollectible are charged against the ACL on loans when identified and subsequent recoveries if any, are credited to the ACL when received. Additions and reductions to the ACL are recognized through the provision for credit losses on loans in the Company's consolidated statement of income.

The ACL estimation process is performed in accordance with ASU Topic 326. When calculating the ACL estimate, management considers the effects of past events, current economic conditions, and reasonable, supportable forecasts regarding the expected collectability of financial assets as of the reporting date. The bank also considers the need to qualitatively adjust credit loss estimates for information not already included in the quantitative loss calculation. Methods used to estimate the ACL are consistently applied over time to reflect current expectations of future lifetime credit losses.

The ACL is estimated on a collective, or pooled basis where loans with similar risk characteristics are grouped together and evaluated collectively for potential future losses. For ACL purposes, management typically groups collectively evaluated loans by federal call code. Peer bank data pertaining to historic loss rates is considered in this analysis when internal historic loss data is insufficient or not meaningful. Discounted cash flow or weighted average remaining life methods are typically used to quantitatively estimate the ACL for pooled loans.

Qualitative loss factors are applied to pooled loan balances when appropriate. These factors adjust expected credit losses to account for pertinent information not already included in the ACL calculation. The following qualitative factors are considered when analyzing the pooled loan portfolio:

- Changes in lending policies, procedures, and strategies
- Changes in the nature and volume of the loan portfolio
- Experience level of staff and management
- Delinquency and non-accrual trends
- Concentrations of credit risk
- Changes in value of loan collateral
- Competitive, legal and regulatory factors
- Quality of the loan review function
- Changes in economic conditions

Data from Federal Open Market Committee (FOMC) sources are utilized to provide reasonable and supportable economic forecasts to inform and project future expected credit losses.

1. **Summary of Significant Accounting Policies (continued)**

Allowance for Credit Losses – Loans (continued)

The Company individually evaluates loans for expected credit losses when the financial asset does not share similar risk characteristics with loans that are being evaluated on a pooled basis. Individually analyzed loans are not included in the collective assessment of expected credit losses for pooled loans. Loans with unique risk characteristics are individually analyzed for potential credit loss and a specific loss reserve is calculated as needed.

Loss reserves for individually analyzed loans may be determined based upon the present value of expected future cash flows discounted at the loan's effective interest rate, or (as a practical expedient) at the loan's observable market price, or at the fair value of the collateral if the loan is collateral dependent.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

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

Concentration of Credit Risk

Most of the Company's business activity is with customers located within the state of Pennsylvania as it relates to indirect dealer financing, and within the Lebanon-Lancaster-Berks county area as it relates to all other loans. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the state of Pennsylvania and the counties of Lebanon, Lancaster, and Berks. The Company has a significant concentration of loans to lessors of 1-4 family residential properties, the hospitality industry, and MRB-related business.

Servicing

Servicing assets are recognized as separate assets when rights are acquired through the sale of loans. Capitalized servicing rights are reported in other assets and are amortized as a reduction of noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared with amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

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 Company; (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 Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

1. Summary of Significant Accounting Policies (continued)

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Premises and Equipment

Land is carried at cost. The company capitalizes any premises and equipment purchase of five thousand dollars or greater. Company premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful lives or lease term, if shorter, of the related assets and range from 3 to 40 years.

Leases

The Company follows Accounting Standard Update (ASU) 2016-02, *Leases* (Topic 842) in accounting for right-of-use ("ROU") assets and lease liabilities.

Lease agreements are entered into to obtain the right to use assets for business operations. Lease liabilities and ROU assets are recognized when entering into operating leases and represent obligations and rights to use these assets over the period of the leases and may be re-measured for certain modifications, resolution of certain contingencies involving variable consideration, or exercise of options (renewal, extension, or termination) under the lease.

Operating lease liabilities include fixed and in-substance fixed payments for the contractual duration of the lease. The lease payments are discounted using a rate determined when the lease is recognized. As the discount rate implicit in the lease is typically not known, an estimated discount rate that approximates a collateralized borrowing rate for the estimated duration of the lease is used. The discount rate is updated when re-measurement events occur. The related operating lease ROU assets may differ from operating lease liabilities due to initial direct costs, deferred or prepaid lease payments and lease incentives.

Operating lease liabilities are presented in accrued interest payable and other liabilities and the related operating lease ROU assets in premises and equipment. The amortization of operating lease ROU assets and the accretion of operating lease liabilities are reported together as fixed lease expense and are included in occupancy expense within noninterest expense. The fixed lease expense is recognized on a straight-line basis over the life of the lease.

Some of the operating leases include variable lease payments which are periodic adjustments of our payments for the use of the asset based on changes in factors such as consumer price indices, fair market value, tax rates imposed by taxing authorities, or lessor cost of insurance. To the extent not included in operating lease liabilities and operating lease ROU assets, these variable lease payments are recognized as incurred in occupancy expense within noninterest expense.

For substantially all of our leased assets, the consideration paid under the contract for maintenance or other services is accounted for as lease payments. In addition, for certain asset classes, the Company has elected to exclude leases with original terms of less than one year from the operating lease ROU assets and lease liabilities. The related short-term lease expense is included in occupancy expense.

Federal Home Loan Bank (FHLB) Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery or par value. Both cash and stock dividends are reported as income.

1. Summary of Significant Accounting Policies (continued)

Bank-Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charged or other amounts due that are probable at settlement.

Loan Commitments and Related Financial Instruments

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

Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change is deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

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

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

Retirement Plans

Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) expense is the amount of matching contributions. Supplemental retirement plan expense allocates the benefits over years of service.

Earnings per Share

Basic earnings per share represent net income available to common shareholders divided by the weighted-average number of shares outstanding during the period. Dividends on preferred stock are deducted from net income in calculating earnings per common share. The company currently maintains a simple capital and there are no dilutive effects on earnings per share.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale and changes in the funded status of the pension plan which are also recognized as separate components of equity.

Loss Contingencies

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

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

(Dollar amounts in thousands)

1. Summary of Significant Accounting Policies (continued)

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value of Financial Instruments

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

Reclassifications

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

Adoption of New Accounting Standards

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after December 31, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $290 thousand as of January 1, 2023 for the cumulative effect of adopting ASC 326.

The following table illustrates the impact of ASC 326.

	January 1, 2023		
	Reserves under Incurred Loss Model	Reserves under CECL Model	Impact of CECL Adoption
Financial assets:			
Commercial loans	$ 369	$ 645	$ 276
Commercial real estate	2,405	2,829	424
Commercial real estate construction	42	96	54
Residential real estate	2,185	1,743	(442)
Consumer indirect auto	3,672	3,381	(291)
Consumer other	535	406	(129)
Allowance for credit losses on loans	$ 9,208	$ 9,100	$ (108)
Liabilities:			
Off-balance sheet allowance	$ 375	$ 850	$ 475

(Dollar amounts in thousands)

2. Debt Securities

The following table summarizes the amortized cost, fair value and allowance for credit losses of securities available-for-sale at December 31, 2023 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
December 31, 2023					
Available-for-sale securities					
US government sponsored entities and agencies	$ 4,066	$ 20	$ 9	$ -	$ 4,077
State and political subdivisions	6,266	6	273	-	5,999
Mortgage-backed securities - residential	15,788	2	818	-	14,972
Other	11,244	-	1,493	-	9,751
Total	$ 37,364	$ 28	$ 2,593	$ -	$ 34,799

The following table summarizes the amortized cost and fair value of securities available-for-sale and securities held-to-maturity at December 31, 2022 and the corresponding amounts of grow unrealized gains and losses recognized in accumulated other comprehensive income (loss) and grow unrecognized gains and losses:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Available-for-sale securities				
US government sponsored entities and agencies	$ 1,566	$ 32	$ -	$ 1,598
State and political subdivisions	5,546	-	332	5,214
Mortgage-backed securities - residential	14,227	1	843	13,385
Other	11,247	-	961	10,286
Total	$ 32,586	$ 33	$ 2,136	$ 30,483
Held-to-maturity securities				
Investment note receivable	400	-	-	400
Total	$ 400	$ -	$ -	$ 400

The amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayments penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
December 31, 2023		
Available-for-sale		
Within one year	$ -	$ -
One to five years	4,386	4,364
Five to ten years	14,416	12,921
Beyond ten years	2,774	2,542
Mortgage-backed securities - residential	15,788	14,972
Total	$ 37,364	$ 34,799

Securities pledged at year-end 2023 and 2022 had a carrying amount of $11,729 and $7,833 and were pledged to secure public deposits and repurchase agreements. No debt securities were sold in 2023 or 2022.

2. Debt Securities (continued)

At year-end 2023 and 2022, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The following table summarizes debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2023						
Available-for-sale securities						
US government sponsored entities and agencies	$ 2,998	$ 9	$ -	$ -	$ 2,998	$ 9
State and political subdivisions	2,643	13	2,544	260	5,187	273
Mortgage-backed securities - residential	3,101	61	11,723	757	14,824	818
Other securities	-	-	9,751	1,493	9,751	1,493
Total	$ 8,742	$ 83	$ 24,018	$ 2,510	$ 32,760	$ 2,593

Unrealized losses on corporate bonds have not been recognized into income because the issuers bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to see the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

Unrealized losses on securities issued by state and political subdivisions have not been recognized into income because the issuers bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to see the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

As of December 31, 2023, the Company's security portfolio consisted of 83 securities, 73 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company's mortgage-backed and other securities. As discussed below:

<u>Mortgage-Backed Securities:</u> At December 31, 2023 all mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2023.

<u>Other Securities:</u> At December 31, 2023 all other securities held by the Company were issued by U.S.-based bank holding companies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2023.

(Dollar amounts in thousands)

2. Debt Securities (continued)

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

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2022						
Available-for-sale securities						
State and political subdivisions	$ 4,486	$ 53	$ 728	$ 279	$ 5,214	$ 332
Mortgage-backed securities - residential	11,803	471	1,500	372	13,303	843
Other securities	4,192	310	6,094	651	10,286	961
Total	$20,481	$ 834	$ 7,594	$ 1,023	$28,803	$ 2,136

Total other-than-temporary impairment recognized in accumulated other comprehensive income was $0 and $0 for securities available-for-sale and securities held-to-maturity at December 31, 2022.

Unrealized losses on corporate bonds have not been recognized into income because the issuers bonds are of high credit (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

As of December 31, 2022, the Company's security portfolio consisted of 83 securities, 73 of which were in an unrealized loss position. The majority of unrealized losses are related to the Company's mortgage-backed and other securities, as discussed below:

Mortgage-Backed Securities: At December 31, 2022, the entire amount of mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2022.

Other Securities: At December 31, 2022 all other securities held by the Company were issued by U.S.-based bank holding companies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2022.

3. Loans and Allowance for Credit Losses

Loans at year-end were as follows:

	2023	2022
Commercial	$ 37,524	$ 41,474
Commercial real estate	232,956	224,671
Commercial real estate construction	6,928	4,467
Secured by residential real estate	220,844	225,903
Indirect automobile financing	276,475	279,488
Consumer - other	10,462	10,959
Gross loans	785,189	786,962
Less allowance for loan losses	9,101	9,208
Net loans	$ 776,088	$ 777,754

Net deferred costs included in the preceding table total $11,429 and $13,516 as of December 31, 2023 and 2022, respectively.

(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

The ACL represents an amount that in management's judgment, is reflective of potential credit losses inherent in the loan portfolio as of the balance sheet date. Balances deemed to be uncollectible are charged against the ACL on loans when identified and subsequent recoveries if any, are credited to the ACL when received. Additions and reductions to the ACL are recognized through the provision for credit losses on loans in the bank's consolidated statement of income.

The ACL estimation process is performed in accordance with ASU Topic 326. When calculating the ACL estimate, management considers the effects of past events, current economic conditions, and reasonable, supportable forecasts regarding the expected collectability of financial assets as of the reporting date. The bank also considers the need to qualitatively adjust credit loss estimates for information not already included in the quantitative loss calculation. Methods used to estimate the ACL are consistently applied over time to reflect current expectations of future lifetime credit losses.

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

	Commercial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Consumer Indirect Autos	Consumer Other	Total
December 31, 2023							
Allowance for credit losses:							
Beginning balance, prior to adoption of ASC 326	$ 369	$ 2,405	$ 42	$ 2,185	$ 3,672	$ 535	$ 9,208
Impact of adopting ASC 326	276	424	54	(442)	(291)	(129)	(108)
Credit loss expense	(133)	(902)	66	13	2,033	317	1,394
Charge-offs	-	-	-	(14)	(1,809)	(324)	(2,147)
Recoveries	4	-	-	10	668	72	754
Ending Balance	$ 516	$ 1,927	$ 162	$ 1,752	$ 4,273	$ 471	$ 9,101

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

	Commercial	Commercial Real Estate	Commercial Real Estate Construction	Residential Real Estate	Consumer Indirect Autos	Consumer Other	Total
December 31, 2022							
Allowance for credit losses							
Beginning Balance	$ 340	$ 2,151	$ 210	$ 1,983	$ 3,126	$ 508	$ 8,318
Provision	20	170	(168)	197	838	143	1,200
Charge-offs	(25)	-	-	-	(824)	(170)	(1,019)
Recoveries	34	84	-	5	532	54	709
Ending Balance	$ 369	$ 2,405	$ 42	$ 2,185	$ 3,672	$ 535	$ 9,208

(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

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

	Commercial	Commercial Real Estate	Residential Real Estate	Consumer Indirect Autos	Consumer Other	Total
December 31, 2022						
Allowance for credit losses:						
Ending allowance balance attributable to loans:						
Individually evaluated for impairment	$ -	$ -	$ 18	$ -	$ -	$ 18
Collectively evaluated for impairment	369	2,447	2,167	3,672	535	9,190
Total ending allowance balance	$ 369	$ 2,447	$ 2,185	$ 3,672	$ 535	$ 9,208
Loans:						
Individually evaluated for impairment	$ 100	$ 6,565	$ 1,302	$ -	$ -	$ 7,967
Collectively evaluated for impairment	41,374	222,573	224,601	279,488	10,959	778,995
Total ending loans balance	$41,474	$229,138	$225,903	$279,488	$10,959	$786,962

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

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2022					
With no related allowance recorded:					
Commercial	$ 100	$ 100	$ -	$ 100	$ 5
Commercial real estate	6,565	6,848	-	6,823	321
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	950	1,012	-	993	42
Home equity lines of credit	76	108	-	85	6
Indirect auto financing	-	-	-	-	-
Consumer - other	-	-	-	-	-
Subtotal	$ 7,691	$ 8,068	$ -	$ 8,001	$ 374
With an allowance recorded:					
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	276	276	18	292	14
Home equity lines of credit	-	-	-	-	-
Indirect auto financing	-	-	-	-	-
Consumer - other	-	-	-	-	-
Subtotal	$ 276	$ 276	$ 18	$ 292	$ 14
Total Impaired:					
Commercial	$ 100	$ 100	$ -	$ 100	$ 5
Commercial real estate	6,565	6,848	-	6,823	321
Commercial real estate construction	-	-	-	-	-
Secured by residential real estate	1,226	1,288	18	1,285	56
Home equity lines of credit	76	108	-	85	6
Indirect auto financing	-	-	-	-	-
Consumer - other	-	-	-	-	-
Total	$ 7,967	$ 8,344	$ 18	$ 8,293	$ 388

(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2023:

	Nonaccrual With No Allowance for Credit Loss	Nonaccrual Loans	Loans Past Due Over 89 Days Still Accruing
Commercial	$ -	$ 42	$ -
Commercial real estate	-	-	82
Commercial real estate construction	-	-	-
Residential real estate	368	88	1
Indirect auto financing	-	-	121
Consumer - other	-	-	16
Total	$ 368	$ 130	$ 220

Payments received on nonaccrual loans reduce the carrying balance of the loan until the loan is restored to accrual basis or there is no remaining carrying balance. In 2023 the Company recognized $305 of income on payments received on loans with no remaining carrying balance.

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

	Collateral: Commercial RE	Collateral: Residential RE
Commercial real estate	$ 5,726	$ -
Residential real estate	-	1,370
Total	$ 5,726	$ 1,370

The following table presents the aging of the amortized cost basis in past-due loans as of December 31, 2023 and 2022 by class of loans:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2023						
Commercial	$ -	$ -	$ -	$ -	$ 37,524	$ 37,524
Commercial real estate	43	22	82	147	232,809	232,956
Commercial real estate construction	-	-	-	-	6,928	6,928
Residential real estate	1,110	89	292	1,491	219,353	220,844
Indirect auto financing	3,997	490	121	4,608	271,867	276,475
Consumer - other	128	76	16	220	10,242	10,462
Total	$ 5,278	$ 677	$ 511	$ 6,466	$ 778,723	$ 785,189

(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2022						
Commercial	$ 8	$ 100	$ -	$ 108	$ 41,366	$ 41,474
Commercial real estate	-	65	-	65	224,559	224,624
Commercial real estate construction	-	-	-	-	4,467	4,467
Residential real estate	965	170	102	1,237	223,885	225,122
Indirect auto financing	2,752	388	76	3,216	223,885	227,101
Consumer - other	21	6	103	130	10,829	10,959
Total	$ 3,746	$ 729	$ 281	$ 4,756	$ 728,991	$ 733,747

Occasionally, the company may modify loans to borrowers in financial distress by providing principal forgiveness, term extension, and other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off, against the allowance for credit losses.

The following table presents the amortized cost basis of loans at December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

	Term Extension	Total Class of Financing Receivable
December 31, 2023		
Residential real estate	$ 114	0.05%
Total	$ 114	0.05%

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. No loans are past due that have been modified in the last 12 months.

The following table presents the financial effect of the loan modifications presented above to borrows experiencing financial difficulty for the year ended December 31, 2023:

	Term Extension
December 31, 2023	
Residential real estate	9.5 years

The following tables represent credit exposures by internally assigned grades for only those loan segments that are risk rated such as commercial, commercial real estate, and commercial real estate construction for the years ended December 31, 2023 and 2022. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on definitions determined by the Company.

3. Loans and Allowance for Credit Losses (continued)

The Company's internally assigned grades are as follows:

Pass – loans which are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. There are five sub-grades within the pass category to further distinguish the loan.

Special Mention – loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected.

Substandard – loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful – loans classified as doubtful have all the weaknesses inherent in a substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances.

	Term Loan Amortized Cost Basis by Origination Year				Revolving Loans Amortized	
	2023	2022	2021	Prior	Cost Basis	Total
December 31, 2023						
Commercial:						
Pass	$ 6,171	$ 5,654	$ 3,308	$ 21,897	$ -	$ 37,030
Special mention	-	-	-	-	-	-
Substandard	-	-	-	494	-	494
Doubtful	-	-	-	-	-	-
Total	$ 6,171	$ 5,654	$ 3,308	$ 22,391	$ -	$ 37,524
Commercial loans:						
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loan Amortized Cost Basis by Origination Year				Revolving Loans Amortized	
	2023	2022	2021	Prior	Cost Basis	Total
December 31, 2023						
Commercial real estate:						
Pass	$ 29,129	$ 30,895	$ 44,593	$ 119,590	$ -	$ 224,207
Special mention	-	-	-	-	-	-
Substandard	221	252	1,974	6,302	-	8,749
Doubtful	-	-	-	-	-	-
Total	$ 29,350	$ 31,147	$ 46,567	$ 125,892	$ -	$ 232,956
Commercial real estate loans:						
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -

(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

	Term Loan Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	Prior		
December 31, 2023						
Commercial real estate construction:						
Pass	$ 1,129	$ 4,583	$ 234	$ 757	$ -	$ 6,703
Special mention	-	-	-	-	-	-
Substandard	-	-	-	225	-	225
Doubtful	-	-	-	-	-	-
Total	$ 1,129	$ 4,583	$ 234	$ 982	$ -	$ 6,928
Commercial real estate construction loans:						
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loan Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	Prior		
December 31, 2023						
Residential real estate:						
Payment performance						
Performing	$ 30,303	$ 48,729	$ 28,320	$ 87,781	$ 25,254	$ 220,387
Nonperforming	-	-	80	297	80	457
Total	$ 30,303	$ 48,729	$ 28,400	$ 88,078	$ 25,334	$ 220,844
Residential real estate loans:						
Current period gross write-offs	$ -	$ -	$ -	$ 14	$ -	$ 14

	Term Loan Amortized Cost Basis by Origination Year				Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	Prior		
December 31, 2023						
Indirect auto financing:						
Payment performance						
Performing	$ 81,832	$ 100,491	$ 55,627	$ 38,404	$ -	$ 276,354
Nonperforming	-	62	39	20	-	121
Total	$ 81,832	$ 100,553	$ 55,666	$ 38,424	$ -	$ 276,475
Indirect auto financing loans:						
Current period gross write-offs	$ 48	$ 1,058	$ 484	$ 219	$ -	$ 1,809

(Dollar amounts in thousands)

3. Loans and Allowance for Credit Losses (continued)

	Term Loan Amortized Cost Basis by Origination Year				Revolving Loans Amortized	
	2023	2022	2021	Prior	Cost Basis	Total
December 31, 2023						
Consumer - other:						
Payment performance						
Performing	$ 2,677	$ 1,849	$ 1,234	$ 4,686	$ -	$ 10,446
Nonperforming	-	-	-	16	-	16
Total	$ 2,677	$ 1,849	$ 1,234	$ 4,702	$ -	$ 10,462
Consumer - other loans:						
Current period gross write-offs	$ 5	$ 29	$ 15	$ 275	$ -	$ 324

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Commercial	Commercial Real Estate	Commercial Real Estate Construction
December 31, 2022			
Pass	$ 40,877	$ 213,076	$ 4,159
Special Mention	-	-	-
Substandard	597	11,595	308
Doubtful	-	-	-
Ending Balance	$ 41,474	$ 224,671	$ 4,467

The Company considers the performance of the loan portfolio and its impact on the allowance for loan losses. For residential and consumer loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the recorded investments in residential and consumer loans based on payment activity:

	Residential Real Estate	Indirect Automobile Financing	Other Consumer Loans
December 31, 2022			
Performing	$ 225,020	$ 279,412	$ 10,856
Nonperforming	883	76	103
Total	$ 225,903	$ 279,488	$ 10,959

4. Other Real Estate Owned

There was no other real estate owned balance or activity in either 2023 or 2022. At December 31, 2023 and 2022, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process is $63 and $76, respectively.

5. Fair Value

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques 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) and the lowest priority to unobservable inputs (level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

(Dollar amounts in thousands)

5. Fair Value (continued)

The three levels of the fair value hierarchy are described as follows:

Level I: Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.

Level II: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level III*:* Inputs that are unobservable inputs for the asset or liability.

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

All securities available for sale are priced using pricing models, quoted prices of securities with similar characteristics or using discounted cash flows and therefore are classified in the level 2 hierarchy.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2023 and 2022 are as follows:

	As of December 31, 2023			
	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Available-for-sale securities:				
US Government sponsored entities and agencies	$ -	$ 4,077	$ -	$ 4,077
States and political subdivisions	-	5,999	-	5,999
Mortgage-backed securities - residential	-	14,972	-	14,972
Other debt securities	-	9,751	-	9,751
Total	$ -	$34,799	$ -	$34,799

	As of December 31, 2022			
	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Available-for-sale securities:				
US Government sponsored entities and agencies	$ -	$ 1,598	$ -	$ 1,598
States and political subdivisions	-	5,214	-	5,214
Mortgage-backed securities - residential	-	13,385	-	13,385
Other debt securities	-	10,286	-	10,286
Total	$ -	$30,483	$ -	$30,483

Certain financial assets are measured at fair value on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. Adjustments to the fair value of these assets usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets.

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

(Dollar amounts in thousands)

5. Fair Value (continued)

Other Real Estate Owned: Certain assets such as other real estate owned (OREO) acquired through foreclosure are initially recorded at fair value of the property at the transfer date less estimated selling costs. At or near the time of foreclosure, real estate appraisals are obtained on the properties acquired through foreclosure in order to establish fair value. Appraised values are typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company using observable market data or on a recent sale offer (Level 2). However, if the appraisal for the acquired property is over two years old, then the fair value is considered Level 3. The estimate of costs to sell the property is based on historical transactions of similar holdings. There were no OREO properties with write-downs during the years ended December 31, 2023 or 2022.

Impaired Loans: Loans of a commercial nature are designated as impaired when, in the judgment of management based on current information and events, it is probable that all amounts due will not be collected according to the contractual terms of the loan agreement. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan, the fair value of the collateral (if collateral dependent), or the present value of expected future cash flows. Fair value is measured based on the value of the collateral securing the loan less estimated costs to sell or the expected present value of future cash flows. Collateral may be in the form of real estate or business assets including equipment, inventory, and accounts receivable. The value of the collateral is typically determined utilizing an income or market valuation approach based on an appraisal conducted by an independent, licensed appraiser outside of the Company 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 stale, 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. Likewise, values for inventory and accounts receivable collateral are based on financial statement balances or aging reports (Level 3). Impaired loans with an allocation to the allowance for loan losses are measured at fair value on a nonrecurring basis. Any fair value adjustments are recorded in the period incurred as provision for loan losses on the Consolidated Statements of Income.

The fair value of impaired loans reported below is based on the total impaired loans with a specific allowance for loan loss allocation less the total allocations for such loans, while the fair value measurement level is based on the age of the underlying appraisal of the collateral securing the loans. Specific allocations to the allowance for loan losses for impaired loans were $47 and $18 at December 31, 2023 and 2022, respectively.

There were no loans held for sale as of December 31, 2023 or December 31, 2022.

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2023 and 2022 are as follows:

	As of December 31, 2023				
	Level I	Level II	Level III	Total	Gain\(Losses)
Impaired loans	$ -	$ -	$ 2,546	$ 2,546	$ -
Total	$ -	$ -	$ 2,546	$ 2,546	$ -

	As of December 31, 2022				
	Level I	Level II	Level III	Total	Gain\(Losses)
Impaired loans	$ -	$ -	$ 258	$ 258	$ -
Total	$ -	$ -	$ 258	$ 258	$ -

(Dollar amounts in thousands)

5. Fair Value (continued)

The following table provides a listing of the significant unobservable inputs used in the fair value measurement process for items valued utilizing Level III techniques:

	As of December 31, 2023			
	Fair Value	Valuation Techniques	Unobservable Input	Range
Impaired Loans	$ 2,546	Appraised collateral values	Discount for time since appraisal	0-22%
		and discounted cash flows	Selling costs	0-8%

	As of December 31, 2022			
	Fair Value	Valuation Techniques	Unobservable Input	Range
Impaired Loans	$ 258	Appraised collateral values	Discount for time since appraisal	0-22%
		and discounted cash flows	Selling costs	0-8%

The following information should not be interpreted as an estimate of the fair value of the entire Company, since a fair value calculation is only provided for a limited portion of the Company'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 Company's disclosures and those of other companies may not be meaningful.

The estimated fair values of the Company's financial instruments were as follows at December 31, 2023 and 2022:

	As of December 31, 2023				
	Carrying Amount	Fair Value	Level I	Level II	Level III
Financial assets:					
Cash and due from banks	$ 12,552	$ 12,552	$ 12,552	$ -	$ -
Interest bearing balances with other banks	30,212	30,212	30,212	-	-
Available-for-sale securities	34,799	34,799	-	34,799	-
Net loans	776,088	755,012	-	-	755,012
Accrued interest receivable	3,092	3,092	3,092	-	-
Restricted investment in bank stock	4,001	N/A	N/A	-	-
Financial liabilities:					
Deposits	$ 719,000	$ 720,638	$ -	$ 720,638	$ -
Federal Home Loan Bank advances	83,125	82,957	-	82,957	-
Subordinated debt	9,915	10,361	-	10,361	-
Accrued interest payable	1,041	1,041	1,041	-	-

(Dollar amounts in thousands)

5. Fair Value (continued)

	As of December 31, 2022				
	Carrying Amount	Fair Value	Level I	Level II	Level III
Financial assets:					
Cash and due from banks	$ 10,662	$ 10,662	$ 10,662	$ -	$ -
Interest bearing balances with other banks	14,435	14,435	14,435	-	-
Available-for-sale securities	30,483	30,483	-	30,483	-
Held-to-maturity securities	400	400	-	400	-
Net loans	777,754	745,288	-	-	745,288
Accrued interest receivable	2,681	2,681	2,681	-	-
Restricted investment in bank stock	2,339	2,339	2,339	-	-
Financial liabilities:					
Deposits	$ 739,394	$ 736,263	$ -	$ 736,263	$ -
Federal Home Loan Bank advances	41,647	41,336	-	41,336	-
Subordinated debt	9,905	9,661	-	9,661	-
Accrued interest payable	263	263	263	-	-

6. Premises and Equipment

Year-end premise and equipment owned and utilized in the operations of the Company were as follows:

	December 31, 2023	2022
Land and improvements	$ 2,253	$ 2,253
Buildings	10,607	10,375
Furniture and equipment	3,903	3,891
Leasehold improvements		
Contruction in progress	-	-
Total premises and equipment	16,763	16,519
Less: Accumulated depreciation	7,878	7,273
Net premises and equipment	$ 8,885	$ 9,246

Depreciation expense was $659 and $692 for 2023, and 2022.

7. Leases

The Company leases land and office space under operating leases. Rental expense for these leases was $383 and $378 for years ended December 31, 2023 and 2022, respectively. Future lease payments under operating leases are presented below:

2024	$ 392
2025	408
2026	400
2027	357
2028	268
Thereafter	384
Total	2,209
Less: Inputed interest	227
Total operating lease liabilities	$ 1,982

(Dollar amounts in thousands)

7. Leases (continued)

All leases are operating leases. Below is a table of the operating lease right of use (ROU) assets included in premises and equipment and lease liabilities included in accrued interest payable and other liabilities along with remaining average lease term and discount rate:

	December 31, 2023	December 31, 2022
Right of use assets	$ 1,961	$ 1,846
Lease liability	$ 1,982	$ 1,869
Weighted average remaining lease term in years	6.06	7.06
Weighted average discount rate	3.93%	3.69%

Our operating leases predominantly expire within the next three to nine years with the longest expiring in nine years.

Location Name	Term	Expiration of Term	Lessee Renewal Options
Smile Center	5 years	2028	One 5 year renewal periods
Ephrata	15 years	2026	One 15 year period
Quentin	5 years	2028	None
Northside	20 years	2030	Two 5 year renewal periods
Lititz	15 years	2032	One 15 year period

The Company does not include renewal or termination options in the establishment of the lease term when it is not reasonably certain that they will be exercised.

8. Deposits

The composition of deposits is as follows:

	December 31, 2023	December 31, 2022
Demand, non-interest-bearing	$ 133,964	$ 138,456
Checking with interest and money market	301,004	361,103
Savings	69,159	82,355
Time deposits greater than $250,000	47,147	28,573
Other time deposits	167,726	128,907
Total	$ 719,000	$ 739,394

Scheduled maturities of time deposits for the next five years were as follows:

2024	$ 180,405
2025	22,513
2026	8,440
2027	1,997
2028 and greater	1,518
Total	$ 214,873

(Dollar amounts in thousands)

9. Federal Home Loan Advances

At year-end, advances from the Federal Home Loan Bank were as follows:

December 31, 2023	
Maturities January 2024 through February 2026, fixed rate at rates from 1.11% to 5.61%, averaging 5.21%	$ 83,125
	$ 83,125
December 31, 2022	
Maturities February 2023 through March 2025, fixed rate at rates from 1.03% to 4.68%, averaging 1.88%	$ 17,647
Maturity January 2023, floating rate at 4.45%	24,000
	$ 41,647

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were collateralized by $424,307 and $395,124 of loans under a blanket lien arrangement at year-end 2023 and 2022. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of $295,264 at year-end 2023.

Payments over the next five years are as follows:

2024	$ 69,000
2025	11,125
2026	3,000
2027	-
2028	-
Thereafter	-
Total	$ 83,125

10. Subordinated Debt

The Company entered into an unsecured subordinated debt of $10 million with Atlantic Community Bankers Bank on December 22, 2021, with a maturity date of December 2031. The note carries a fixed rate of 3.75% for five years and then a variable rate based on 30-day Secured Overnight Financing Rate (SOFR) plus 3.50% for the last five years. Interest is payable quarterly in arrears at each quarter-end date beginning March 31, 2022. The debt can be redeemed in whole or in part with required notice beginning December 2026.

11. Pension and Other Postretirement Plans

Pension

The Company has a noncontributory defined benefit pension plan (the "Plan") covering substantially all employees hired prior to February 1, 2006. The Plan's benefit formulas generally base payments to retired employees upon their length of service and the employees' average monthly compensation. This plan was frozen as of December 31, 2012 and no employees are accruing any more benefits.

(Dollar amounts in thousands)

11. Pension and Other Postretirement Plans (continued)

Pension (continued)

The following table sets forth the Plan's funded status and the amounts recognized in the Company's consolidated financial statements. The measurement date for purposes of these valuations was December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
Change in benefit obligation		
Benefit obligation at beginning of year	$ 2,715	$ 4,165
Interest cost	133	116
Actuarial (gain) loss	10	(1,028)
Benefits paid	(112)	(110)
Settlements	(240)	(428)
Benefit obligation at end of year	2,506	2,715
Change in plan assets		
Fair value of plan assets at beginning of year	3,264	4,494
Actual return on plan assets	422	(692)
Employer contribution	-	-
Benefits paid	(112)	(110)
Settlements	(240)	(428)
Fair value of plan assets at end of year	3,334	3,264
Funded status included in other assets	$ 828	$ 549
Amounts recognized in the Balance Sheets consist of:		
Accrued benefit cost in other assets	$ 828	$ 549
Accumulated other comprehensive loss	82	343
Net amount recognized	$ 910	$ 892
Amounts recognized in accumulated other comprehensive income (loss) consist of:		
Net actuarial loss	$ (82)	$ (343)
Deferred tax benefit	17	72
Total	$ (65)	$ (271)

Net periodic pension expense included the following components:

	Years Ended December 31, 2023	Years Ended December 31, 2022
Interest cost	$ 133	$ 116
Expected return on plan assets	(160)	(221)
Settlement Charge	8	54
Net amortization and deferral	2	9
Net periodic pension expense (benefit)	$ (17)	$ (42)

The components of net periodic benefit cost are included in salaries and employee benefits in the Consolidated Statements of Income.

The accumulated benefit obligation was $2,506 and $2,715 at December 31, 2023 and 2022, respectively. The change in the accumulated benefit obligation was primarily driven by the change in the discount rate.

(Dollar amounts in thousands)

11. Pension and Other Postretirement Plans (continued)

Pension (continued)

The following is a summary of actuarial assumptions used for the Company's pension plan:

	December 31, 2023	2022
Discount rate	4.83%	5.02%
Expected long-term return on Plan assets	5.00%	5.00%
Rate of compensation increase	N/A	N/A

The estimated net actuarial gain to be amortized into net periodic pension cost in 2024 is $46.

The selected long-term rate of return on Plan assets (5.00 percent) was primarily based on the asset allocation of the Plan's assets. Analysis of the historic returns on these asset classes and projections of expected future returns were considered in setting the long-term rate of return.

The Company's pension plan target asset allocations, by asset category, are as follows:

	December 31, 2023	2022
Equities	65%	65%
Fixed income	35%	35%
Other	0%	0%
Total	100%	100%

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value:
The Company does not expect to contribute to its pension plan in 2024.

	As of December 31, 2023			
	Level I	Level II	Level III	Total
Assets:				
Mutual funds:				
Equities				
Large-Cap Value	$ 221	$ -	$ -	$ 221
Large Cap Core	291	-	-	291
Mid-Cap Core	243	-	-	243
Small-Cap Core	257	-	-	257
International Growth	342	-	-	342
International Value	215	-	-	215
Large Cap Growth	394	-	-	394
Fixed income				
Fixed Income- Core Plus	1,119	-	-	1,119
Common Collective Trusts-Equity	-	225		225
Cash Equivalent	27	-	-	27
Total assets at fair value	$ 3,109	$ 225	$ -	$ 3,334

(Dollar amounts in thousands)

11. Pension and Other Postretirement Plans (continued)

Pension (continued)

	As of December 31, 2022			
	Level I	Level II	Level III	Total
Assets:				
Mutual funds:				
Equities				
Large-Cap Value	$ 232	$ -	$ -	$ 232
Large-Cap Core	273	-	-	273
Mid-Cap Core	248	-	-	248
Small-Cap Core	174	-	-	174
International Growth	348	-	-	348
International Value	216	-	-	216
Large Cap Growth	333	-	-	333
Small/Midcap Growth	83	-	-	83
Fixed Income				
Fixed Income- Core Plus	825	-	-	825
Intermediate Duration	282	-	-	282
Common Collective Trusts-Equity	-	244	-	244
Cash Equivalent	6	-	-	6
Total assets at fair value	$ 3,020	$ 244	$ -	$ 3,264

The following benefit payments are expected to be paid:

	Years Ended December 31,
2024	$ 117
2025	122
2026	130
2027	133
2028	135
2029 through 2033	735
	$ 1,372

401(k) Plan

A 401(k) benefit plan allows employee contributions up to 15% of their compensation. The Company matches 100% of elective contributions of employees not to exceed 4% of the employee's salary, plus 50% of the employee's elective contribution that exceed 4% of their salary but not to exceed 6% of their salary. Match expense for 2023, and 2022 was $406, and $379 respectively.

Supplemental Executive Retirement Plan

Supplemental executive retirement plan agreements ("SERP") cover selected executive officers. Each SERP provides for the monthly payment of a fixed cash benefit over a period of fifteen (15) years commencing on the first day of the month following the executive's separation from service occurring on or after reaching normal retirement age, reduced by fifty percent (50%) if a change in control occurs followed within twenty-four (24) months by separation from service prior to normal retirement age. Separate clauses provide for payment of the accrued benefit over a sixty (60) month period in the event of early termination or disability, or an immediate payout of the accrued benefit in the event of death. The accrued liability for the SERP plans was $860 at December 31, 2023 and $544 at December 31, 2022. The expense related to the plan was $316 in 2023 and $296 in 2022 and is included as a component of salaries and benefits expense in the Consolidated Statements of Income.

(Dollar amounts in thousands)

12. Income Taxes

The provision for federal income taxes consisted of the following:

	2023	2022
Federal tax expense		
Current	$ 2,470	$ 1,816
Deferred	(609)	22
Total	$ 1,861	$ 1,838

Reconciliation of the statutory income tax expense computed at 21% to the income tax expense included in the Statements of Income is as follows:

	2023		2022	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 2,027	21.0 %	$ 2,079	21.0 %
Tax exempt interest, net	(120)	(1.2)	(118)	(1.2)
Life insurance	(86)	(0.9)	(135)	(1.4)
Other, net	40	0.4	12	0.1
Actual tax expense and effective rate	$ 1,861	19.3 %	$ 1,838	18.5 %

Net deferred tax assets (liabilities) consisted of the following components:

	2023	2022
Deferred tax assets		
Allowance for loan losses	$ 1,911	$ 1,934
Net unrealized loss on securities	539	442
Lease liability	416	392
Other pension adjustments	17	72
Other deferred tax assets	424	279
Total deferred tax assets	3,307	3,119
Deferred tax liabilities		
Net deferred loan costs	(2,341)	(2,845)
Depreciation	(241)	(295)
Right of use asset	(412)	(388)
Other deferred tax liabilities	(387)	(393)
Total deferred tax liabilities	(3,381)	(3,921)
Net deferred tax assets (liability)	$ (74)	$ (802)

The realizability of deferred tax assets is dependent upon various factors, including the generation of future taxable income, the existence of taxes paid and recoverable, the reversal of deferred tax liabilities, and tax planning strategies. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the net operating loss carryforwards are available and the temporary differences representing net future deductibles reverse. Based upon these and other factors management has determined that it is more likely than not that the Company will realize the benefits of the deferred tax assets that exist as of December 31, 2023.

As of December 31, 2023, and 2022, the Company had no material unrecognized tax benefits or accrued interest and penalties. The Company's policy is to account for interest as a component of interest expense and penalties as a component of other expense.

As of December 31, 2023, the years 2020 – 2022 are open for federal examination and years 2019-2022 are open for state examinations.

13. Related-Party Transactions

The Company has had banking transactions in the ordinary course of business with its executive officers, directors, principal stockholders, and their affiliated companies (related parties) on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. Loans to principal officers, directors and their affiliates during 2023 were as follows:

Beginning balance	$ 2,032
New loans	1,993
Effect of changes in composition of related parties	(70)
Repayments	(2,550)
Ending balance	$ 1,405

Deposits from related parties at year-end 2023 and 2022 were $3,438 and $2,326

14. Regulatory Capital Matters

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities in not included in computing regulatory capital. Management believes as of December 31, 2023, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not sued to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2023 and 2022, the most recent regulatory notifications 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 institution's category.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31, 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the Coronavirus Aid Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ration requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purpose of section 38 of the Federal Deposit Insurance Act. Under the interim final rule the community bank leverage ratio minimum requirement is 9% for calendar year 2022 and beyond. The interim rule allows for two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio greater than 8%.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert to the risk-weighting framework without restriction. As of December 31, 2023, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under

(Dollar amounts in thousands)

14. Regulatory Capital Matters (continued)

the CBLR framework. The Federal Reserve has set the limit to qualify as a small bank holding company at $3 billion which exempts it from risk-based capital and leverage rules.

The Bank's actual capital amounts and ratios as of December 31 are also presented below:

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	> Amount	> Ratio
Community Bank Leverage Ratio				
2023	$ 84,882	9.39 %	$ 45,194	5.00 %
2022	$ 79,456	9.19 %	$ 43,220	5.00 %

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2023, $48,727 of retained earnings was available for dividend declaration without prior regulatory approval, subject to the above regulatory capital requirements.

15. Loan Commitments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Consolidated Balance Sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

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

Outstanding letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next 12 months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Company requires collateral supporting these letters of credit, as 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.

A summary of the Company's financial instrument commitments is as follows:

	December 31, 2023	December 31, 2022
Commitments to extend credit	$ -	$ 12,334
Unfunded commitments	134,896	125,681
Standby letters of credit	10,306	5,456
Total	$ 145,202	$ 143,471

(Dollar amounts in thousands)

16. Accumulated Other Comprehensive Income

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

	Unrealized Gains\(Losses) on Securities	Defined Benefit Pension Plan	Total
Balance, December 31, 2021	$ 562	$ (411)	$ 151
Change in unrealized (losses) on securities available for sale	(2,814)	-	(2,814)
Change in benefit obligation and plan assets	-	177	177
Tax effect of current period changes	591	(37)	554
Balance, December 31, 2022	$ (1,661)	$ (271)	$ (1,932)
Change in unrealized (losses) on securities available for sale	(462)	-	(462)
Change in benefit obligation and plan assets	-	263	263
Tax effect of current period changes	97	(55)	42
Balance, December 31, 2023	$ (2,026)	$ (63)	$ (2,089)

17. Subsequent Events

Management has reviewed events occurring through March 5, 2024, the date the consolidated financial statements were available to be issued and no subsequent events occurred requiring disclosure.

With Our Sincere Appreciation

In April 2023, Richard J. Newmaster, Jr. retired from the Board of Directors after 19 years, including serving as Chairman of the Board of Directors from 2007 to 2023. During his tenure the Bank grew from $212 million to $868 million in total assets.

Richard J. Newmaster, Jr., CPA
Director Emeritus
JBT Bancorp, Inc.

"Working with Rich was a profound pleasure. He brought leadership and a sharp accountant's eye to the Board. Rich understood the role of a Director versus the role of management. He was particularly instrumental in helping the Bank transform its indirect lending business, developing the Board, and enhancing corporate governance as the Bank grew. We thank Rich for his service, counsel, and leadership."

Troy A. Peters
President & CEO
JBT Bancorp, Inc., Jonestown Bank & Trust Co.

150 Years of Smiles!
jbt.bank

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