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President & CEO

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1ST SUMMIT BANCORP CORPORATE OFFICERS

J. Eric Renner
President & CEO

Carol A. Myers
EVP, Treasurer, & Chief
Enterprise Risk Officer

Timothy W. Smith
SVP & Secretary

Michael J. Paulman
SVP

Polly A. Previte
SVP

1ST SUMMIT BANK LEADERSHIP TEAM

J. Eric Renner
President & CEO

Carol A. Myers
EVP, Sr. Chief Financial Officer,
& Chief Enterprise Risk Officer

Timothy W. Smith
SVP &
Chief Information Officer

Polly A. Previte
SVP & Head of Retail Banking

Karen M. Mento
SVP &
Chief Administrative Officer

Michael J. Paulman
SVP & Chief Lending Officer

Domenic M. Cagliuso
SVP & Sr. Wealth Management
Division Head

Joseph P. Kelly
SVP & Chief Credit Officer

Jocelyn A. Sauter
SVP & Chief Human Resources
Officer



1ST SUMMIT BANCORP
of Johnstown, Inc.

125 Donald Lane
Post Office Box 5480
Johnstown, Pennsylvania 15904

Second Quarter

FINANCIAL REPORT

June 30, 2023



1ST SUMMIT BANCORP

1STSUMMIT.BANK

TO OUR SHAREHOLDERS & FRIENDS:

As we report our second quarter results, interest rates are nearing their peak. The final hikes are always the most painful for the economy. We have experienced the fastest rate increases since the 1980s and the fastest shrinkage in the money supply since the 1930s, which has produced challenges for the entire banking industry. Remember, your company is a strong, well-capitalized, well-diversified community bank.

Despite rising interest rates and inflationary pressures, the bank experienced good loan growth year over year, up \$36 million or 5% to \$745 million at June 30, 2023. While this growth, along with rising interest rates has fueled an increase in interest income, deposit balances show a slight decline of \$9.6 million year over year and are somewhat reflective of the shrinking money supply. While our deposit customers are very loyal, deposit competition and much higher deposit rates have dramatically increased our interest expense, impacting our bottom line.

Banks are experiencing earnings challenges this year as the Federal Reserve increased short-term interest rates at a pace faster than they have since the 1980s. With long-term rates not moving as fast, we have an inverted yield curve. The effect is that it reduces the bank's ability to make up any shortfall in income by investing for the long term. This inverted yield curve puts pressure on financial institutions, as is evident in our earnings and in the value of our equity securities portfolio. Our operating earnings should strengthen once short-term rates begin to decline. And, when the equity portfolio rebounds, it will have a positive impact on income. In addition, given the current earnings challenges, your company has taken steps to reduce expenses. The strategic decision to exit the consumer finance business and close Value Finance will result in cost savings of slightly over \$1 million annually. During the second quarter, the assets of Value Finance were successfully transitioned into the bank and the Value Finance offices were closed.

The Company is well capitalized, with equity capital of over \$99 million or 7.3% of assets at quarter end and a total risk-based capital ratio of 17.7%, well above the 10% required to be considered well capitalized. Asset quality remains strong with nonperforming assets at just 0.55% of total assets. The allowance for loan losses also remains strong at 1.1% of total loans.

Your company continues to explore options to improve and further expand our branch banking presence within the counties we currently serve. We are fortunate to have a strong capital position and a solid balance sheet that will allow us to continue to grow and serve our customers. As always, we value your continued support and confidence in 1ST SUMMIT BANCORP.



John W. McCall
Chairman of the Board



J. Eric Renner
President and CEO

QUARTER ENDING JUNE 30, 2023

Financial Highlights
(in thousands except per share data)

	2023	2022
NET INCOME		
Interest income	\$ 12,627	\$ 10,822
Interest expense	5,973	1,328
Net interest income	6,654	9,494
Provision for loan losses	221	101
Net Interest Income After Provision	6,433	9,393
Other income:		
Service fees	475	473
Loss on sale of debt securities	(113)	-
Wealth management income	520	545
Other income	1,104	689
Total Other Income	1,986	1,707
Other expense:		
Salaries and benefits	4,421	4,232
Premises and equipment	1,203	1,098
FDIC insurance	186	88
Other expense	2,080	1,800
Total Other Expense	7,890	7,218
Income Before Taxes	529	3,882
Income tax (benefit) expense	(98)	549
*Income before change in fair value of equity securities	\$ 627	\$ 3,333
*Change in fair value of equity securities	(419)	(768)
*Income tax (benefit) expense on change in fair value of equity securities	(88)	(161)
NET INCOME	\$ 296	\$ 2,726
PER SHARE DATA	2023	2022
*Adjusted Net Income	\$ 0.29	\$ 1.52
Net Income	\$ 0.13	\$ 1.25
Cash Dividends	\$ 0.43	\$ 0.43
Book Value	\$ 45.19	\$ 45.53
Market Value	\$ 75.00	\$ 70.00

	June 30,	
	2023	2022
BALANCE SHEET		
Total assets	\$1,361,027	\$ 1,348,212
Net loans	745,415	708,957
Investment securities	537,725	571,682
Deposits	1,152,755	1,162,357
Average assets	1,388,938	1,340,247
Borrowed funds	96,932	76,995
Shareholders' equity	99,021	99,683
Allowance for loan and lease losses	\$ 8,287	\$ 7,625
	(Unaudited)	

SIX MONTHS ENDING JUNE 30, 2023

Financial Highlights
(in thousands except per share data)

	2023	2022
NET INCOME		
Interest income	\$ 25,024	\$ 21,009
Interest expense	10,637	2,633
Net interest income	14,387	18,376
Provision for loan losses	401	237
Net Interest Income After Provision	13,986	18,139
Other income:		
Service fees	922	915
Loss on sale of debt securities	(113)	-
Wealth management income	1,088	993
Other income	2,226	1,322
Total Other Income	4,123	3,230
Other expense:		
Salaries and benefits	8,715	8,315
Premises and equipment	2,391	2,170
FDIC insurance	372	176
Other expense	3,952	3,489
Total Other Expense	15,430	14,150
Income Before Taxes	2,679	7,219
Income tax (benefit) expense	(8)	956
*Income before change in fair value of equity securities	\$ 2,687	\$ 6,263
*Change in fair value of equity securities	(1,229)	(1,020)
*Income tax (benefit) expense on change in fair value of equity securities	(258)	(214)
NET INCOME	\$ 1,716	\$ 5,457
PER SHARE DATA	2023	2022
*Adjusted Net Income	\$ 1.23	\$ 2.86
Net Income	\$ 0.78	\$ 2.49
Cash Dividends	\$ 0.86	\$ 0.85
Book Value	\$ 45.19	\$ 45.53
Market Value	\$ 75.00	\$ 70.00

	2023	2022
PERFORMANCE RATIOS		
Return on average assets	0.25 %	0.81 %
Return on average equity	3.38 %	9.54 %
Net interest margin	2.28 %	2.97 %
Allowance for loan losses to total loans	1.10 %	1.06 %
Non-performing loans to total loans	0.94 %	0.32 %
Non-performing assets to total assets	0.55 %	0.17 %
Net overhead to average assets	2.22 %	2.11 %
Tier 1 capital ratio	10.03 %	9.90 %
	(Unaudited)	

*This calculation is a non-GAAP measure which adjusts for the impact of the Financial Instruments Rule ASU 2016-01 which requires mark to market accounting through earnings on equity securities.