

BOARD OF DIRECTORS

John W. McCall
Chairman

J. Eric Renner
President & CEO

Rex W. McQuaide, Esq.

Edward J. Sheehan, Jr.

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Jennifer H. Lunden, Esq.

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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

Third Quarter

FINANCIAL REPORT

September 30, 2023



1ST SUMMIT BANCORP

1STSUMMIT.BANK

TO OUR SHAREHOLDERS & FRIENDS:

Despite rising interest rates and inflationary pressures, 1ST SUMMIT BANCORP has experienced solid loan growth in 2023. Year over year, loans are up \$23 million or 3%. While it is typical to see both loans and deposits decline in a rising rate environment, we have continued to add loans to our balance sheet, which will benefit the bank going forward.

Net Income has declined from the prior year as we have experienced the fastest interest rate increases since the 1980s, a raging battle against inflation, along with an inverted yield curve. These factors are putting pressure on the economy and the entire banking industry, as is evident in our earnings and in the value of our equity securities portfolio. Also, while our deposit balances have been stable, largely due to the loyalty of our customers, competition for deposits and the demand for higher yields have dramatically increased our interest expense, negatively impacting our bottom line. Our operating earnings should strengthen once short-term rates begin to decline, along with the many other initiatives we are taking to grow higher yielding loans and gather lower-cost core deposits. Additionally, when the equity portfolio rebounds, it too 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. While you see challenges with current earnings, remember, your company is a strong, well-capitalized, well-diversified community bank with strong asset quality and a strong balance sheet that will carry us through this difficult period.

In April 2022, 1ST SUMMIT BANCORP completed a two-for-one stock split in the form of a 100% stock dividend which doubled the number of shares each shareholder owns. For this reason, all per share information is adjusted for comparability. As a result of the stock split, each dividend increase will have double the impact to shareholders. The cash dividend for the first nine months rose to \$1.29 per share, up \$.01 per share over the prior year. This marked the 47th straight year of a cash dividend increase. With the current stock price at \$75.00 per share, the total return on this investment so far this year is 5.9%.

The Company is well capitalized with equity capital of over \$87 million, or 6.5% of assets at quarter end and a total risk-based capital ratio of 17.6%, well above the 10% required to be considered well capitalized. Asset quality remains strong with nonperforming assets at just 0.6% of total assets. The allowance for loan losses also remains strong at 1.1% of total loans.

As always, we are grateful for your continued support and confidence in 1ST SUMMIT BANCORP.



John W. McCall
Chairman of the Board



J. Eric Renner
President and CEO

QUARTER ENDING SEPTEMBER 30, 2023

Financial Highlights
(in thousands except per share data)

	2023	2022
NET INCOME		
Interest income	\$ 12,730	\$ 11,649
Interest expense	6,905	2,213
Net interest income	5,825	9,436
Provision for loan losses	168	101
Net Interest Income After Provision	5,657	9,335
Other income:		
Service fees	553	505
Loss on sale of debt securities	-	-
Wealth management income	464	516
Other income	803	770
Total Other Income	1,820	1,791
Other expense:		
Salaries and benefits	4,170	4,419
Premises and equipment	1,028	1,074
FDIC insurance	129	89
Other expense	2,235	1,869
Total Other Expense	7,562	7,451
Income Before Taxes	(85)	3,675
Income tax (benefit) expense	(355)	468
*Income before change in fair value of equity securities	\$ 270	\$ 3,207
*Change in fair value of equity securities	(115)	(215)
*Income tax (benefit) expense on change in fair value of equity securities	(24)	(45)
NET INCOME	\$ 179	\$ 3,037
PER SHARE DATA	2023	2022
*Adjusted Net Income	\$ 0.12	\$ 1.47
Net Income	\$ 0.08	\$ 1.39
Cash Dividends	\$ 0.43	\$ 0.43
Book Value	\$ 40.07	\$ 41.14
Market Value	\$ 75.00	\$ 72.00

	September 30,	
	2023	2022
BALANCE SHEET		
Total assets	\$1,346,081	\$ 1,354,898
Net loans	749,825	727,241
Investment securities	514,449	548,774
Deposits	1,172,534	1,193,066
Average assets	1,389,815	1,357,452
Borrowed funds	72,450	62,305
Shareholders' equity	87,796	90,075
Allowance for loan and lease losses	\$ 8,140	\$ 7,668

(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.

NINE MONTHS ENDING SEPTEMBER 30, 2023

Financial Highlights
(in thousands except per share data)

	2023	2022
NET INCOME		
Interest income	\$ 37,754	\$ 32,658
Interest expense	17,542	4,846
Net interest income	20,212	27,812
Provision for loan losses	569	338
Net Interest Income After Provision	19,643	27,474
Other income:		
Service fees	1,475	1,420
Loss on sale of debt securities	(113)	-
Wealth management income	1,552	1,509
Other income	3,029	2,092
Total Other Income	5,943	5,021
Other expense:		
Salaries and benefits	12,885	12,734
Premises and equipment	3,419	3,244
FDIC insurance	501	265
Other expense	6,187	5,358
Total Other Expense	22,992	21,601
Income Before Taxes	2,594	10,894
Income tax (benefit) expense	(363)	1,424
*Income before change in fair value of equity securities	\$ 2,957	\$ 9,470
*Change in fair value of equity securities	(1,344)	(1,235)
*Income tax (benefit) expense on change in fair value of equity securities	(282)	(259)
NET INCOME	\$ 1,895	\$ 8,494
PER SHARE DATA	2023	2022
*Adjusted Net Income	\$ 1.35	\$ 4.33
Net Income	\$ 0.86	\$ 3.88
Cash Dividends	\$ 1.29	\$ 1.28
Book Value	\$ 40.07	\$ 41.14
Market Value	\$ 75.00	\$ 72.00

	2023	2022
PERFORMANCE RATIOS		
Return on average assets	0.18 %	0.83 %
Return on average equity	2.53 %	10.23 %
Net interest margin	2.15 %	2.96 %
Allowance for loan losses to total loans	1.07 %	1.04 %
Non-performing loans to total loans	1.01 %	0.39 %
Non-performing assets to total assets	0.60 %	0.24 %
Net overhead to average assets	2.21 %	2.12 %
Total risk-based capital	17.55 %	17.57 %

(Unaudited)