

FORGED FOR
WHAT'S

NEXT



1ST SUMMIT BANCORP
of Johnstown, Inc.

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share data)

As of and for the Years Ended December 31st

Income Statement:

	2025	2024	2023
Interest Income	\$ 61,458	\$ 54,654	\$ 50,537
Interest expense	31,288	32,346	25,157
Net Interest Income	30,170	22,308	25,380
Provision for credit losses	751	86	700
Noninterest income	8,395	12,007	7,669
Noninterest expense	32,263	31,588	30,570
Income before income taxes	5,551	2,641	1,779
Net income	5,338	3,193	2,646

Balance Sheet Data:

Period end balance sheet data

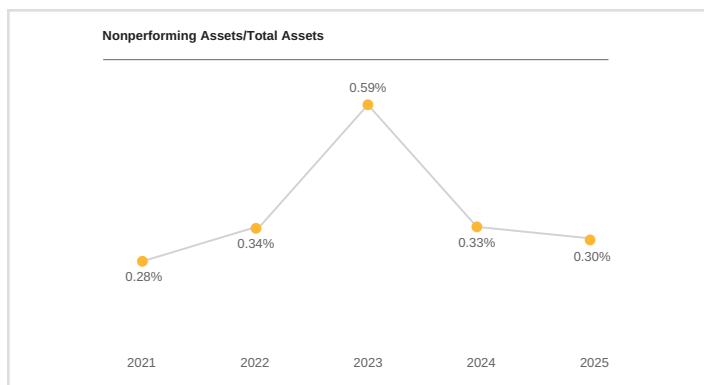
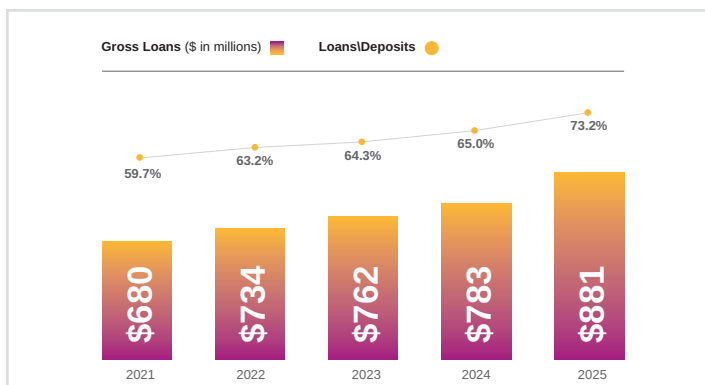
	2025	2024	2023
Loans	\$ 881,272	\$ 782,768	\$ 762,411
Earning assets	1,441,172	1,348,242	1,311,183
Total assets	1,517,332	1,415,163	1,371,717
Noninterest bearing deposits	120,847	114,898	117,464
Total deposits	1,203,651	1,204,113	1,185,556
Stockholders equity	108,685	93,961	101,487

Common Shares Data:

	2025	2024	2023
Earnings per common share	\$ 2.51	\$ 1.46	\$ 1.21
Cash dividends per common share	1.72	1.72	1.72
Book Value per share	51.31	44.00	46.33
Tangible book value per share	51.15	43.84	46.18
Adjusted book value per share (excluding impact of AOCI)	60.36	59.21	59.11
Weighted average number of shares	2,124,241	2,180,921	2,190,783
Shares outstanding	2,118,389	2,135,540	2,190,510

Performance and other data:

	2025	2024	2023
Return on average assets	\$ 0.37%	\$ 0.23%	\$ 0.19%
Return on average equity	5.37%	3.40%	2.74%
Tangible common equity	7.14%	6.62%	7.38%
Net interest margin (tax-equivalent)	2.27%	1.80%	2.06%
Efficiency ratio	83.66%	92.05%	92.50%
Allowance for credit loss as a percentage of total loans	0.77%	0.91%	1.03%
Annualized net charge-offs to average loans	0.14%	0.10%	0.16%
Nonperforming assets to total assets	0.30%	0.33%	0.59%
FTE headcount	201	211	213





TO OUR VALUED

SHAREHOLDERS

Allison S. Johnson
President, Chief Executive Officer
& Chief Financial Officer

2025 was a year defined by disciplined execution and renewed momentum. We entered the year with a clear plan: tighten funding discipline, reposition the balance sheet toward higher-quality earning assets, protect credit, and rebuild core profitability. Quarter by quarter, we delivered. The results reflect not just improvement, but a sustained upward trajectory that positions the Bank for durable performance.

Net income increased from \$775 thousand in the first quarter to more than \$1.6 million in both the third and fourth quarters. Return on average assets and return on average equity strengthened accordingly. Net interest margin expanded each quarter, rising from 2.09% to 2.38% by year end, driven by improved asset mix, disciplined funding management, and stronger balance sheet positioning.

We grew high-quality earning assets while maintaining sound credit discipline. Total loans increased from \$790.6 million in March to \$881.3 million at year end, supported by commercial growth and selective strategic mortgage purchases. Deposits remained stable despite competitive pressures, reflecting deeper customer relationships and targeted campaigns. The loan-to-deposit ratio improved to 73.2%, demonstrating efficient deployment of funds while preserving liquidity. Credit quality remained strong, with no meaningful increase in problem assets.

Stockholders' equity strengthened, and tangible book value per share increased to \$51.15. This capital foundation provides flexibility and resilience as we enter 2026.

Our priorities for the coming year are clear. We do not intend to materially expand total earning assets. Instead, we will continue rotating the balance sheet, reducing lower-yielding securities and redeploying capital into high-quality loans where risk-adjusted returns are superior. At the same time, we have a meaningful opportunity to reduce funding costs. Approximately \$65 million of funding matures this summer at a weighted average rate of 4.35%. Comparable funding today is near 3.55%, with the possibility of further declines as market rates adjust. This repricing alone presents a tangible margin opportunity without increasing balance sheet size.

2026 will be a year focused on process improvement and operating efficiency. Strengthening systems, refining workflows, and improving cost discipline will enhance long-term earnings quality and operating leverage. The foundation is in place. Execution now becomes the differentiator.

Thank you for your continued trust and confidence.

1st Summit Bancorp and 1st Summit Bank Board of Directors



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Chairman

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Chief Lending Officer

2025

ANNUAL RECAP

In 2025, 1st Summit Bank continued to build on the values of service, stability, and a commitment to the community that have guided us for more than a century.

This year brought meaningful progress across the organization, from strategic leadership additions and operational advancements to transformative investments in our region and hands-on community impact. Together, these efforts reflect our unwavering belief that the strength of our bank is measured not only in financial performance, but in the people, places, and purpose that drive us forward.

Investing in People

As we expand our footprint and strengthen our capabilities, we welcomed and elevated key leaders who will help shape the next era of 1st Summit Bank.

Drew Nedzinski joined the bank as Senior Business Relationship Manager, bringing extensive experience and a passion for helping businesses grow. Drew now serves Clearfield, Elk, Jefferson, Centre, and Blair Counties, regions where we are actively expanding. His mission is clear: support local businesses with customized financial solutions that help them thrive. Drew's expertise and community-focused approach position 1st Summit for continued growth across these markets.

We also celebrated the promotion of Jessica Marshall to Chief Risk and Compliance Officer, a role that is essential to our stability as a financial institution. Jessica's leadership ensures that our risk practices evolve with the industry, regulatory expectations, and the needs of our customers.

Her strategic vision will help build a stronger operational foundation for years to come.

In one of the more memorable moments of the year, we welcomed the return of Kathy Berkebile, Senior Business Relationship Manager. After rejoining 1st Summit, Kathy immediately reconnected with business customers across Cambria and the surrounding counties. Her longstanding relationships and deep understanding of local business needs are an invaluable asset to the communities she serves.



A Transformational Milestone

This year, 1st Summit Bank marked one of the most significant strategic investments in our 100-year history by signing a purchase agreement for the Crown American Building in downtown Johnstown.

As a landmark in the heart of the city, the building stands as a symbol of local resilience and renewal. For 1st Summit Bank, this purchase represented far more than a real estate investment; it is a commitment to Johnstown and to our employees. It is a commitment to remain a stabilizing force in the area

for the next century just as we have been for the last.

"All of our progress this year, financial, operational, and cultural, has positioned us to take this step with confidence," said Allison Johnson, President and CEO of 1st Summit Bancorp of Johnstown. "A building with our name on it is a promise—a promise that we are here, that we are invested, and that we intend to remain." More than ninety employees will relocate to the building

once renovations are completed, creating a modern, collaborative workspace that will reflect our growth and our future. Notably, this investment will not impact any of our Community Office locations; all offices will remain open and fully operational.



As the building transitions into its next chapter, its renewed purpose will demonstrate the strength, stability, and optimism that defines 1st Summit Bank.

Enhancing the Customer Experience

Our commitment to innovation continued in 2025 with several important technological improvements designed to offer greater convenience to customers and more efficient processes for employees.

We made significant progress toward sustainability and digital efficiency. In November, Deposit Operations implemented new paperless processes that eliminated the need to print daily reports and maintenance requests. All materials are now handled electronically through Synergy, our long-term document storage system. This change reduces paper waste, speeds up workflows, and supports a cleaner, more efficient operation.

In March, we completed a major conversion to Jack Henry debit cards. The conversion improved our efficiency by

eliminating the need for separate systems; debit card data now connects directly with our core, streamlining maintenance and back-office work. This upgrade included a mass re-issuance of debit cards, now featuring modern contactless, tap-to-pay capability.

In October, we expanded our ATM access by partnering with Sheetz to offer surcharge-free ATM access at every Sheetz location. Our customers now have nationwide access to more than 800 ATMs providing unmatched convenience.

These advancements reflect our commitment to blend convenience, security, and innovation, and ensure our customers receive the best experience possible at every touchpoint.

Supporting Our Communities

At the heart of our mission is the belief that strong communities are built through presence, compassion, and action. In 2025, 1st Summit Bank embraced that mission wholeheartedly.

Our employees dedicated countless hours to supporting children and families through programs like the Salvation Army Toy Shop, the Angel Tree Program, the Needy Children's Shopping Tour, and the Cambria County Backpack Project. We are proud of the hours they donated to ensure local children felt safe, warm, and cared for during the winter months.

Through our Prime Connections events, we collected diapers, food, and school supplies to meet essential needs for families throughout the region.

Our teams partnered with Hosanna Industries on multiple projects to repair, remodel, and build homes for veterans and individuals relying on the Women's Help Center.





At festivals, parades, Light Up Nights, and school career days, our employees showed up, not just as bankers, but as neighbors invested in the success of every community we serve.

We honored the legacy of our former President Elmer C. Laslo by participating in the Leukemia & Lymphoma Society's Light the Night Walk and by volunteering at the Community Arts Center of Cambria County's Holly Bazaar and the Log House Arts Festival, which was dedicated to Elmer.

Through Jeans Days, raffles, and other internal fundraising efforts, employees raised more than \$20,000 for organizations, including United Way, Wreaths Across America, the Allison N. Vaughn Memorial Fund, and the Leukemia & Lymphoma Society. And in a moment of both courage and



camaraderie, our Polar Plunge team braved the icy waters of Canoe Creek to support Special Olympics.

The holiday season brought its own special efforts, including helping to assemble the 36-foot musical Christmas tree for Discover Downtown Johnstown, a tradition we have supported every year since its debut 11 years ago.



These acts (big and small) reflected the heart of 1st Summit Bank's compassionate employees who showed up, helped out, and made a difference.

To our shareholders, employees, and customers - thank you for trusting us, and believing in what we can build together.



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders
1ST SUMMIT BANCORP of Johnstown, Inc.
Johnstown, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of 1ST SUMMIT BANCORP of Johnstown, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024; the related consolidated statements of income, comprehensive (loss) income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements (continued)

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Financial Highlights and the Letter to Our Shareholders 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 whether 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.



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March 4, 2026

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S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	As of	
	December 31, 2025	December 31, 2024
Assets:		
Cash and due from banks	\$ 9,196	\$ 10,666
Interest-bearing deposits in other banks	5,420	7,310
Total cash and cash equivalents	14,616	17,976
Investment securities:		
Equity securities	690	655
Available for sale securities, at fair value (amortized cost \$373,422 and \$371,820); allowance for credit losses \$0 and \$0	348,406	329,949
Held to maturity securities, at amortized cost (fair value \$178,615 and \$188,782); allowance for credit losses \$0 and \$0	196,188	216,894
Total investment securities	545,284	547,498
Loans:		
Loans held for investment	881,272	782,768
Less: allowance for credit losses	(6,793)	(7,160)
Loans, net	874,479	775,608
Operating lease right-of-use assets	8,537	9,202
Premises and equipment, net	17,911	11,919
Accrued interest receivable	5,322	5,126
Goodwill	339	339
Deferred tax asset, net	7,322	10,888
Bank-owned life insurance	27,750	24,678
Federal Home Loan Bank and other bank stock, at cost	8,162	4,665
Other assets	7,610	7,264
Total assets	\$ 1,517,332	\$ 1,415,163
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Transaction accounts:		
Noninterest-bearing	\$ 120,847	\$ 114,898
Interest-bearing	651,517	649,837
Total transaction accounts	772,364	764,735
Time deposits	431,287	439,378
Total deposits	1,203,651	1,204,113
Accrued interest payable	4,378	4,528
Short-term borrowings	17,056	30,000
Long-term borrowings	166,186	66,186
Operating lease liability	8,861	9,428
Other liabilities	8,515	6,947
Total liabilities	1,408,647	1,321,202
Stockholders' Equity:		
Preferred stock, no par value; 300,000 shares authorized; none issued or outstanding at December 31, 2025 or at December 31, 2024	-	-
Common stock, \$5 par value; 4,800,000 shares authorized; 2,203,038 issued; 2,118,389 outstanding at December 31, 2025 and 2,135,540 at December 31, 2024	11,008	11,015
Capital surplus	5,781	5,825
Retained earnings	114,911	113,223
Accumulated other comprehensive income (loss)	(19,174)	(32,825)
Treasury stock, at cost; 84,649 and 67,498 shares at December 31, 2025 and December 31, 2024	(3,841)	(3,277)
Total stockholders' equity	108,685	93,961
Total liabilities and stockholders' equity	\$ 1,517,332	\$ 1,415,163

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

(Dollars in thousands, except per share data)

	For the Years Ended	
	December 31, 2025	December 31, 2024
Interest income:		
Interest and fees on loans	\$ 43,832	\$ 39,980
Interest and dividends on investment securities	17,094	14,315
Other interest income	532	359
Total interest income	61,458	54,654
Interest expense:		
Interest on deposits	24,608	28,733
Interest on FHLB advances and other borrowings	6,680	3,613
Total interest expense	31,288	32,346
Net interest income	30,170	22,308
Provision for loan losses	751	86
Net interest income after provision for loan losses	29,419	22,222
Noninterest income:		
Service charges and fees	2,629	2,532
Wealth management income	2,413	2,299
Earnings on bank-owned life insurance	757	664
Death benefit on bank-owned life insurance	-	172
Interchange income	2,279	2,272
Gain on sales of investment securities	143	169
Change in fair value of equity securities	35	(508)
Gain on sale leaseback transaction	-	3,269
Gain on sale of loans held for investment	-	459
Other noninterest income	139	679
Total noninterest income	8,395	12,007
Noninterest expense:		
Salaries and employee benefits	17,248	17,347
Occupancy and equipment expenses	4,176	3,821
Professional services	1,499	1,664
Data processing and network	3,681	3,446
Regulatory assessments and insurance	672	672
Shares tax expense	876	914
Other operating expenses	4,111	3,724
Total noninterest expense	32,263	31,588
Income before income tax expense	5,551	2,641
Income tax expense (benefit)	213	(552)
Net income	\$ 5,338	\$ 3,193
Earnings per common share	\$ 2.51	\$ 1.46
Weighted Average Shares Outstanding	2,124,241	2,180,921

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

(Dollars in thousands, except per share data)

	For the Years Ended	
	December 31, 2025	December 31, 2024
Net income	\$ 5,338	\$ 3,193
Other comprehensive gain (loss):		
Unrealized gains (losses) arising during the period on available for sale securities, net of income tax (cost) benefit of (\$3,525) and \$1,275, respectively(1)	13,329	(4,796)
Reclassification adjustment for net (gains) losses on sales of available-for-sale securities included in net income, net of income tax arising during the period on available for sale securities, net of income tax cost (benefit) of (\$30) and (\$14), respectively(1)(2)	113	50
Unrealized holding gains arising during the period on interest rate derivatives used in cash flow hedges, net of income tax (cost) benefit of (\$56) and (\$0), respectively(1)	209	254
Total other comprehensive income (loss)	13,651	(4,492)
Total comprehensive income (loss)	\$ 18,989	\$ (1,299)

(1) The income tax impacts of the components of other comprehensive income are calculated using the 21% statutory tax rate for 2025 and 2024.

(2) Amounts are included in net gain on sales of investment securities on the Consolidated Statements of Income as a separate component within total noninterest income.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

(Dollars in thousands, except per share data)

	Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
	Outstanding Shares	Amount	Capital Surplus				
Balance, December 31, 2023	2,190,510	\$ 11,015	\$ 5,825	\$ 113,784	\$ (28,333)	\$ (804)	\$ 101,487
Net Income	-	-	-	3,193	-	-	3,193
Other Comprehensive loss	-	-	-	-	(4,492)	-	(4,492)
Cash dividends (\$1.72 per share)	-	-	-	(3,754)	-	-	(3,754)
Purchase of treasury stock	(54,970)	-	-	-	-	(2,473)	(2,473)
Balance, December 31, 2024	2,135,540	\$ 11,015	\$ 5,825	\$ 113,223	\$ (32,825)	\$ (3,277)	\$ 93,961
Net Income	-	-	-	5,338	-	-	5,338
Other Comprehensive income	-	-	-	-	13,651	-	13,651
Cash dividends (\$1.72 per share)	-	-	-	(3,650)	-	-	(3,650)
Purchase of treasury stock	(18,651)	-	-	-	-	(615)	(615)
Stock award	1,500	(7)	(44)	-	-	51	-
Balance, December 31, 2025	2,118,389	\$ 11,008	\$ 5,781	\$ 114,911	\$ (19,174)	\$ (3,841)	\$ 108,685

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(Dollars in thousands, except per share data)

	For the Years Ended	
	December 31, 2025	December 31, 2024
Operating Activities		
Net income	\$ 5,338	\$ 3,193
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	751	86
Depreciation and amortization	1,344	1,372
Amortization on investments - available for sale	860	545
Amortization on investments - held to maturity	365	417
(Gain) loss on sales of investment securities	(143)	275
(Gain) loss on sales of premises and equipment	-	(3,269)
Deferred tax expense (benefit)	27	(203)
Increase in cash surrender value of BOLI	(757)	(664)
Net change in:		
Fair value of equity securities	(35)	508
Accrued interest receivable	(157)	(131)
Accrued interest payable	(150)	1,227
Other	1,056	(1,177)
Net cash provided by (used in) operating activities	8,499	2,179
Investing Activities		
Purchase of securities available for sale	(75,194)	(90,612)
Sales of securities available for sale	31,868	25,770
Paydown and maturities of investment securities available for sale	41,006	19,778
Paydown and maturities of investment securities held to maturity	20,341	19,487
Proceeds from sale of equities	-	6,261
Redemption of FHLB and other bank stock	-	8,736
Purchase of FHLB and other bank stock	(3,497)	(9,398)
Gain on sale of Visa B shares	-	458
Purchase of loans held for investment	(22,270)	-
Sale of loans held for investment	-	4,301
Net change in loans	(77,151)	(25,119)
Proceeds from sale of other real estate owned	360	884
Purchase of premises and equipment	(7,336)	(720)
Proceeds on the sale of premises and equipment	-	5,222
Death benefit on bank-owned life insurance	-	362
Purchase of BOLI	(2,315)	-
Net cash provided by (used in) investing activities	(94,188)	(34,590)
Financing Activities		
Net change in deposits	(462)	18,557
Proceeds from long term borrowings	190,000	60,000
Repayment of long term borrowings	(90,000)	(6,000)
Proceeds from short term borrowings	30,000	30,000
Repayment of short term borrowings	(42,944)	(59,291)
Common stock dividends	(3,650)	(3,754)
Purchase of treasury stock	(615)	(2,473)
Net cash provided by (used in) financing activities	82,329	37,039
(Decrease) increase in cash	(3,360)	4,628
Cash at beginning of year	17,976	13,348
Cash at end of year	14,616	17,976
Supplemental disclosure of cash flow information:		
Interest paid	\$ 31,438	31,119
Income taxes paid	-	-
Supplemental disclosure of noncash investing and financing information:		
Transfer of loans to other real estate owned	143	844
Increase in right of use asset	(665)	(4,929)
Increase in lease liabilities	567	4,929

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting and reporting policies applied in the presentation of the accompanying financial statements follows:

Nature of Operations and Basis of Presentation

The consolidated financial statements include the accounts of 1ST SUMMIT BANCORP of Johnstown, Inc. (the "Company" or "1st Summit"). All significant intercompany transactions have been eliminated in consolidation. The investment in subsidiaries on the parent company financial statements is carried in the parent company's equity and equals the underlying net assets of the subsidiaries.

The Company is a Pennsylvania company organized to become the holding company of the Bank. The Bank is a state-chartered bank located in Pennsylvania. The Company's principal sources of revenue emanate from its portfolio of residential real estate, commercial mortgage, commercial, and consumer loans, its investment portfolio, as well as trust and a variety of deposit services to its customers through seventeen Bank offices and one Bank Loan Production Office ("LPO"). The Company is supervised by the Board of Governors of the Federal Reserve System, while the Bank is subject to regulation and supervision by the Federal Deposit Insurance Corporation. The Bank and the LPO are regulated by the Pennsylvania Department of Banking.

The accounting and reporting policies of 1st Summit conform with accounting principles generally accepted in the United States ("GAAP") and to general practice with the financial industry. Following is a description of the more significant accounting policies.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 materially differ from those estimates.

Material estimates subject to significant change include the allowance for credit losses, the expected cash flows and collateral values associated with loans that are individually evaluated for credit losses, the carrying value of other real estate owned ("OREO"), the fair value of financial instruments, and deferred income tax assets.

Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, balances due from banks, and federal funds sold, all of which mature within ninety days or less.

Restrictions on Cash and Due from Bank Accounts

The Bank is required to maintain certain minimum cash reserves. As of both December 31, 2025 and 2024, there was no cash reserve balances required to be maintained at the Federal Reserve Bank of Philadelphia because the bank had sufficient cash available.

Investment Debt and Equity Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Investment securities classified as available for sale are those securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Securities available for sale are carried at fair value. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Unrealized gains or losses are reported as increases or decreases in other comprehensive income (loss), net of the deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the term of the securities.

Investment securities classified as held to maturity are those securities the Bank has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost, adjusted for the amortization of premium and accretion of discount, and computed by a method that approximates the interest method over the terms of the securities.

The Company reports its equity securities with readily determinable fair values at fair value on the Consolidated Balance sheet, with realized and unrealized gains and losses reported on the Consolidated Statements of Income. The Company did not sell any equity securities during the year ended December 31, 2025. During the year ended December 31, 2024, the Company sold \$6.0 million of equity securities, and recognized a gain of \$233 thousand. Dividends on equity securities are recognized as income when earned. Dividends recognized for the years ended December 31, 2025 and 2024 were \$16 thousand and \$167 thousand, respectively.

Allowance for Credit Losses – Available-for-Sale Securities

The Bank measures expected credit losses on available-for-sale debt securities when the Bank does not intend to sell, or when it is not 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 available-for-sale debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Bank considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation 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, equal to 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.

The allowance for credit losses on available-for-sale debt securities is included within investment securities available-for-sale on the consolidated balance sheet. Changes in the allowance for credit losses are recorded within Provision for credit losses on the consolidated statement of income. Losses are charged against the allowance when the Bank believes the collectability of an available-for-sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled \$1.8 million at December 31, 2025 and 2024 and is included within accrued interest receivable on the consolidated balance sheet. This amount is excluded from the estimate of expected credit losses. Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Allowance for Credit Losses - Held-to-Maturity Securities

The Bank measures expected credit losses on held-to-maturity debt securities, which are comprised of U.S. government agency securities, residential mortgage-backed securities, and obligations of states and political subdivisions. The Bank's residential mortgage-backed security holdings are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The Bank's obligations of states and political subdivision holdings are also highly rated by major rating agencies and have a long history of no credit losses. Based on the historical activity and credit worthiness of the issuer, expected credit losses are not significant and no ACL has been recorded.

Accrued interest receivable on held-to-maturity debt securities totaled \$656 thousand at December 31, 2025 and \$727 thousand at December 31, 2024 and is included within accrued interest receivable on the consolidated balance sheet. This amount is excluded from the estimate of expected credit losses. Held-to-maturity debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held-to-maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Investment in Federal Home Loan Bank ("FHLB") Stock

The Bank is a member of the FHLB of Pittsburgh and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its \$100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost and evaluated for impairment. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the

operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB. There was no impairment of the FHLB stock as of December 31, 2025 or 2024.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances, net of unearned income. Accrued interest receivable totaled \$2.8 million at December 31, 2025 and \$2.6 million at December 31, 2024 and was reported in accrued interest receivable on the consolidated balance sheet and is excluded from the estimate of credit losses. Interest from installment loans is recognized in income based on the simple-interest method, actuarial method, or sum-of-the-month's-digits method depending on which entity originated the loans. All three methods result in approximate level rates of return over the terms of the loans. Interest on real estate mortgages and commercial loans is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Bank is amortizing these amounts over the contractual life of the loan. Premiums and discounts on purchased loans are amortized as adjustments to interest income using the effective yield method.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: Commercial construction, commercial and industrial loans, and commercial real estate loans. Consumer loans consist of the following classes: residential real estate loans, and consumer loans.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credits to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income on a cash basis, according to management's judgement as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months), and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past-due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

Allowance for Credit Losses - Loans

The allowance for credit losses (ACL) is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical

loss experience, our peers historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components; evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified the following portfolio segments: Commercial and industrial loans, commercial real estate-nonowner occupied, commercial real estate-all other, construction, residential real estate, and consumer loans. The bank measures the allowance for credit losses using the weighted average remaining maturity (WARM) method for all segments.

Historical credit loss experience of our peer banks is the basis for the estimation of expected credit losses. We apply historical loss rates to pools of loans with similar characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on the unemployment forecast, GDP forecast, and management judgement. For periods beyond our reasonable and supportable forecast, we revert to historical loss rates utilizing a straight-line method over an eight-quarter reversion period. The qualitative adjustments for current conditions are based upon changes in lending policies and practices, experience and ability of lending staff, quality of the Bank's loans review system, value of underlying collateral, the existence of and changes in concentrations and other external factors. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

The Bank has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

The ACL for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. We evaluate all loans that meet the following criteria: 1) when it is determined foreclosure is probable, 2) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, 3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily of the fair value of collateral method because most of our loans are collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

Collateral-Dependent Loans

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of loans and leases deemed collateral-dependent, the Company elected the practical expedient to estimate expected credit losses based on the collateral's fair value less cost to sell. Substantially all of the collateral consists of various types of business assets or real estate including residential properties; commercial properties such as retail centers, office buildings, and lodging; agricultural land; and land.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

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

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years for furniture, fixtures, and equipment and 25 to 40 years for building premises. Leasehold improvements are amortized over the shorter of their estimated useful lives or their respective lease terms, which range from 7 to 15 years. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Goodwill

The Company accounts for goodwill using an annual impairment analysis of goodwill that includes a qualitative assessment in order to determine if the two-step process of measuring impairment is necessary on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts. No impairment of goodwill was recognized in either 2025 or 2024.

Bank-Owned Life Insurance ("BOLI")

The Bank purchased life insurance policies on certain key employees and directors. BOLI is recorded at its cash surrender value or the amount that can be realized and is shown on the Consolidated Balance Sheet. Any increases in the cash surrender value are recorded as other income on the Consolidated Statement of Income.

1st Summit is also a party to certain Split-Dollar Life Insurance Agreements, and in accordance with GAAP, has accrued a liability related to the post-retirement benefits covered by an endorsement split-dollar life insurance arrangement, and a liability for the future death benefit.

Trust Assets and Income

Assets held by the Bank in a fiduciary or agency capacity for customers of the trust department of the Bank are not included in the Consolidated Financial Statements since such items are not assets of the Bank. Most trust income is recognized on the cash basis, which is not materially different than if it were reported on the accrual basis.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the Consolidated Balance Sheets at fair value as components of other assets and other liabilities. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

For derivatives designated as fair value hedges, the gain or loss is recognized in earnings in the period of the fair value change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. Derivatives designated as cash flow hedges, are reported as a component of other comprehensive income or loss and subsequently reclassified into earnings when the forecasted transaction affects earnings or, in certain circumstances, when the hedge is terminated, with the full impact of hedge gains and losses recognized in the period in which the hedged transaction impacts the entity's earnings. For derivatives that are not designated as hedging instruments, changes in the fair value of the derivatives are recognized in earnings immediately. Note 13 – Derivatives describes the derivative instruments currently used by the Company and discloses how these derivatives impact the Company's financial condition and results of operations.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs included in other expense on the Consolidated Statement of Income were \$405 thousand in 2025 and \$441 thousand in 2024.

Income Taxes

Income tax expense is determined using the asset and liability method and consists of income taxes that are currently payable and deferred income taxes. Deferred income tax expense (benefit) is determined by recognizing deferred tax assets and liabilities for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that are expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. Changes in tax rates on deferred tax assets and

liabilities are recognized in income in the period that includes the enactment date.

A valuation allowance is established for deferred tax assets when management determines that it is more likely than not that some portion or all of a deferred tax asset will not be realized. In making such determinations, the Company considers all available positive and negative evidence that may impact the realization of deferred tax assets. These considerations include future reversals of existing taxable temporary differences, projected future taxable income, and available tax planning strategies.

The Company files a consolidated federal income tax return including the results of its wholly-owned subsidiaries. The Company estimates income taxes payable based on the amount it expects to owe the various tax authorities (i.e., federal and state). Income taxes represent the net estimated amount due to, or to be received from, such tax authorities. In estimating income taxes, management assesses the relative merits and risks of the appropriate tax treatment of transactions, taking into account statutory, judicial, and regulatory guidance in the context of the Company's tax position. Although the Company uses the best available information to record income taxes, underlying estimates and assumptions can change over time as a result of unanticipated events or circumstances such as changes in tax laws and judicial guidance influencing its overall tax position.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. Management believes it is no longer subject to income tax examinations for years prior to 2022.

Earnings Per Share

The Company currently maintains a simple capital structure; thus, there are no dilutive effects on earnings per share. Earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding for the period. Earnings per share calculations give retroactive effect to stock dividends declared by the company.

Comprehensive Income (Loss)

The Company is required to present comprehensive income (loss) in a full set of general-purpose financial statements for all periods presented. Other comprehensive income (loss) is comprised of unrealized holding gains (losses) on the available-for-sale securities portfolio, the reclassification adjustment for realized gains (losses) recognized in income and unrealized holding gains (losses) arising during the period on interest rate derivatives used in cash flow hedges.

Revenue Recognition

The Company recognized revenue from contracts with customers in accordance with ASC Topic 606. Topic 606 does not apply to revenue associated with interest income on financial instruments, including loans and securities. Additionally, certain noninterest income streams such as income from bank owned life insurance, and gain and losses on sales of debt and equity securities are out of scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation beyond what is presented in the Consolidated Statement of Income was not necessary.

Service Charges on Deposit Accounts

Topic 606 is applicable to noninterest revenue streams such as service charges on deposit accounts which consists of monthly service fees, wire transfer fees, ATM fees, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, revenue is recognized upon completion of transaction.

Wealth Management Income

Wealth management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets along with commissions from the sale of mutual funds and annuities. The Company's performance obligation for management and administration is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to the customers' accounts. The Company's performance obligation for mutual fund and annuity sales is generally satisfied upon completion of the transaction.

Interchange Income

Interchange income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks such as VISA. The Company's performance obligation for these fees are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Other Income

Other income within the scope of Topic 606 is primarily comprised of credit life insurance commissions and safe deposit box rents. Credit life insurance commissions are recognized over time using the monthly outstanding balance method which corresponds to the underlying insurance policy period, for which the Company is obligated to perform under contract with the insurance carrier. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation.

Reportable Segment Disclosures

Accounting standards require that information be reported about a company's operating segments using a "management approach." Reportable segments are identified in these standards as those revenue-producing components for which discrete financial information is produced internally and which are subject to evaluation by the chief operating decision maker in deciding how to allocate resources to segments. The Company has identified the President and Chief Executive Officer as the chief operating decision maker. Consistent with the Company's strategy that is focused on providing a consistent package of banking products and services across all markets, the Company has identified its overall banking operations, which comprises substantially all of the consolidated operations, as its only reportable segment.

The President and Chief Executive Officer primarily uses net

income and return on average assets to make operational and financial decisions and manage the Company. The accounting policies used to measure the profit and loss of the segment are the same as those described elsewhere within this footnote. The significant segment expenses included in net income and reported to the President and Chief Executive Officer are consistent with the financial statement captions shown on the face of the Consolidated Statements of Income. There are no other segment items needed to reconcile expenses included in net income to significant segment expenses reviewed by the chief operating decision maker.

Accounting Standards Updates

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures; which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This ASU is effective for the Company beginning on January 1, 2026. The adoption of ASU 2023-09 did not have a material impact to the Company's results of operations or financial condition and the expanded disclosures have been incorporated into the financial statements.

In July 2024, the FASB issued ASU 2024-03, Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40); which requires the disclosure of disaggregated information about specified components of income statement expense captions. This ASU is effective for the Company beginning on January 1, 2027. The adoption of ASU 2024-03 is not expected to have a significant impact on the Company's consolidated financial statements.

In March 2025, the FASB issued ASU 2025-03, Business Combinations (Topic 805) & Consolidation (Topic 810): Determining the Accounting Acquirer in a VIE Acquisition; which clarifies how to identify the acquirer when the entity is also a variable interest entity (VIE). This ASU is effective for the Company beginning on January 1, 2027. The adoption of ASU 2025-03 is not expected to have a significant impact on the Company's consolidated financial statements.

In April 2025, the FASB issued ASU 2025-04, Compensation — Stock Compensation (Topic 718) & Revenue (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer; which clarifies the accounting for share-based compensation paid to customers in revenue contracts and how transactions should be recognized. This ASU is effective for the Company beginning on January 1, 2027. The adoption of ASU 2025-04 is not expected to have a significant impact on the Company's consolidated financial statements.

In June 2025, the FASB issued ASU 2025-06, Intangibles — Goodwill & Other — Internal-Use Software (Subtopic 350-40): Targeted Improvements; which updates the accounting guidance governing internal use software costs, especially aspects surrounding capitalization. This ASU is effective for the Company beginning on January 1, 2028. The adoption of ASU 2025-06 is not expected to have a significant impact on the Company's consolidated financial statements.

Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current-year classifications. Such reclassifications had no effect on net income or stockholders' equity.

2. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, approximate fair value, and allowance for credit losses on investment securities available-for-sale and held-to-maturity as of December 31, 2025 and December 31, 2024 are summarized as follows (in thousands):

	2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
AVAILABLE FOR SALE	<i>(Dollars in thousands)</i>				
U.S Treasury and U.S. government agencies	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage-backed U.S. government agencies	172,357	425	(13,108)	-	159,674
Other mortgage-backed securities	32,748	320	(31)	-	33,037
State and political subdivision obligations	142,765	270	(12,830)	-	130,205
Corporate debt securities	25,552	241	(303)	-	25,490
Total debt securities	<u>\$ 373,422</u>	<u>\$ 1,256</u>	<u>\$ (26,272)</u>	<u>\$ -</u>	<u>\$ 348,406</u>
HELD TO MATURITY	<i>(Dollars in thousands)</i>				
U.S Treasury and U.S. government agencies	\$ 16,272	\$ -	\$ (1,505)	\$ -	\$ 14,767
Mortgage-backed U.S. government agencies	139,727	219	(14,876)	-	125,070
Other mortgage-backed securities	-	-	-	-	-
State and political subdivision obligations	40,189	30	(1,441)	-	38,778
Corporate debt securities	-	-	-	-	-
Total	<u>\$ 196,188</u>	<u>\$ 249</u>	<u>\$ (17,822)</u>	<u>\$ -</u>	<u>\$ 178,615</u>
	2024				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
AVAILABLE FOR SALE	<i>(Dollars in thousands)</i>				
U.S Treasury and U.S. government agencies	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage-backed U.S. government agencies	197,213	-	(20,576)	-	176,637
Other mortgage-backed securities	15,854	-	(276)	-	15,578
State and political subdivision obligations	140,129	-	(20,341)	-	119,788
Corporate debt securities	18,624	27	(705)	-	17,946
Total debt securities	<u>\$ 371,820</u>	<u>\$ 27</u>	<u>\$ (41,898)</u>	<u>\$ -</u>	<u>\$ 329,949</u>
HELD TO MATURITY	<i>(Dollars in thousands)</i>				
U.S. Treasury and U.S. government agencies	\$ 18,229	\$ -	\$ (2,463)	\$ -	\$ 15,766
Mortgage-backed U.S. government agencies	157,480	55	(22,612)	-	134,923
Other mortgage-backed securities	-	-	-	-	-
State and political subdivision obligations	41,185	18	(3,110)	-	38,093
Corporate debt securities	-	-	-	-	-
Total	<u>\$ 216,894</u>	<u>\$ 73</u>	<u>\$ (28,185)</u>	<u>\$ -</u>	<u>\$ 188,782</u>

At year end 2025 and 2024, 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 stockholders' equity.

The Company had proceeds of \$31.9 million from the sale of debt securities during 2025, resulting in gross realized gains of \$143 thousand. The Company had proceeds of \$25.7 million from the sale of debt securities during 2024, resulting in gross realized losses of \$64 thousand. The Company sold no held to maturity securities during 2025 or 2024.

Investment securities with a carrying value of \$299.2 million and \$334.5 million at December 31, 2025 and 2024, respectively, were pledged to secure public deposits, borrowings, and for other purposes as required by law. As of December 31, 2025 there were no FHLB Letters of Credit outstanding to secure public deposits. As of December 31, 2024 there were \$8.8 million in FHLB Letters of Credit outstanding to secure public deposits.

Net gains on the change in fair value of equity securities were \$35 thousand in 2025, and net losses on the change in fair value of equity securities were \$508 thousand in 2024. The Company did not sell any equity securities in 2025. The Company had proceeds of \$6.3 million from sales on equity securities during 2024, resulting in a gross realized gains of \$988 thousand and gross realized losses of \$755 thousand.

The amortized cost and fair value of investment securities at December 31, 2025, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without any penalties (in thousands).

	2025			
	AVAILABLE FOR SALE		HELD TO MATURITY	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	<i>(Dollars in thousands)</i>			
Due in one year or less	\$ 3,253	\$ 3,303	\$ 1,863	\$ 1,861
Due after one year through five years	10,482	10,364	24,365	23,330
Due after five years through ten years	97,081	92,655	37,758	35,563
Due after ten years	262,606	242,084	132,202	117,861
Total	<u>\$ 373,422</u>	<u>\$ 348,406</u>	<u>\$ 196,188</u>	<u>\$ 178,615</u>

At December 31, 2025 and 2024, 100% of the 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 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 have an allowance for credit losses for these securities at December 31, 2025.

As of December 31, 2025 and 2024, no ACL was required for available-for-sale or held-to-maturity securities. The Company does not have the intent to sell and does not believe it will be more likely than not to be required to sell any of these securities prior to a recovery of their fair value to amortized cost, which may be at maturity.

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, 2025, aggregated by security type and length of time in a continuous loss position, at December 31:

	2025					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	<i>(Dollars in thousands)</i>					
U.S. Treasury and U.S. government agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage-backed U.S. government agencies	10,751	(29)	106,103	(13,079)	116,854	(13,108)
Other mortgage-backed securities	12,202	(31)	-	-	12,202	(31)
State and political subdivision obligations	4,601	(26)	116,463	(12,804)	121,064	(12,830)
Corporate debt securities	2,495	(4)	7,104	(299)	9,599	(303)
Total debt securities	<u>\$ 30,049</u>	<u>\$ (90)</u>	<u>\$ 229,670</u>	<u>\$ (26,182)</u>	<u>\$ 259,719</u>	<u>\$ (26,272)</u>

	2024					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	<i>(Dollars in thousands)</i>					
U.S. Treasury and U.S. government agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mortgage-backed U.S. government agencies	63,081	(571)	113,556	(20,004)	176,637	(20,575)
Other mortgage-backed securities	15,578	(276)	-	-	15,578	(276)
State and political subdivision obligations	591	(19)	119,197	(20,322)	119,788	(20,341)
Corporate debt securities	997	(3)	10,493	(702)	11,490	(705)
Total debt securities	<u>\$ 80,247</u>	<u>\$ (869)</u>	<u>\$ 243,246</u>	<u>\$ (41,028)</u>	<u>\$ 323,493</u>	<u>\$ (41,897)</u>

At December 31, 2025, the Company had 6 Mortgage-backed securities, 13 state and political subdivision obligations, and 1 corporate debt securities that have been in a gross unrealized loss position for less than 12 months. At December 31, 2025, the Company had 349 obligations of state and political subdivisions, 230 Mortgage-backed securities in government-sponsored entities, and 16 corporate debt securities that have been in a gross unrealized loss position for greater than 12 months.

At December 31, 2024, the Company had 1 U.S. government agency security, 8 obligations of state and political subdivisions, 16 Mortgage-backed securities in government-sponsored entities, 3 other mortgage-backed securities, and 2 corporate debt securities that have been in a gross unrealized loss position for less than 12 months. At December 31, 2024, the Company had 12 U.S. government agency security, 482 obligations of state and political subdivisions, 482 Mortgage-backed securities in government-sponsored entities, no other mortgage-backed securities, and 25 corporate debt securities that have been in a gross unrealized loss position for greater than 12 months.

Credit Quality Indicators

As of December 31, 2025, all rated available-for-sale and held-to-maturity securities were rated above investment grade. There was 1 held-to-maturity security that was not rated. For non-rated corporate bonds, an assessment of the underlying issuer was completed. Based on payment status, rating and management's evaluation of these securities, no ACL was required for available-for-sale or held-to-maturity securities as of December 31, 2025.

As of December 31, 2024, all rated available-for-sale and held-to-maturity securities were rated above investment grade.

There was 1 held-to-maturity security that was not rated. For non-rated corporate bonds, an assessment of the underlying issuer was completed. Based on payment status, rating and management's evaluation of these securities, no ACL was required for available-for sale or held-to-maturity securities as of December 31, 2024.

The Company monitors the credit quality of debt securities held-to-maturity primarily through utilizing credit rating. The Bank monitors the credit rating on a quarterly basis. The following table summarized the amortized cost of debt securities held-to-maturity at December 31, 2025, aggregated by credit quality indicator:

Held to Maturity	U.S. government agency securities	Obligations of states and political subdivisions	Mortgage-backed securities in government sponsored entities
Credit Rating		<i>(Dollars in thousands)</i>	
AAA/AA/A	\$ 16,272	\$ 39,889	\$ 139,727
BBB/BB/B	-	-	-
Lower than B or unrated	-	300	-
Total	<u>\$ 16,272</u>	<u>\$ 40,189</u>	<u>\$ 139,727</u>

3. LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

The composition of net loans receivable at December 31:

	2025	2024
	<i>(Dollars in thousands)</i>	
Consumer	\$ 15,006	\$ 18,696
Residential real estate	430,178	401,247
Construction	31,543	16,877
Commercial and industrial	129,487	138,555
Commercial real estate - nonowner occupied	156,386	113,091
Commercial real estate - all other	118,672	94,302
	<u>881,272</u>	<u>782,768</u>
Less allowance for credit losses	6,793	7,160
Net loans	<u>\$ 874,479</u>	<u>\$ 775,608</u>

Gross loan balances at December 31, 2025 and 2024, are net of unearned income including net deferred loans fees and purchase premiums and discounts of \$325 thousand and \$139 thousand, respectively. The Company purchased \$22.2 million of mortgage loans during 2025 at a premium of \$411 thousand. The Company did not purchase any loans in 2024. There were no loan sales during the year ended December 31, 2025. During the year ended December 31, 2024, the Company sold its \$4.3 million credit card portfolio and recognized a gain of \$459 thousand on the Consolidated statements of income.

The Company's primary business activity is with customers located within Cambria, Somerset, Indiana, Blair, Allegheny, and Westmoreland counties. Commercial, residential, personal, and agricultural loans are granted. The Company also selectively purchases and funds commercial and residential loans originated outside its trade area, provided such loans meet the Company's credit policy guidelines.

Although the Company has a diversified loan portfolio at December 31, 2025 and 2024, the repayment of the loans outstanding to individuals and businesses is dependent upon the local economic conditions in its immediate trade area.

Related Party Loans

In the normal course of business, loans are extended to directors, executive officers, and their associates. A summary of loan activity for those directors, executive officers, and their associates for the year ended December 31, 2025 is as follows:

	For the Years Ended December 31,	
	2025	2024
	<i>(Dollars in thousands)</i>	
Principal outstanding, beginning of year	23,188	\$ 20,729
Additions (reductions) of affiliates	(790)	(65)
Credit cards sold	-	(31)
New loans made in current year	2,923	3,728
Repayments	(1,647)	(1,324)
Overdrafts	-	151
Principal outstanding, end of year	<u>23,674</u>	<u>23,188</u>

Allowance for Credit Losses

Management maintains an allowance for credit losses (ACL) at a level determined to be adequate to absorb expected credit losses associated with the Company's financial instruments over the life of those instruments as of the balance sheet date. The Company develops and documents a systematic ACL methodology based on the following portfolio segments: (i) the consumer loan portfolio; (ii) the residential real estate loan portfolio; (iii) the construction loan portfolio; (iv) the commercial and industrial loan portfolio; (v) the commercial real estate – nonowner occupied loan portfolio; (vi) and the commercial real estate – all other loan portfolio. The Company's loan portfolio is segmented by loan types that have similar risk characteristics and behave similarly during economic cycles.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2025:

For the Year Ended December 31, 2025	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
	<i>(Dollars in thousands)</i>				
Allowance for credit losses:					
Consumer	\$ 346	\$ 168	\$ 96	\$ (65)	\$ 209
Residential real estate	1,559	84	16	(534)	957
Construction	245	-	55	42	342
Commercial and industrial	2,487	491	9	(657)	1,348
Commercial real estate - nonowner occupied	1,003	3	3	2,303	3,306
Commercial real estate - all other	1,520	641	90	(338)	631
Total allowance for credit losses	<u>\$ 7,160</u>	<u>\$ 1,387</u>	<u>\$ 269</u>	<u>\$ 751</u>	<u>6,793</u>

Significant changes in residential real estate, commercial and industrial, and commercial real estate - nonowner occupied are due primarily in changes to qualitative factors.

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2024:

For the Year Ended December 31, 2024	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
	<i>(Dollars in thousands)</i>				
Allowance for credit losses:					
Consumer	\$ 1,493	\$ 586	\$ 196	\$ (757)	\$ 346
Residential real estate	1,650	189	53	45	1,559
Construction	191	60	-	114	245
Commercial and industrial	2,114	84	10	447	2,487
Commercial real estate - nonowner occupied	1,200	120	-	(77)	1,003
Commercial real estate - all other	1,223	49	32	314	1,520
Total allowance for credit losses	<u>\$ 7,871</u>	<u>\$ 1,088</u>	<u>\$ 291</u>	<u>\$ 86</u>	<u>7,160</u>

Age Analysis of Past-Due Loans Receivable

The performance of credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is due. The following table presents the classes of the loan portfolio summarized by the past-due status as of December 31:

At December 31, 2025	Current	30-89 Days Past Due	90 Days+ Past Due	Total Past Due	Total Loans
			<i>(Dollars in thousands)</i>		
Consumer	\$ 14,837	\$ 144	\$ 25	\$ 169	\$ 15,006
Residential real estate	427,819	1,585	774	2,359	430,178
Construction	31,543	-	-	-	31,543
Commercial and industrial	128,327	305	855	1,160	129,487
Commercial real estate - nonowner occupied	155,201	-	1,185	1,185	156,386
Commercial real estate - all other	117,415	-	1,257	1,257	118,672
Total	<u>\$ 875,142</u>	<u>\$ 2,034</u>	<u>\$ 4,096</u>	<u>\$ 6,130</u>	<u>\$ 881,272</u>

At December 31, 2024	Current	30-89 Days Past Due	90 Days+ Past Due	Total Past Due	Total Loans
			<i>(Dollars in thousands)</i>		
Consumer	\$ 18,413	\$ 247	\$ 36	\$ 283	\$ 18,696
Residential real estate	398,084	2,012	1,151	3,163	401,247
Construction	16,647	-	230	230	16,877
Commercial and industrial	137,735	149	671	820	138,555
Commercial real estate - nonowner occupied	112,520	264	307	571	113,091
Commercial real estate - all other	91,132	1,566	1,604	3,170	94,302
Total	<u>\$ 774,531</u>	<u>\$ 4,238</u>	<u>\$ 3,999</u>	<u>\$ 8,237</u>	<u>\$ 782,768</u>

Nonperforming Loans

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still accruing interest as of December 31:

At December 31, 2025	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due 90+ Still Accruing	Total Nonperforming
			<i>(Dollars in thousands)</i>		
Consumer	\$ 1	\$ -	\$ 1	\$ 24	\$ 25
Residential real estate	497	-	497	371	868
Construction	-	-	-	-	-
Commercial and industrial	821	118	939	-	939
Commercial real estate - nonowner occupied	1,185	-	1,185	-	1,185
Commercial real estate - all other	200	1,057	1,257	-	1,257
Total	<u>\$ 2,704</u>	<u>\$ 1,175</u>	<u>\$ 3,879</u>	<u>\$ 395</u>	<u>\$ 4,274</u>

At December 31, 2024	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due 90+ Still Accruing	Total Nonperforming
			<i>(Dollars in thousands)</i>		
Consumer	\$ 6	\$ -	\$ 6	\$ 31	\$ 37
Residential real estate	764	-	764	566	1,330
Construction	-	230	230	-	230
Commercial and industrial	19	646	665	25	690
Commercial real estate - nonowner occupied	307	-	307	-	307
Commercial real estate - all other	448	1,156	1,604	-	1,604
Total	<u>\$ 1,544</u>	<u>\$ 2,032</u>	<u>\$ 3,576</u>	<u>\$ 622</u>	<u>\$ 4,198</u>

The Company recognized no interest income on nonaccrual loans during the years ended December 31, 2025 or 2024. The Company's collateral dependent loans are collateralized by real estate or other business assets. At December 31, 2025, collateral dependent loans were \$3.6 million and had a reserve of \$177 thousand. At December 31, 2024, collateral dependent loans were \$2.9 million and had a reserve of \$1.3 million.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability to borrowers to service their debt such as: Current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk. This analysis included loans with an outstanding balance greater than \$100 thousand and nonhomogeneous loans, such as construction, commercial and industrial, commercial real estate – nonowner occupied, and commercial real estate – all other. This analysis is performed on a quarterly basis. The Company uses the following definitions for adverse risk ratings:

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Based on the most recent analysis performed, the following table presents the recorded investment in homogenous loans by internal risk rating system as of December 31:

At December 31, 2025	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2025	2024	2023	2022	2021	Prior		
Construction	<i>(Dollars in thousands)</i>							
Risk Rating								
Pass	\$ 13,826	\$ 15,137	\$ 351	\$ 420	\$ 610	\$ 775	\$ 424	\$ 31,543
Special Mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 13,826</u>	<u>\$ 15,137</u>	<u>\$ 351</u>	<u>\$ 420</u>	<u>\$ 610</u>	<u>\$ 775</u>	<u>\$ 424</u>	<u>\$ 31,543</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and industrial								
Risk Rating								
Pass	\$ 16,059	\$ 11,495	\$ 6,717	\$ 23,621	\$ 11,083	\$ 14,851	\$ 36,554	\$ 120,380
Special Mention	46	72	954	2,138	79	-	2,934	6,223
Substandard	103	87	912	151	112	958	561	2,884
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 16,208</u>	<u>\$ 11,654</u>	<u>\$ 8,583</u>	<u>\$ 25,910</u>	<u>\$ 11,274</u>	<u>\$ 15,809</u>	<u>\$ 40,049</u>	<u>\$ 129,487</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 6	\$ 485	\$ -	\$ 491
Commercial real estate - nonowner occupied								
Risk Rating								
Pass	\$ 59,223	\$ 20,951	\$ 11,627	\$ 16,656	\$ 25,574	\$ 16,262	\$ 668	\$ 150,961
Special Mention	-	-	-	1,824	-	218	-	2,042
Substandard	1,589	-	1,185	238	-	371	-	3,383
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 60,812</u>	<u>\$ 20,951</u>	<u>\$ 12,812</u>	<u>\$ 18,718</u>	<u>\$ 25,574</u>	<u>\$ 16,851</u>	<u>\$ 668</u>	<u>\$ 156,386</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ 3
Commercial real estate - all other								
Risk Rating								
Pass	\$ 33,150	\$ 15,179	\$ 7,869	\$ 18,683	\$ 9,456	\$ 30,905	\$ 429	\$ 115,671
Special Mention	-	-	-	-	201	-	-	201
Substandard	-	139	-	66	220	2,375	-	2,800
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 33,150</u>	<u>\$ 15,318</u>	<u>\$ 7,869</u>	<u>\$ 18,749</u>	<u>\$ 9,877</u>	<u>\$ 33,280</u>	<u>\$ 429</u>	<u>\$ 118,672</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 641	\$ -	\$ 641
Total								
Risk Rating								
Pass	\$ 122,258	\$ 62,762	\$ 26,564	\$ 59,380	\$ 46,723	\$ 62,793	\$ 38,075	\$ 418,555
Special Mention	46	72	954	3,962	280	218	2,934	8,466
Substandard	1,692	226	2,097	455	332	3,704	561	9,067
Doubtful	-	-	-	-	-	-	-	-
Total	<u>\$ 123,996</u>	<u>\$ 63,060</u>	<u>\$ 29,615</u>	<u>\$ 63,797</u>	<u>\$ 47,335</u>	<u>\$ 66,715</u>	<u>\$ 41,570</u>	<u>\$ 436,088</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ 3	\$ 6	\$ 1,126	\$ -	\$ 1,135

Term Loans Amortized Cost Basis by Origination Year

At December 31, 2024	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Construction				<i>(Dollars in thousands)</i>			
Risk Rating							
Pass	\$ 10,844	\$ 2,831	\$ 921	\$ 677	\$ 1,123	\$ 250	\$ 16,646
Special Mention	-	-	-	-	-	-	-
Substandard	-	230	-	-	1	-	231
Doubtful	-	-	-	-	-	-	-
Total	\$ 10,844	\$ 3,061	\$ 921	\$ 677	\$ 1,124	\$ 250	\$ 16,877
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 60	\$ -	\$ 60
Commercial and industrial							
Risk Rating							
Pass	\$ 13,342	\$ 16,256	\$ 31,972	\$ 12,259	\$ 21,613	\$ 38,370	\$ 133,812
Special Mention	-	1,520	-	48	910	1,353	3,831
Substandard	-	-	194	15	280	423	912
Doubtful	-	-	-	-	-	-	-
Total	\$ 13,342	\$ 17,776	\$ 32,166	\$ 12,322	\$ 22,803	\$ 40,146	\$ 138,555
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 49	\$ 35	\$ 84
Commercial real estate - nonowner occupied							
Risk Rating							
Pass	\$ 29,443	\$ 13,453	\$ 23,536	\$ 23,982	\$ 19,474	\$ 710	\$ 110,598
Special Mention	-	-	-	-	1,141	-	1,141
Substandard	-	1,220	84	-	48	-	1,352
Doubtful	-	-	-	-	-	-	-
Total	\$ 29,443	\$ 14,673	\$ 23,620	\$ 23,982	\$ 20,663	\$ 710	\$ 113,091
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 120	\$ -	\$ 120
Commercial real estate - all other							
Risk Rating							
Pass	\$ 17,151	\$ 9,199	\$ 19,430	\$ 8,556	\$ 27,728	\$ 1,763	\$ 83,827
Special Mention	-	-	-	2,190	4,423	-	6,613
Substandard	148	-	-	233	3,410	71	3,862
Doubtful	-	-	-	-	-	-	-
Total	\$ 17,299	\$ 9,199	\$ 19,430	\$ 10,979	\$ 35,561	\$ 1,834	\$ 94,302
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 48	\$ 1	\$ 49
Total							
Risk Rating							
Pass	\$ 70,780	\$ 41,739	\$ 75,859	\$ 45,474	\$ 69,938	\$ 41,093	\$ 344,883
Special Mention	-	1,520	-	2,238	6,474	1,353	11,585
Substandard	148	1,450	278	248	3,739	494	6,357
Doubtful	-	-	-	-	-	-	-
Total	\$ 70,928	\$ 44,709	\$ 76,137	\$ 47,960	\$ 80,151	\$ 42,940	\$ 362,825
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 277	\$ 36	\$ 313

The Company monitors the credit risk profile by payment activity for residential and consumer loan classes. Loans past due 90 days or more and loans on nonaccrual status are considered nonperforming. Nonperforming loans are reviewed monthly. The following table presents the amortized cost in residential and consumer loans based on payment activity at December 31:

Term Loans Amortized Cost Basis by Origination Year								Revolving Loans Amortized Cost Basis	Total
At December 31, 2025	2025	2024	2023	2022	2021	Prior			
(Dollars in thousands)									
Consumer									
Payment Performance									
Performing	\$ 5,366	\$ 2,614	\$ 2,191	\$ 1,721	\$ 821	\$ 785	\$ 1,483	\$ 14,981	
Nonperforming	-	-	1	21	-	1	2	25	
Total	\$ 5,366	\$ 2,614	\$ 2,192	\$ 1,742	\$ 821	\$ 786	\$ 1,485	\$ 15,006	
Current period gross charge-offs	\$ -	\$ 17	\$ 28	\$ 24	\$ 14	\$ 85	\$ -	\$ 168	
Residential real estate									
Payment Performance									
Performing	\$ 65,709	\$ 31,065	\$ 40,029	\$ 69,058	\$ 57,266	\$ 145,656	\$ 20,527	\$ 429,310	
Nonperforming	-	-	43	14	123	597	91	868	
Total	\$ 65,709	\$ 31,065	\$ 40,072	\$ 69,072	\$ 57,389	\$ 146,253	\$ 20,618	\$ 430,178	
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 57	\$ -	\$ 84	
Total									
Payment Performance									
Performing	\$ 71,075	\$ 33,679	\$ 42,220	\$ 70,779	\$ 58,087	\$ 146,441	\$ 22,010	\$ 444,291	
Nonperforming	-	-	44	35	123	598	93	893	
Total	\$ 71,075	\$ 33,679	\$ 42,264	\$ 70,814	\$ 58,210	\$ 147,039	\$ 22,103	\$ 445,184	
Current period gross charge-offs	\$ -	\$ 17	\$ 28	\$ 24	\$ 41	\$ 142	\$ -	\$ 252	

Term Loans Amortized Cost Basis by Origination Year								Revolving Loans Amortized Cost Basis	Total
At December 31, 2024	2024	2023	2022	2021	Prior				
(Dollars in thousands)									
Consumer									
Payment Performance									
Performing	\$ 5,125	\$ 5,066	\$ 3,689	\$ 2,178	\$ 2,601	\$ -	\$ -	\$ 18,659	
Nonperforming	-	8	7	-	22	-	-	37	
Total	\$ 5,125	\$ 5,074	\$ 3,696	\$ 2,178	\$ 2,623	\$ -	\$ -	\$ 18,696	
Current period gross charge-offs	\$ 64	\$ 120	\$ 170	\$ 16	\$ 90	\$ 126	\$ -	\$ 586	
Residential real estate									
Payment Performance									
Performing	\$ 29,511	\$ 45,444	\$ 77,704	\$ 66,918	\$ 178,743	\$ 1,597	\$ -	\$ 399,917	
Nonperforming	-	46	145	230	909	-	-	1,330	
Total	\$ 29,511	\$ 45,490	\$ 77,849	\$ 67,148	\$ 179,652	\$ 1,597	\$ -	\$ 401,247	
Current period gross charge-offs	\$ -	\$ 23	\$ 17	\$ -	\$ 149	\$ -	\$ -	\$ 189	
Total									
Payment Performance									
Performing	\$ 34,636	\$ 50,510	\$ 81,393	\$ 69,096	\$ 181,344	\$ 1,597	\$ -	\$ 418,576	
Nonperforming	-	54	152	230	931	-	-	1,367	
Total	\$ 34,636	\$ 50,564	\$ 81,545	\$ 69,326	\$ 182,275	\$ 1,597	\$ -	\$ 419,943	
Current period gross charge-offs	\$ 64	\$ 143	\$ 187	\$ 16	\$ 239	\$ 126	\$ -	\$ 775	

Foreclosed Assets Held for Sale

Foreclosed assets acquired in settlement of loans are carried at fair value less estimated costs to sell and are included in other assets on the Consolidated Balance Sheets. As of December 31, 2025 and 2024, a total of \$213 thousand and \$449 thousand, respectively, of foreclosed assets were included with other assets. As of December 31, 2025 and 2024, included within foreclosed assets is \$0 and \$0 thousand, respectively, of consumer residential mortgages that were foreclosed on or received via a deed in lieu transaction prior to the period end. As of December 31, 2025 and 2024, the Company had initiated formal foreclosure procedures on \$136 thousand and \$596 thousand of consumer residential mortgages, respectively, that have not yet been moved to foreclosed assets.

Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an 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. In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. There were no loans modified to borrowers experiencing financial difficulty in 2025 or 2024.

4. COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying consolidated financial statements. These commitments comprised the following at December 31:

	2025		2024
	<i>(Dollars in thousands)</i>		
Commercial loan commitments	\$ 138,802	\$	107,903
1-4 family commitments	26,521		47,524
Other commitments	2,878		8,131
Standby letters of credit and financial guarantees	1,424		1,677
Total premises and equipment	<u>\$ 169,625</u>	<u>\$</u>	<u>165,235</u>

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. In the normal course of business, the Company makes various commitments which are not reflected in the accompanying consolidated financial statements. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The Company's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments is represented by the contractual amounts as disclosed. The Company minimizes its exposure to credit loss under these commitments by subjecting them to credit approval and review procedures and collateral requirements as deemed necessary. Commitments generally have fixed expiration dates within one year of their origination.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Performance letters of credit represent conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These instruments are issued primarily to support bid or performance-related contracts. The coverage period for these instruments is typically a one-year period with an annual renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized over the coverage period. For secured letters of credit, the collateral is typically Bank deposit instruments or customer business assets. The reserve for credit losses on unfunded commitments is \$346 thousand and \$371 thousand at December 31, 2025 and December 31, 2024, respectively.

Legal Proceedings

The Company and the Bank are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's results of operations.

5. PREMISES AND EQUIPMENT

The following is a summary of premises and equipment as of December 31:

	2025		2024
	<i>(Dollars in thousands)</i>		
Land	\$ 4,240	\$	2,681
Artwork	670		-
Buildings	14,193		9,787
Furniture, fixtures, and equipment	14,969		14,288
Leasehold improvements	4,512		4,522
Capital expenditures in process	-		-
Total cost	<u>38,584</u>		<u>31,278</u>
Less accumulated depreciation	20,673		19,359
Total premises and equipment	<u>\$ 17,911</u>	<u>\$</u>	<u>11,919</u>

Depreciation expense was \$1.3 million and \$1.4 million in 2025 and 2024, respectively.

During 2025, 1st Summit purchased the Crown American building and its contents located in downtown Johnstown for \$6.4 million. The purchase price included \$4.4 million for the building, \$1.2 million for land, \$670 thousand of artwork and \$150 thousand of furniture, fixtures and equipment.

During 2024, 1st Summit entered into a sale leaseback transaction on two branches which included \$531 thousand of land and \$1.3 million of buildings.

6. GOODWILL

For each of the years ended December 31, 2025 and 2024, goodwill had a net carrying amount of \$339 thousand. The gross carrying amount of goodwill is tested for impairment in the fourth quarter, after the annual forecasting process. Based on the fair value of the reporting unit, estimated using a qualitative analysis, no goodwill impairment was recognized in 2025.

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7. DEPOSITS

Deposits consisted of the following as of December 31:

	<u>2025</u>	<u>2024</u>
	<i>(Dollars in thousands)</i>	
Noninterest-bearing demand deposits	\$ 120,847	\$ 114,898
Interest-bearing demand deposits	316,087	303,631
Savings and money market accounts	335,430	346,206
Time deposits	431,287	439,378
Total deposits	<u>\$ 1,203,651</u>	<u>\$ 1,204,113</u>
Overdrafts reclassified as loans receivable	\$ 205	\$ 348

The scheduled maturities of time deposits at December 31, 2025 were as follows:

	<u>Time Deposits</u>	
	<i>(Dollars in thousands)</i>	
	<u>Less than \$250,000</u>	<u>\$250,000 or more</u>
Maturing in 2026	\$ 267,981	\$ 104,920
Maturing in 2027	37,290	5,368
Maturing in 2028	8,188	3,705
Maturing in 2029	1,924	-
Maturing in 2030	1,188	311
Maturing thereafter	412	-
Total deposits	<u>\$ 316,983</u>	<u>\$ 114,304</u>

1st Summit had no brokered deposits as of December 31, 2025 or 2024. As of December 31, 2025 and 2024, 1st Summit had \$9.2 million and \$8.6 million of CDAR deposits, respectively.

Deposits from related parties held by 1st Summit at December 31, 2025 and 2024 amounted to \$5.6 million and \$6.5 million, respectively.

8. SHORT-TERM BORROWINGS

Total short-term borrowings were \$17.1 million as of December 31, 2025 at a rate of 3.93% and \$30.0 million as of December 31, 2024 at a rate of 4.71%. Short-term borrowings generally consist of advances from the FHLB with an original maturity of less than a year. Advances from the FHLB are collateralized by our investment in the common stock of the FHLB and by a blanket lien on selected loan receivables comprised principally of real estate secured loans within the Bank's portfolio totaling \$487.3 million at December 31, 2025. The Bank had short-term borrowing capacity from the FHLB up to the Bank's unused borrowing capacity of \$301.8 million (equal to \$487.3 million of maximum borrowing capacity less the aggregate amount of FHLB letter of credits securing public funds deposits, and other FHLB advances and obligations outstanding) upon satisfaction of any stock purchase requirements of the FHLB.

The Bank also has unused overnight lines of credit with other correspondent banks amounting to \$60.3 million at December 31, 2025. No draws have been made on these lines of credit and on December 31, 2025 and 2024, the balance was \$0.

9. OTHER BORROWED FUNDS

The following table sets forth information concerning other borrowed funds:

Description	Maturity Range		Weighted-Average Interest Rate	Stated Interest Rate Range		At December 31,	
	From	To		From	To	2025	2024
<i>(Dollars in thousands)</i>							
Fixed rate	01/07/26	07/15/27	4.21%	3.98%	4.58%	\$ 160,000	\$ 60,000
Long-term notes payable	04/24/33	04/06/34	7.88%	7.67%	8.08%	6,186	6,186
						<u>\$ 166,186</u>	<u>\$ 66,186</u>

Maturities of other borrowed funds at December 31, 2025, are as follows (in thousands):

Other Borrowed Funds - Maturity distribution table

Year Ending December 31,	Amount	Weighted-Average Rate
2026	\$ 85,000	4.31%
2027	75,000	4.09%
2028	-	-
2029	-	-
2030	-	-
Thereafter	6,186	7.88%
	<u>\$ 166,186</u>	<u>4.34%</u>

The Company formed a special purpose entity ("Entity 1") to issue \$3 million of floating rate, obligated mandatorily redeemable securities and \$93 thousand in common securities as part of a pooled offering with a maturity date of April 24, 2033. The rate is determined quarterly and floats based on the three-month SOFR plus 3.25%. At December 31, 2025, the rate was 7.37%. The Entity 1 may redeem them, in whole or in part, at face value on a quarterly basis with proper notice. The Company borrowed the proceeds of the issuance from the Entity 1 in April 2003 in the form of a \$3 million note payable, which is included in the liabilities section of the Company's Consolidated Balance Sheet.

The Company formed an additional special purpose entity ("Entity 2") to issue \$3 million of floating rate, obligated mandatorily redeemable securities and \$93 thousand in common securities as part of a pooled offering with a maturity date of April 6, 2034. The rate is determined quarterly and floats based on the three-month SOFR plus 2.75%. At December 31, 2025, the rate was 6.92%. The Entity 2 may redeem them, in whole or in part, at face value on a quarterly basis with proper notice. The Company borrowed the proceeds of the issuance from the Entity 2 in March 2004 in the form of a \$3 million note payable, which is included in the liabilities section of the Company's Consolidated Balance Sheet.

Under current accounting rules, the Company's minority interest in both Entity 1 and Entity 2 was recorded at the initial investment amount and is included in equity investment section of the Consolidated Balance Sheet. Neither Entity 1 nor Entity 2 is consolidated as part of the Company's consolidated financial statements.

10. DIRECTOR, OFFICER, AND EMPLOYEE BENEFITS

Savings Plan

The Company maintains a trustee Section 401(k) plan. For the six months ended June 30, 2025 and for the year ended December 31, 2024, the Company matched contributions made by eligible employees to a maximum of 25 percent of employee contributions annually, to a maximum of 7 percent of base salary. The Company could also make an elective contribution annually. At July 1, 2025, the Company began matching contributions made by eligible employees to a maximum of 50 percent of employee contributions annually, to a maximum of 6 percent of base salary. All employees age 21 and older at time of hire are eligible to participate in the plan. The Company's contribution to this plan was \$276 thousand and \$419 thousand in 2025 and 2024, respectively.

The plan assets include 58,493 shares of the Company's common stock.

Deferred Compensation Plan

The Company has a deferred director's compensation plan whereby participating directors elected to forego directors' fees. To fund benefits under the deferred compensation plan, the Company established a rabbi trust. The Company guarantees a return equal to the average New York prime rate of interest to plan participants with a floor of 6 percent. Contributions to the plan were \$80 thousand in 2025 and \$140 thousand in 2024. Distributions from the plan were \$248 thousand in 2025 and \$223 thousand in 2024. The Company carried a liability of \$2.7 million in 2025 and \$2.5 million in 2024.

Performance Unit Plan

On January 25, 2022, the Board of Directors approved the 2022 Performance Unit Plan which is intended to serve as a successor program to the Company's 2017 Performance Unit Plan. The plan may award annual grants to executive management and directors equal in value to the appreciation on a share of stock between the date the performance unit becomes vested and the date of award. Payments to employees vested under the plan are made in cash. Since January 25, 2022, at the beginning of each succeeding year, a participant may elect to receive full payment in cash of allocated performance units as of the preceding year-end. During 2025 or 2024, there was no expense recognized under the plan. The Company carried no liability in either 2025 or 2024 resulting from the plan.

11. INCOME TAXES

Federal income tax expense (benefit) consists of the following:

	2025	2024
	<i>(Dollars in thousands)</i>	
Current tax expense (benefit)	\$ 255	\$ (349)
Change in valuation allowance	70	-
Deferred tax expense (benefit)	(112)	(203)
Total	<u>\$ 213</u>	<u>\$ (552)</u>

The components of the net deferred tax assets at December 31 are as follows:

	2025		2024	
	<i>(Dollars in thousands)</i>			
Deferred tax assets:				
Allowance for credit losses	\$	1,499	\$	1,581
Deferred directors' fees		431		623
Lease liability		1,861		1,980
Swap liability		403		232
Net operating loss carryforward		1,009		1,144
Net unrealized loss on available for sale securities		5,253		8,793
Charitable contribution carry-forward		150		67
Other		139		129
Total	\$	10,745	\$	14,549
Deferred tax liabilities:				
Premises and equipment	\$	615	\$	939
Deferred loan origination costs, net		329		288
Investment discount accretion		37		64
Unrealized gain - equity securities		16		62
Right-of-use lease asset		1,793		1,932
Swap asset		421		303
Valuation allowance		70		-
Other		74		73
Total	\$	3,355	\$	3,661
Net deferred tax assets (liabilities)	\$	7,390	\$	10,888

During 2025, management established a valuation allowance associated with charitable contribution carryforwards given that it is more likely than not that a portion of these carryforwards will expire unused. The amount of the valuation allowance established at December 31, 2025 is \$70 thousand. No valuation allowance was established at December 31, 2024.

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

	2025		2024	
	Amount	% of Pretax Income	Amount	% of Pretax Income
	<i>(Dollars in thousands)</i>			
Computed at statutory rate	\$ 1,166	21.0%	\$ 555	21.0%
Effect of tax-free interest income	(1,151)	-20.7%	(1,208)	-45.7%
BOLI earnings	(159)	-2.9%	(176)	-6.6%
Nondeductible interest to carry tax-exempt assets	210	3.8%	215	8.1%
Valuation allowance	70	1.3%		
Other	77	1.4%	61	2.3%
Income tax expense and effective rate	\$ 213	3.8%	\$ (553)	-20.9%

The Company prescribes a recognition threshold and a measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely that not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

There is currently no liability for uncertain tax positions and no know unrecognized tax benefits. The Bank recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statements of Income. The Bank's federal and PA shares tax returns for taxable years through 2021 have been closed for purposes of examination by the Internal Revenue Service and Pennsylvania Department of Revenue.

12. Lease Commitments

The Company utilizes leases for fourteen of its locations. As of December 31, 2025, right-of-use assets representing operating leases amounted to \$8.5 million and have remaining lease terms of 2 months to 14 years. As of December 31, 2025 and December 31, 2024, the Company had no financing leases. Lease costs incurred were entirely operating lease costs which approximate rental payments. As of December 31, 2025, the weighted average term for operating leases is 11 years and the weighted average discount rate is 6.28%. As of December 31, 2024, the weighted average term for operating leases is 11 years and the weighted average discount rate is 6.07%. The following table displays the undiscounted cash flows due related to operating leases as of December 31, 2025, along with a reconciliation to the discounted amount recorded on the December 31, 2025 consolidated balance sheet (in thousands):

Undiscounted cash flows due within:	Operating Lease Payments
2026	\$ 1,311
2027	1,286
2028	1,286
2029	1,248
2030	1,036
Thereafter	<u>6,837</u>
Total	13,004
Impact of present value discount	<u>(4,143)</u>
Amount reported on consolidated balance sheet	<u><u>\$ 8,861</u></u>

During the year ended December 31, 2024, the Company entered into a sale leaseback transaction on two branch offices. The transaction resulted in a gain of \$3.3 million which is recorded Consolidated statements of income. The subsequent leases the Company entered into are for a period of 15 years.

13. DERIVATIVES

Risk Management Objective of Using Derivatives

The Company enters into derivative financial instruments to manage risks related to differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the notional or contractual amounts and fair values of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets at December 31, 2025.

		December 31, 2025		
		Derivative(1)		
		<i>(Dollars in thousands)</i>		
	Type of Hedge	Notional or Contractual Amount	Assets	Liabilities
Derivatives designated as hedging instruments:				
Interest rate swaps - fixed rate borrowings	Cash Flow	\$ 20,000	\$ 518	\$ -
Interest rate swaps - fixed rate loans (2)	Fair Value	125,000	-	1,920
Total derivatives designated as hedging instruments		<u>\$ 145,000</u>	<u>\$ 518</u>	<u>\$ 1,920</u>

		December 31, 2024		
		Derivative(1)		
		<i>(Dollars in thousands)</i>		
	Type of Hedge	Notional or Contractual Amount	Assets	Liabilities
Derivatives designated as hedging instruments:				
Interest rate swaps - fixed rate borrowings	Cash Flow	\$ 20,000	\$ 254	\$ -
Interest rate swaps - fixed rate loans (2)	Fair Value	125,000	-	1,103
Total derivatives designated as hedging instruments		<u>\$ 145,000</u>	<u>\$ 254</u>	<u>\$ 1,103</u>

- (1) Derivative assets and liabilities are reported in other assets and other liabilities, respectively in the consolidated balance sheets. Amounts presented are gross. No contracts have been netted.
- (2) These amounts were included in the amortized cost basis of closed portfolios of loans used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. As of December 31, 2025 and 2024, the amortized cost basis of the closed portfolios used in these hedging relationships was \$391.4 million and \$461.6 million, respectively. The cumulative value of the fair value adjustment to the amortized cost basis of these loans at December 31, 2025 and 2024 was \$2.0 million and \$1.2 million, respectively.

Cash Flow Hedges of Interest Rate Risk

The Company is party to a forward-starting interest rate swap agreement designated and qualifying as a cash flow hedge of the Company's short-term borrowing arrangements that continuously renew on a short-term basis based on the market rates applicable at the renewal dates. This swap effectively converts this variable debt instrument into a fixed rate product by aligning the variable receipt of the swap, offset by the pay fixed arm of the swap. The net cash paid for this transaction was recorded as accumulated other comprehensive income/(loss) and is being amortized into earnings through the original maturity date of the contract. The effective date of the contract was January 2025 and expires in October 2027.

Fair Value Hedges of Interest Rate Risk

Interest rate swaps on fixed rate loans

The Company is party to variable payer swaps that convert certain fixed rate loans to a floating rate. These derivative instruments are designed as fair value hedges of interest rate risk. The fair value of the hedged item attributable to interest rate risk is presented in interest income along with the change in the fair value of the hedging instrument. All of the swap agreements in place at December 31, 2025 expire in 2027.

Effect of Derivative Instruments on the Statements of Income

The effects of derivative instruments on the Consolidated Statements of Income for the year ended December 31, 2025 is presented in the table below:

Derivative Instrument:	Location of Gain (Loss) Recognized in the Statements of Income	For the Years Ended	
		<i>(Dollars in thousands)</i>	
		December 31, 2025	December 31, 2024
Cash flow hedge:			
Fixed rate borrowings	Interest Expense - Borrowings	\$ 148	\$ -
Fair value hedges:			
Fixed rate loans	Interest Income - Loans	\$ (85)	\$ 536

14. REGULATORY MATTERS

The Company and the Bank are subject to regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can trigger certain mandatory, and possibly additional discretionary actions by the regulators that if, undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory account practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As of December 31, 2025 and 2024, the Company and the Bank met all capital adequacy requirements and the Bank was considered "well-capitalized." However, future changes in regulations could increase capital requirements and may have an adverse effect on capital resources.

Minimum regulatory capital requirements established by Basel III rules require the Company and the Bank to:

- Meet a minimum Common Equity Tier I capital ratio of 4.5% of risk-weighted assets;
- Meet a minimum Tier I capital ratio of 6.0% of risk-weighted assets;
- Meet a minimum Total capital ratio of 8.0% of risk-weighted assets;
- Meet a minimum Tier I leverage capital ratio of 4.0% of average assets;
- Maintain a "capital conservation buffer 2.5% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonuses; and
- Comply with the definition of capital to improve the ability of regulatory capital instruments to absorb losses.

The Basel III Rules use a standardized approach for risk weightings. The rules provide that the failure to maintain the "capital conservation buffer" results in restrictions on capital distributions and discretionary cash bonus payments to executive officers. As a result, under the Basel III Rules, if the Bank fails to maintain the required minimum capital conservation buffer, the Company will be subject to limits, and possibly prohibitions, on its ability to obtain capital distributions from the Bank. If the Company does not receive sufficient cash dividends from the Bank, it may not have sufficient funds to pay dividends on its common stock, service its debt obligations or repurchase its common stock.

Certain restrictions exist regarding the ability of the Bank to transfer funds to the Company in the form of cash dividends, loans or advances. The amount of dividends that may be paid from the Bank to the Company in any calendar year is limited to the Bank's current year's net profits, combined with the retained net profits of the preceding two years. For the year ended December 31, 2025, \$3.0 million of undistributed earnings of the Bank, including in the consolidated shareholders' equity balance, was available for distribution to the Company as dividends without prior regulatory approval, subject to regulatory capital requirements below.

The following tables present the regulatory capital levels, leverage ratios, and risk-based capital ratios as of December 31:

	Actual		Minimum for Basel III Capital Adequacy <i>(Dollars in thousands)</i>		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
1ST SUMMIT BANCORP of Johnstown, Inc.						
2025						
Tier 1 Capital (to Average Assets)	\$ 133,520	8.80%	\$ 60,688	4.0%	N/A	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	127,520	13.72%	65,076	7.0%	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	133,520	14.36%	79,021	8.5%	N/A	N/A
Total Capital (to Risk Weighted Assets)	140,659	15.13%	97,614	10.5%	N/A	N/A
1ST SUMMIT BANK						
2025						
Tier 1 Capital (to Average Assets)	\$ 127,755	8.45%	\$ 60,488	4.0%	\$ 75,610	5.0%
Common Equity Tier 1 Capital (to Risk Weighted Assets)	127,755	13.80%	64,824	7.0%	60,194	6.5%
Tier 1 Capital (to Risk Weighted Assets)	127,755	13.80%	78,715	8.5%	74,085	8.0%
Total Capital (to Risk Weighted Assets)	134,894	14.57%	97,236	10.5%	92,606	10.0%
1ST SUMMIT BANCORP of Johnstown, Inc.						
2024						
Tier 1 Capital (to Average Assets)	\$ 132,447	9.45%	\$ 56,035	4.0%	N/A	N/A
Common Equity Tier 1 Capital (to Risk Weighted Assets)	126,447	15.05%	58,798	7.0%	N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	132,447	15.77%	71,397	8.5%	N/A	N/A
Total Capital (to Risk Weighted Assets)	139,978	16.66%	88,197	10.5%	N/A	N/A
1ST SUMMIT BANK						
2024						
Tier 1 Capital (to Average Assets)	\$ 124,711	8.95%	\$ 55,734	4.0%	69,668	5.0%
Common Equity Tier 1 Capital (to Risk Weighted Assets)	124,711	14.91%	58,543	7.0%	54,361	6.5%
Tier 1 Capital (to Risk Weighted Assets)	124,711	14.91%	71,088	8.5%	66,906	8.0%
Total Capital (to Risk Weighted Assets)	132,242	15.81%	87,814	10.5%	83,633	10.0%

15. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants at the measurement date. The following three levels show the fair value hierarchy that prioritizes the use of inputs used in valuation methodologies.

Level I:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. A contractually binding sales price also provides reliable evidence of fair value.

Level II:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available. A contractually binding sales price also provides reliable evidence of fair value.

Level III:

Inputs to the valuation methodology are unobservable and significant the fair value measurement; inputs to the valuation methodology that utilize model-based techniques for which significant assumptions are not observable in the market; or inputs to the valuation methodology that require significant management judgment or estimation, some of which may be internally developed.

Management maximizes the use of observable inputs and minimizes the use of unobservable inputs when determining fair value measurements. Management reviews and updates the fair value hierarchy classifications of the Company's assets and liabilities on a quarterly basis.

The following tables present the assets reported on the Consolidated Balance Sheet at their fair value as of December 31, 2025 and 2024, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

December 31, 2025	Level I	Level II	Level III	Total
ASSETS:				
	<i>(Dollars in thousands)</i>			
State and political subdivision obligations - available for sale	\$ -	\$ 130,205	\$ -	\$ 130,205
Mortgage-backed U.S. government agencies - available for sale	-	159,674	-	159,674
Other mortgage-backed securities - available for sale	-	33,037	-	33,037
Corporate debt securities - available for sale	-	25,490	-	25,490
Equity securities - mutual fund	446	-	-	446
Equity securities - other	244	-	-	244
Cash flow hedge	-	518	-	518
Total	\$ 690	\$ 348,924	\$ -	\$ 349,614
LIABILITIES:				
Interest rate swaps - fixed rate loans	\$ -	\$ 1,920	\$ -	\$ 1,920
Total	\$ -	\$ 1,920	\$ -	\$ 1,920

December 31, 2024	Level I	Level II	Level III	Total
ASSETS:				
	<i>(Dollars in thousands)</i>			
State and political subdivision obligations - available for sale	\$ -	\$ 119,788	\$ -	\$ 119,788
Mortgage-backed U.S. government agencies - available for sale	-	176,637	-	176,637
Other mortgage-backed securities - available for sale	-	15,578	-	15,578
Corporate debt securities	-	17,946	-	17,946
Equity securities - mutual fund	432	-	-	432
Equity securities - other	223	-	-	223
Cash flow hedge	-	254	-	254
Total	\$ 655	\$ 330,203	\$ -	\$ 330,858
LIABILITIES:				
Interest rate swaps - fixed rate loans	\$ -	\$ 1,103	\$ -	\$ 1,103
Total	\$ -	\$ 1,103	\$ -	\$ 1,103

Financial instruments are considered Level III when their values are determined using pricing models and discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. In addition to these unobservable inputs, the valuation models for Level III financial instruments typically also rely on a number of inputs that are readily observable either directly or indirectly. Level III financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The Company had no recurring Level III measurements during 2025 or 2024.

The following tables present the assets measured on a nonrecurring basis on the Consolidated Balance Sheet at their fair value, by level within the fair value hierarchy:

December 31, 2025	Level I	Level II	Level III	Total
ASSETS:				
	<i>(Dollars in thousands)</i>			
Other real estate owned	\$ -	\$ -	\$ 213	\$ 213
Collateral-dependent loans	-	-	3,438	3,438
Total	\$ -	\$ -	\$ 3,651	\$ 3,651

December 31, 2024	Level I	Level II	Level III	Total
ASSETS:				
	<i>(Dollars in thousands)</i>			
Other real estate owned	\$ -	\$ -	\$ 449	\$ 449
Collateral-dependent loans	-	-	1,592	1,592
Total	\$ -	\$ -	\$ 2,041	\$ 2,041

Collateral-dependent loans and other real estate owned (“OREO”) – The carrying amount of collateral dependent impaired loans is typically based on the fair value of the underlying collateral, which may be real estate or other business assets, less estimated costs to sell. The carrying value of OREO is initially measured based on the fair value, less estimated costs to sell, of the real estate acquired in foreclosure and subsequently adjusted to the lower of cost or estimated fair value, less estimated costs to sell. Fair values of real estate collateral are typically based on real estate appraisals which utilize market and income valuation techniques incorporating both observable and unobservable inputs. When current appraisals are not available, the Company may use brokers’ price opinions, home price indices, or other available information about changes in real estate market conditions to adjust the latest appraised value available. These adjustments to appraised values may be subjective and involve significant management judgment. The fair value of collateral consisting of other business assets is generally based on appraisals that use market approaches to valuation, incorporating primarily unobservable inputs.

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Company uses Level III inputs to determine fair value:

December 31, 2025	Quantitative Information About Level III Fair Value Measurements			
	Estimate	Valuation Techniques	Unobservable Input	Average
ASSETS:				
	<i>(Dollars in thousands)</i>			
Other real estate owned	\$ 213	Appraisal of collateral	Appraisal adjustments	39%
			Liquidation expenses	8%
Collateral-dependent loans	\$ 3,438	Fair value of collateral	Appraisal adjustments	33%
			Liquidation expenses	7%

December 31, 2024	Quantitative Information About Level III Fair Value Measurements			
	Estimate	Valuation Techniques	Unobservable Input	Average
ASSETS:				
	<i>(Dollars in thousands)</i>			
Other real estate owned	\$ 449	Appraisal of collateral	Appraisal adjustments	16%
			Liquidation expenses	16%
Collateral-dependent loans	\$ 1,592	Fair value of collateral	Appraisal adjustments	19%
			Liquidation expenses	5%

The fair value of the Company's financial instruments not recorded at fair value on a recurring basis as of December 31 is as follows:

December 31, 2025	Carrying Value	Fair Value	Level I	Level II	Level III
FINANCIAL ASSETS:					
<i>(Dollars in thousands)</i>					
Investment securities held to maturity	\$ 196,188	\$ 178,615	\$ -	\$ 178,615	\$ -
Net loans	874,479	839,995	-	-	839,995
FINANCIAL LIABILITIES:					
Deposits	1,203,651	1,098,850	-	1,098,850	-
Other borrowed funds	166,186	167,146	-	167,146	-

December 31, 2024	Carrying Value	Fair Value	Level I	Level II	Level III
FINANCIAL ASSETS:					
<i>(Dollars in thousands)</i>					
Investment securities held to maturity	\$ 216,894	\$ 188,782	\$ -	\$ 188,782	\$ -
Net loans	775,608	723,156	-	-	723,156
FINANCIAL LIABILITIES:					
Deposits	1,204,113	1,089,150	-	1,089,150	-
Other borrowed funds	66,186	66,552	-	66,552	-

For cash and due from banks, interest bearing deposits in banks, accrued interest receivable, FHLB and other bank stock, bank owned life insurance, short-term borrowings, and accrued interest payable, the carrying value is a reasonable estimate of fair value.

16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss), net of taxes, for the year ended December 31, 2025 and 2024 are as follows:

	Year Ended December 31, 2025		
	Before Tax	Tax Effect	Net of Tax
<i>(Dollars in thousands)</i>			
Balance at beginning of period	\$ (41,551)	\$ 8,726	\$ (32,825)
Unrealized gain (loss) on investment securities available for sale:			
Net unrealized holdings gain (loss) arising during the period	16,854	(3,525)	13,329
Amounts reclassified to (gain) loss on investment securities (1)	143	(30)	113
CF Hedge	265	(56)	209
Balance at end of period	<u>\$ (24,289)</u>	<u>\$ 5,115</u>	<u>\$ (19,174)</u>

	Year Ended December 31, 2024		
	Before Tax	Tax Effect	Net of Tax
<i>(Dollars in thousands)</i>			
Balance at beginning of period	\$ (35,865)	\$ 7,532	\$ (28,333)
Unrealized gain (loss) on investment securities available for sale:			
Net unrealized holdings gain (loss) arising during the period	(6,071)	1,275	(4,796)
Amounts reclassified to (gain) loss on investment securities (1)	(64)	14	(50)
CF Hedge	354	-	354
Balance at end of period	<u>\$ (41,645)</u>	<u>\$ 8,821</u>	<u>\$ (32,825)</u>

(1) Gross amounts are included in gain on sales of investment securities and income tax amounts are included in income tax expense on the Consolidated Statements of Income.

17. PARENT COMPANY

The following are condensed financial statements for the parent company:

Condensed Balance Sheets

	As of	
	December 31, 2025	December 31, 2024
	<i>(Dollars in thousands)</i>	
Assets:		
Cash in bank subsidiary	\$ 1,791	\$ 3,366
Equity securities held at fair value	244	223
Investment securities available for sale, net of allowance for credit losses, held at fair value	2,666	2,982
Investment in bank subsidiary	109,097	92,524
Premises and equipment, net	454	534
Other assets	1,910	1,800
Total assets	<u>\$ 116,162</u>	<u>\$ 101,429</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Long-term note payable	6,186	6,186
Other liabilities	1,292	1,282
Total liabilities	<u>7,478</u>	<u>7,468</u>
Stockholders' Equity:	108,684	93,961
Total liabilities and stockholders' equity	<u>\$ 116,162</u>	<u>\$ 101,429</u>

Condensed Statements of Income and Comprehensive Income (Loss)

	December 31, 2025	December 31, 2024
	<i>(Dollars in thousands)</i>	
Income		
Dividends from bank subsidiary	\$ 2,733	\$ 3,753
Interest on cash in bank subsidiary	74	113
Interest and dividends on investment securities	108	234
Gain/(loss) on equity securities change in fair value, net	21	(5)
Total income	<u>2,936</u>	<u>4,095</u>
Expenses		
Interest expense	469	530
Operating expenses	289	344
Income before income tax expense (benefit)	<u>2,178</u>	<u>3,221</u>
Income tax expense (benefit)	(118)	(128)
Income before equity in undistributed net income of subsidiaries	<u>2,296</u>	<u>3,349</u>
Equity in undistributed net income (loss) of subsidiaries	3,042	(156)
Net Income	<u>\$ 5,338</u>	<u>\$ 3,193</u>
Comprehensive Income (Loss)	<u>\$ 18,989</u>	<u>\$ (1,299)</u>

Condensed Statements of Cash Flows

	For the Years Ended	
	<i>(Dollars in thousands)</i>	
	December 31, 2025	December 31, 2024
Operating Activities		
Net Income	\$ 5,338	\$ 3,193
Adjustments to reconcile net income to net cash provided by operating activities:		
Dividends from subsidiaries	\$ -	\$ -
Equity in undistributed net income of subsidiaries	(3,042)	156
Loss on equity securities change in fair value, net	(21)	5
Other, net	(125)	(196)
Net cash provided by operating activities	<u>2,150</u>	<u>3,158</u>
Investing Activities		
Purchases of investment securities	-	-
Proceeds from maturities paydowns	467	279
Proceeds from sale of securities	-	4,187
Disposition of premises and equipment	73	-
Dissolution of subsidiary	-	-
Net cash provided by (used for) investing activities	<u>540</u>	<u>4,466</u>
Financing Activities		
Dividends paid	(3,650)	(3,754)
Purchases of treasury stock	(615)	(2,473)
Net cash provided by (used for) financing activities	<u>(4,265)</u>	<u>(6,227)</u>
Increase (decrease) in cash	<u>(1,575)</u>	<u>1,397</u>
Cash at beginning of year	<u>\$ 3,366</u>	<u>\$ 1,969</u>
Cash at end of year	<u>\$ 1,791</u>	<u>\$ 3,366</u>

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