JTNB Bancorp, Inc.

A Bank Holding Company for

JTNB
Jim Thorpe Neighborhood Bank
- Since 1855 -

2022 Annual Report

JTNB Bancorp, Inc.

Board of Directors and Principal Officers

Jane F. Engler
Chairman

Craig A. Zurn
President & CEO

Ronald J. Sheehan
Vice Chairman

Joseph F. Arieta
Treasurer

William P. Gardiner
Secretary

Harry W. Hintz
Director

Joseph T. Svetik
Director

Jim Thorpe Neighborhood Bank

Executive Officers

Craig A. Zurn
President & CEO

Gregory C. Hartman
Executive Vice President & CFO

Richard T. Kuhn
Executive Vice President & COO

Officers

Jay T. Miller	Senior Vice President & Compliance Officer
Sarah A. Smith	Assistant Vice President & Deposit Operations/Electronic Banking Manager
Amy L. Behrens	Executive Assistant
Mary C. Marzen	Credit Administration Officer & Branch Manager

Transfer Agent & Registrar

Computershare
150 Royall Street
Suite 101
Canton, MA 02021
www.computershare.com

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on Wednesday, May 10, 2023 at 10:00 a.m. Eastern Time at The Inn at Jim Thorpe, Broadway Underground, 24 Broadway, Jim Thorpe Pennsylvania 18229.

JTNB Bancorp, Inc.

12 Broadway
Jim Thorpe, PA 18229

April 2023

To our Shareholders:

On behalf of the Board of Directors, Officers, and Employees, I am pleased to have this opportunity to report to you on the progress and strength of your Community Bank. The accompanying statements present the financial status of the Jim Thorpe Neighborhood Bank and reflect our continued efforts and success in maintaining positive financial results and growth. We are proud to continue the tradition of being a strong, independent community bank that provides superior banking services to our communities.

Financial Snapshot

Net income for the year-ended December 31, 2022 was $1,427,000 or $1.51 per share. Earnings comparable to prior year are 23% higher and are mainly attributed to a gain on life insurance. Investment interest income was also higher than prior year.

Total assets at December 31, 2022, were $245.3 million, a decrease of $1.5 million or 0.6% and deposits totaled $225.1 million, which increased by $6.7 million or 3.1%. The total deposit increase is attributed to the growth of our customer base and market share, enhancing core deposits in consumer, business and public funds. Total shareholders' equity at December 31, 2022, was $14.3 million, a decrease of $8.2 million or 36.4% due to accumulated other comprehensive income decreasing which includes an unrealized loss in the investment portfolio as sustained in general by the financial industry as the Federal Open Market Committee (FOMC) rapidly increased interest rates.

Net loans outstanding totaled $122.6 million, a decrease of $1.1 million or 0.9%. The net loan decrease was due to the increasing of borrowing costs due to the FOMC actions. Also, the bank exited the SBA Paycheck Protection Program ("PPP") as the loans were repaid in full. A portion of the increase in loans, prior year, represented our critical role and vital participation in the SBA Paycheck Protection Program ("PPP") for small businesses under the United States CARES Act. The bank seeks to continue to increase commercial and municipal lending, which is aligned with our strategic initiative to change the bank's mix of earnings assets in favor of loans.

Investments totaled $98.9 million, which increased by $15.2 million or 18.2% over the prior year. The increase in investments was due to the purchase of securities. Cash and Cash Equivalents totaled $12.6 million, which decreased by $17.7 million or 58.4% over the prior year. Borrowed funds remained the same as prior year at $5 million.

Non-accrual loans totaled $12,100 which represents 0.01% of the total loan portfolio. Our credit quality remains high. JTNB's loan portfolio and asset quality remains good despite the adverse economic environment caused by COVID-19. The impact of the COVID-19 pandemic will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.

Dividends paid for 2022 totaled $ 0.51 per share, an approximate 3.5% yield on your investment, delivering consistent ongoing returns to our shareholders. The dividend of $ 0.51 per share was a 2.0% increase over the prior year regular dividend of $0.50 per share. JTNB's conservative and disciplined business philosophy enables us to continue our mission by providing a strong return for our shareholders without impairing capital.

Jim Thorpe Neighborhood Bank continues to be "safe and sound" and is well capitalized, exceeding all regulatory requirements. Tier 1 capital to average assets was 8.6% and total capital to risk-weighted assets was 19.9% versus the 5.0% and 10.0%, respectively, required by regulators to be well capitalized.

Final Thoughts

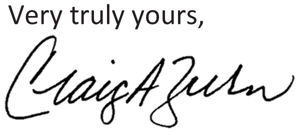
Over the last several years, the economy has endured the devastating effects of COVID. Trillions in fiscal spending, easing of monetary policy, global supply chain issues, and historic 40-year inflation rates continue to plague our economy. The Fed has been forced to raise the interest rate for several months to fight inflation caused by the flooding of the economy with money. This policy caused a depreciation of banks asset portfolios and pushed some bank customers to withdraw their deposits resulting in some bank closures. However, these recent bank closures don’t reflect upon the health and well-being of all banks or the industry as a whole. Certainly, it is not a reflection of your community bank. JTNB is strong, well-capitalized, highly liquid, and able to withstand this current crisis. While we are not immune to this historic economic downturn, JTNB remains true to its community bank philosophy and conservative financial principals. That has been our foundation and hallmark that has successfully sustained us for over 165 years.

JTNB has been very aggressive in publicly stating that we are open for business; furthermore, as a community bank, we understand how critical our leadership role is in preserving the economic health of the communities in which we serve. Despite the economic uncertainty, we see opportunity and are optimistic about our long-term future.

I am proud of the effort given and the results achieved by our dedicated team. Managing a successful community bank is an ongoing process. Each year we set our goals to enhance shareholder value and meet the needs of our customers, employees, and communities. We believe 2022 was a good year for all.

The annual meeting of JTNB Bancorp, Inc. is scheduled for Wednesday, May 10, 2023 at 10:00 a.m. at The Inn at Jim Thorpe, in the Broadway Underground Meeting Room, located at 24 Broadway, Jim Thorpe. Light refreshments will be served at 9:30 a.m. prior to commencement of the meeting. The Board of Directors thanks you, our shareholders, for your continued support and appreciates your confidence in us as we look forward to the coming year.

Very truly yours,



Craig A. Zurn
Chief Executive Officer

JTNB Bancorp, Inc. and Subsidiary

Consolidated Financial Statements

December 31, 2022 and 2021

Independent Auditors' Report

To the Shareholders and Board of Directors of
JTNB Bancorp, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of JTNB Bancorp, Inc. and Subsidiary (Corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive loss, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, 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 (GAAP).

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.

Baker Tilly US, LLP

Allentown, Pennsylvania
February 17, 2023

JTNB Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and due from banks	$ 4,109,968	$ 4,305,782
Interest-bearing deposits with banks	8,531,423	25,984,925
Cash and cash equivalents	12,641,391	30,290,707
Securities available-for-sale, at fair value	54,745,297	30,463,256
Mortgage-backed securities available-for-sale, at fair value	44,130,524	53,246,130
Loans, net	122,640,875	123,737,435
Restricted equity securities	534,665	536,565
Bank-owned life insurance	4,668,260	5,044,252
Bank-owned life insurance benefit receivable	-	64,077
Accrued interest receivable	682,427	533,343
Premises and equipment, net	1,487,983	1,584,652
Goodwill	861,746	861,746
Deferred income taxes, net	2,518,538	112,946
Other assets	360,427	356,365
Total assets	$ 245,272,133	$ 246,831,474
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 52,463,095	$ 52,350,425
Interest-bearing	172,588,742	166,038,330
Total deposits	225,051,837	218,388,755
Federal Home Loan Bank borrowings	5,000,000	5,000,000
Deferred compensation payable	91,826	128,632
Accrued interest payable	70,135	48,636
Other liabilities	719,559	756,577
Total liabilities	230,933,357	224,322,600
Shareholders' Equity		
Common stock, par value $0.334; 6,000,000 shares authorized; 951,557 shares issued in 2022 and 2021; 944,495 shares outstanding in 2022 and 949,333 in 2021	317,820	317,820
Additional paid-in capital	1,880,249	1,880,676
Retained earnings	21,090,277	20,144,981
Accumulated other comprehensive (loss) income	(8,841,949)	195,432
Treasury stock, at cost (7,062 shares in 2022 and 2,224 in 2021)	(107,621)	(30,035)
Total shareholders' equity	14,338,776	22,508,874
Total liabilities and shareholders' equity	$ 245,272,133	$ 246,831,474

See notes to consolidated financial statements

JTNB Bancorp, Inc. and Subsidiary

Consolidated Statements of Income
Years Ended December 31, 2022 and 2021

	2022	2021
Interest Income		
Loans	$ 4,548,406	$ 4,805,408
Taxable investments	1,781,373	1,106,165
Investments exempt from federal income taxes	210,073	212,512
Deposits with banks	226,076	29,564
Total interest income	6,765,928	6,153,649
Interest Expense		
NOW and money market accounts	255,145	113,225
Savings accounts	57,713	50,749
Time deposits	207,459	150,541
Borrowings	125,646	125,646
Total interest expense	645,963	440,161
Net Interest Income	6,119,965	5,713,488
Provision for Loan Losses	110,000	170,000
Net Interest Income After Provision for Loan Losses	6,009,965	5,543,488
Noninterest Income		
Service charges on deposit accounts	224,709	195,757
Other service charges and fees	411,892	468,748
Income on bank-owned life insurance	107,454	113,674
Gain on life insurance	186,724	14,255
Gain on sale of securities available-for-sale	-	160,116
Total noninterest income	930,779	952,550
Noninterest Expense		
Salaries and employee benefits	3,101,673	2,943,729
Data processing fees	309,461	290,781
Occupancy expense	288,040	294,026
Professional fees	249,327	235,309
Shares tax expense	205,578	213,618
Directors' fees and compensation expense	203,476	236,301
Computer software maintenance	162,237	174,456
Telecommunications expense	148,392	135,450
Furniture and equipment expense	129,751	159,845
FDIC assessment	68,167	60,000
Other operating expenses	472,590	432,460
Total noninterest expense	5,338,692	5,175,975
Income Before Income Tax Expense	1,602,052	1,320,063
Income Tax Expense	175,157	162,259
Net Income	$ 1,426,895	$ 1,157,804
Earnings Per Share	$ 1.51	$ 1.22
Weighted Average Shares Outstanding	944,249	949,385

See notes to consolidated financial statements

JTNB Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Loss
Years Ended December 31, 2022 and 2021

	2022	2021
Net Income	$ 1,426,895	$ 1,157,804
Other Comprehensive Loss		
Unrealized holding losses on securities available-for-sale, gross $11,439,723 in 2022 and $1,749,558 in 2021, net of tax of $2,402,342 in 2022 and $367,407 in 2021	(9,037,381)	(1,382,151)
Reclassification adjustment for gains on sales of securities available-for-sale, gross $0 in 2022 and $160,116 in 2021, net of tax of $0 in 2022 and $33,624 in 2021 [a] [b]	-	(126,492)
Total other comprehensive loss	(9,037,381)	(1,508,643)
Total Comprehensive Loss	$ (7,610,486)	$ (350,839)

[a] Gross gains on sales of securities available-for-sale are included in the Consolidated Statements of Income as a separate element within Noninterest Income.

[b] The tax effect on sales of securities available-for-sale are included in Income Tax Expense in the Consolidated Statements of Income.

See notes to consolidated financial statements

JTNB Bancorp, Inc. and Subsidiary

Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2022 and 2021

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2021	$ 317,820	$ 1,880,676	$ 19,461,844	$ 1,704,075	$ (9,560)	$ 23,354,855
Net Income	-	-	1,157,804	-	-	1,157,804
Other Comprehensive Loss	-	-	-	(1,508,643)	-	(1,508,643)
Purchase of 1,575 shares	-	-	-	-	(20,475)	(20,475)
Dividends Declared ($0.50 per share)	-	-	(474,667)	-	-	(474,667)
Balance, December 31, 2021	317,820	1,880,676	20,144,981	195,432	(30,035)	22,508,874
Net Income	-	-	1,426,895	-	-	1,426,895
Other Comprehensive Loss	-	-	-	(9,037,381)	-	(9,037,381)
Purchase of 5,615 shares	-	-	-	-	(89,427)	(89,427)
Issue of 777 Shares Through Dividend Reinvestment Plan	-	(427)	-	-	11,841	11,414
Dividends Declared ($0.51 per share)	-	-	(481,599)	-	-	(481,599)
Balance, December 31, 2022	$ 317,820	$ 1,880,249	$ 21,090,277	$ (8,841,949)	$ (107,621)	$ 14,338,776

See notes to consolidated financial statements

JTNB Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Net income	$ 1,426,895	$ 1,157,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	110,000	170,000
Depreciation	143,397	178,188
Net (accretion) amortization of securities and loan fees and costs	(37,546)	242,947
Deferred compensation expense	4,475	5,925
Deferred income tax benefit	(3,250)	(28,522)
Gain on life insurance	(186,724)	(14,255)
Gain on sale of securities available-for-sale	-	(160,116)
Income on bank-owned life insurance	(107,454)	(113,674)
Net change in:		
Accrued interest receivable	(149,084)	41,813
Other assets	(4,062)	(2,269)
Deferred compensation payable	(41,281)	(41,281)
Accrued interest payable	21,499	(4,876)
Other liabilities	(44,624)	70,062
Net cash provided by operating activities	1,132,241	1,501,746
Cash Flows From Investing Activities		
Purchases of securities available-for-sale	(30,280,507)	(4,503,706)
Proceeds from maturities, calls and principal repayments of securities available-for-sale	2,145,000	2,920,000
Proceeds from sale of securities available-for-sale	-	2,631,212
Purchases of mortgage-backed securities available-for-sale	(4,473,126)	(33,888,441)
Proceeds from principal repayments of mortgage-backed securities available-for-sale	5,979,012	9,162,273
Purchases of restricted stock	(22,200)	-
Proceeds from redemption of restricted equity securities	24,100	32,900
Proceeds from life insurance	744,557	1,892,396
Premiums paid on bank-owned life insurance	(10,310)	(27,228)
Net change in loans	1,047,569	(20,493,023)
Purchases of premises and equipment	(46,728)	(13,261)
Net cash used in investing activities	(24,892,633)	(42,286,878)
Cash Flows From Financing Activities		
Net increase in deposits	6,663,082	26,257,443
Purchase of treasury stock	(89,427)	(20,475)
Dividends paid	(462,579)	(655,938)
Net cash provided by financing activities	6,111,076	25,581,030
Net Decrease in Cash and Cash Equivalents	(17,649,316)	(15,204,102)
Cash and Cash Equivalents, Beginning	30,290,707	45,494,809
Cash and Cash Equivalents, Ending	$ 12,641,391	$ 30,290,707
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	$ 624,464	$ 445,037
Income taxes paid	$ 290,000	$ 101,000

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of JTNB Bancorp, Inc. (Bancorp) and its wholly owned subsidiary, Jim Thorpe Neighborhood Bank (Bank), (collectively, the Corporation). All material intercompany transactions have been eliminated in consolidation.

Nature of Operations

The Corporation provides a full range of commercial banking services to individual and small business customers in Carbon County, Pennsylvania, and the surrounding counties. The Corporation's primary deposit products are demand deposits and interest-bearing time and savings accounts. It offers a full array of loan products to meet the needs of retail and commercial customers.

The Bank is subject to regulation by the Federal Reserve Board and the Pennsylvania Department of Banking and Securities. The Bancorp is subject to regulation by the Federal Reserve Board.

Significant Concentrations of Credit Risk

The Corporation grant loans to customers primarily in Carbon County and the surrounding counties of Pennsylvania. Although the Corporation has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the economic conditions in its marketplace. The Corporation does not have any significant concentrations from one industry or customer.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, the valuation of investment securities and determination of other-than-temporary impairment thereon, and valuation of deferred tax assets.

In connection with the determination of the allowance for loan losses, management generally obtains independent appraisals for significant properties. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in economic conditions. It is reasonably possible that the estimated losses on loans may change materially in the near term.

The Corporation's investment securities are comprised of a variety of financial instruments. The fair values and possible other-than-temporary impairment of these securities are subject to various risks including changes in the interest rate environment and general economic conditions. Due to the increased level of these risks and their potential impact on the fair values and the need to recognize other-than-temporary impairment of the securities, it is possible that the amounts reported in the accompanying consolidated financial statements could materially change in the near term.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include amounts due from depository institutions, interest-bearing deposits with other banks with original maturities of less than 90 days, and federal funds sold.

Investment Securities

Debt securities acquired with the intent and ability to hold to maturity are classified as securities held-to-maturity and reported at amortized cost. Debt securities not classified as held-to-maturity securities are classified as securities available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive loss.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Declines in the fair value of securities below their costs that are deemed to be credit-related are reflected in earnings as realized losses.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses and any deferred fees or costs. Interest income 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 related loan yield over the contractual life of the loan using the interest method.

The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following classes: commercial and industrial, commercial real estate and municipal loans. Consumer loans consist of the following classes: residential mortgage loans, home equity loans and other consumer loans. The segments of the Corporation's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. Common risk characteristics include loan type, collateral type, and geographic location.

Generally, 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 is reversed against interest income. Interest received on nonaccrual loans, including impaired loans, is either applied against principal or reported as interest income, according to management's judgment 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.

Commercial and Industrial

Commercial and industrial loans are used for various business purposes which include short-term loans and lines of credit to finance machinery and equipment purchases, inventory, and accounts receivable. Generally, the maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Most business lines of credit are written on demand and may be renewed annually.

Commercial and industrial loans are generally secured with short-term assets; however, in many cases, additional collateral such as real estate is provided as additional security for the loan. Loan-to-value maximum values at origination have been established by the Corporation and are specific to the type of collateral but do not exceed 80%. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, collateral appraisals, etc.

In underwriting commercial and industrial loans, an analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of conditions affecting the borrower is performed. Analysis of the borrower's past, present and future cash flows is also an important aspect of the Corporation's analysis.

Commercial and industrial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the type of collateral securing the loans.

Commercial Real Estate

Commercial real estate loans are secured primarily by commercial retail space, office buildings and hotels. Generally, commercial real estate loans have terms that do not exceed 20 years, have loan-to-value ratios at origination of up to 80% of the appraised value of the property, and are, at origination, typically secured by the personal guarantees of the borrowers.

In underwriting these loans, the Corporation performs a thorough analysis of the financial condition of the borrower, the borrower's credit history and the reliability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Corporation are performed by independent appraisers.

Commercial real estate loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions.

Municipal

Municipal loans are made to local school districts, townships and other political subdivisions and interest income from these loans are generally exempt from federal income tax. Since they are tax-exempt, they carry lower interest rates. The loans are typically collateralized by the general revenues of the municipalities and are generally considered to be low risk.

Residential Mortgage

Residential mortgage loans are secured by one-to-four family properties. The Corporation offers both fixed-rate and adjustable-rate mortgage loans with terms up to a maximum of 30 years for both permanent structures and those under construction to borrowers in its market area. These loans are generally originated with a loan-to-value of 80% or less. Loans with values in excess of 80% are required to carry private mortgage insurance.

In underwriting these loans, the Corporation evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. Properties securing real estate loans made by the Corporation are appraised by independent appraisers. The Corporation generally requires borrowers to obtain an attorney's title opinion or title insurance, as well as fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Corporation does not engage in subprime residential mortgage originations.

Residential mortgage loans generally present a lower level of risk.

Home Equity

Home equity lines of credit are secured by the borrower's primary residence with a maximum loan-to-value of 89.99%, including the primary mortgage, and a maximum term of 10 years.

In underwriting these loans, a thorough analysis of the borrower's willingness and financial ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower's employment history, current financial conditions, and credit background. The analysis is based primarily on the customer's ability to repay and secondarily on the collateral or security.

Home equity lines of credit generally present a lower level of risk than other types of consumer loans because they are secured by the borrower's primary residence.

Consumer

The Corporation offers a variety of secured and unsecured consumer loans, including vehicle loans and loans secured by savings deposits as well as other types of consumer loans.

Consumer loan terms vary according to the type and value of collateral and creditworthiness of the borrower. In underwriting consumer loans, a thorough analysis of the borrower's willingness and financial ability to repay the loan as agreed is performed. The ability to repay shall be determined by the borrower's employment history, current financial conditions, and credit background.

Consumer loans may entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss, or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged-off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Nonresidential consumer loans are generally charged-off no later than 120 days past due on a contractual basis, earlier in the event of bankruptcy, or if there is an amount deemed uncollectible. Because all identified losses are immediately charged-off, no portion of the allowance for loan losses is restricted to any individual loan or groups of loans, and the entire allowance is available to absorb any and all loan losses.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the Corporation's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components.

The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment records, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis. The Corporation does not separately evaluate individual residential mortgage, home equity, and consumer loans for impairment, unless such loans are part of a larger relationship that is impaired or are classified as a troubled debt restructuring.

The estimated fair values of substantially all of the Corporation's impaired loans are measured based on the estimated fair value of the loan's collateral.

For loans secured by real estate, estimated fair values are determined through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted, when necessary, to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's consolidated financial statements, inventory reports, accounts receivable agings or equipment appraisals or invoices. Indications of value from these sources are generally discounted, as appropriate, based on the age of the financial information or the quality of the assets.

The general component covers pools of loans by loan class including commercial loans not considered impaired, as well as smaller balance homogeneous loans, such as residential mortgage, home equity and consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors. These qualitative risk factors include:

1. Lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices.
2. National, regional and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.
3. Nature and volume of the portfolio and terms of loans.
4. Experience, ability and depth of lending management and staff.
5. Volume and severity of past due, classified and nonaccrual loans as well as other loan modifications.

6. Quality of the Corporation's loan review system, and the degree of oversight by the Corporation's Board of Directors.
7. Existence and effect of any concentrations of credit and changes in the level of such concentrations.
8. Effect of external factors, such as competition and legal and regulatory requirements.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Loans whose terms are modified are classified as troubled debt restructurings (TDRs) if the Corporation grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate or an extension of a loan's stated maturity date. Nonaccrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification. Loans classified as troubled debt restructurings are designated as impaired.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors, and value of collateral, if appropriate, are evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings for all loans include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass.

In addition, regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Restricted Equity Securities

Restricted equity securities consist of investments in the Federal Home Loan Bank of Pittsburgh (FHLB), the Federal Reserve Bank of Philadelphia, and the Atlantic Community Bankers Bank. Investments in these entities are restricted and carried at cost.

Management considers whether these investments are impaired based on the ultimate recoverability of the cost basis rather than by recognizing temporary declines in value. Management believes no impairment has occurred related to these investments at December 31, 2022 and 2021.

Bank-Owned Life Insurance

The Corporation is the owner and beneficiary of bank-owned life insurance policies on certain employees. The life insurance investment is carried at the cash surrender value of the underlying policies. The increase in the cash surrender value is recognized as a component of noninterest income. The policies can be liquidated, if necessary, with tax costs associated. However, the Corporation intends to hold these policies and, accordingly, the Corporation has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense when incurred while costs of major additions and improvements are capitalized.

Goodwill

Goodwill resulting from business combinations is generally determined as the excess of the fair value of the consideration transferred over the fair value of the assets acquired and liabilities assumed as of the acquisition date. Goodwill has an indefinite useful life and is not amortized but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. Based on the results of the annual impairment test, the Corporation did not recognize any impairment in 2022 and 2021.

Foreclosed Assets

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

The Corporation had no foreclosed assets at December 31, 2022 and 2021. Residential real estate loans in process of foreclosure were approximately $50,000 at December 31, 2022 and $77,000 at December 31, 2021.

Self-Insurance

The Corporation is party to an agreement with its health insurance provider to supply coverage to its employees under a self-insurance arrangement. Under this arrangement, the Corporation is billed monthly by the provider to pay claims. To limit exposure under this arrangement, the Corporation obtained stop-loss coverage with a specific annual deductible of $50,000 per covered participant and reimbursement of claims are unlimited per covered participant over a lifetime. The stop-loss coverage also provides reimbursement up to $1,000,000 if total claims in the aggregate for the Corporation exceed approximately $648,000 during a policy year. Expense under this arrangement was $635,376 in 2022 and $614,457 in 2021 and is included in salaries and employee benefits in the consolidated statements of income.

Benefit Plans

The Corporation has a profit-sharing plan which covers substantially all employees who have attained the age of twenty-one and have completed 1,000 hours of service within one calendar year. The amount of the contribution is determined annually by the Corporation's Board of Directors. Expense under this plan was $97,587 in 2022 and $96,665 in 2021 and is included in salaries and employee benefits in the consolidated statements of income.

The Corporation has a deferred compensation plan with a director providing supplemental retirement benefits. The Corporation has recognized a liability for the present value of this obligation of $91,826 at December 31, 2022 and $128,632 at December 31, 2021. Expense of $4,475 in 2022 and $5,925 in 2021 related to this plan is included in directors' fees and compensation expense in the consolidated statements of income.

Income Taxes

Income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Corporation determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities. Enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Corporation recognizes interest and penalties on income taxes as a component of income tax expense.

Advertising Costs

Advertising costs are expensed as incurred and were $65,770 in 2022 and $62,489 in 2021. Amounts are included in other operating expenses in the consolidated statements of income.

Earnings per Share

Earnings per share is based on the weighted average shares of common stock outstanding. The Corporation currently maintains a simple capital structure; therefore, there are no dilutive effects on earnings per share.

Comprehensive Loss

Comprehensive loss consists of net income and other comprehensive loss. Other comprehensive loss is comprised of unrealized losses on available-for-sale debt securities, net of deferred income taxes. Accumulated other comprehensive income (loss) consists of net unrealized losses of $(11,192,338) less deferred income taxes of $2,350,389 at December 31, 2022 and net unrealized gains of $247,384 less deferred income taxes of $(51,952) at December 31, 2021.

Treasury Stock

Treasury stock is recorded at cost. The subsequent disposition or sale of the treasury stock is recorded using the average cost method.

Revenue Recognition

The Corporation recognizes revenue from various sources, including loans, investment securities, bank-owned life insurance, deposit accounts and sales of assets.

Interest income on loans is accrued on the unpaid principal balance and recorded daily. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method. Other loan fees, including late charges, are recognized as they occur.

Interest income on debt securities, including purchase premiums and discounts, is calculated using the interest method over the term of the securities. Dividends on equity securities are recorded when declared.

Earnings on bank-owned life insurance policies represent the increase in the cash surrender value of these policies as well as any gains resulting from settlement of the policies.

Noninterest income includes service charge, overdraft, and other deposit account fees, ATM and debit card interchange income, and other miscellaneous fees and income. Revenue is recognized when the Corporation's performance obligation is completed which is generally monthly for interchange and account service and maintenance fees or when a transaction has been completed, such as when an overdraft or an ATM transaction occurs. Other fees and income are generally transactional in nature and are recognized as they occur.

Gains or losses on sales of assets are generally recognized when the asset has been legally transferred to the buyer and the Corporation has no continuing involvement with the asset. The Corporation does not generally finance the purchase.

Reclassifications

Certain amounts relating to 2021 have been reclassified to conform to the 2022 reporting format.

Future Accounting Standard

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses - Troubled Debt Restructurings and Vintage Disclosures*. This standard eliminates the recognition and measurement guidance for troubled debt restructurings by creditors and enhances disclosure requirements for certain loan restructurings when a borrower is experiencing financial difficulty. In addition, the standard requires the disclosure of gross write-offs by year of origination.

The Corporation is required to adopt these standards in 2023 but does not believe the adoption will have a material effect on its consolidated financial statements.

Subsequent Events

Subsequent events were evaluated through February 17, 2023, the date the consolidated financial statements were available to be issued.

2. Securities

The amortized cost and fair values of securities are as follows at December 31:

	2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. Treasury	$ 12,851,533	$ -	$ (48,874)	$ 12,802,659
U.S. government agencies	15,646,786	-	(444,754)	15,202,032
Obligations of states and political subdivisions	29,491,505	-	(2,750,899)	26,740,606
Total	$ 57,989,824	$ -	$ (3,244,527)	$ 54,745,297
Mortgage-backed securities available-for-sale:				
Government sponsored enterprises, residential	$ 52,078,335	$	$ (7,947,811)	$ 44,130,524

	2021			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities available-for-sale:				
Obligations of states and political subdivisions	$ 29,796,624	$ 822,225	$ (155,593)	$ 30,463,256
Mortgage-backed securities available-for-sale:				
Government sponsored enterprises, residential	$ 53,665,378	$ 277,898	$ (697,146)	$ 53,246,130

The amortized cost and fair value of securities at December 31, 2022 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due within 1 year	$ 14,978,675	$ 14,842,495
Due after 1 but within 5 years	25,787,934	24,702,779
Due after 5 but within 10 years	12,731,622	11,445,672
Due after 10 years	4,491,593	3,754,351
	$ 57,989,824	$ 54,745,297

	Mortgage-Backed Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due within 1 year	$ 29,798	$ 29,482
Due after 1 but within 5 years	-	-
Due after 5 but within 10 years	5,765,752	5,286,656
Due after 10 years	46,282,785	38,814,386
	$ 52,078,335	$ 44,130,524

Securities with a carrying amount of $63,495,761 at December 31, 2022 and $53,181,563 at December 31, 2021, were pledged to secure public deposits and for other purposes required or permitted by law.

In 2022, there were no sales of securities available-for-sale. In 2021, proceeds from the sales of securities available-for-sale were $2,631,212, gross realized gains were $160,116 and gross realized losses were $0.

The following tables present gross unrealized losses and fair value of investments aggregated by investment category and length of time that individual securities have been in a continuous loss position at December 31:

	2022					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available-for-sale:						
U.S. Treasury	$ 12,802,659	$ (48,874)	$ -	$ -	$ 12,802,659	$ (48,874)
U.S. government agencies	15,202,032	(444,754)	-	-	15,202,032	(444,754)
Obligations of states and political subdivisions	19,797,582	(1,255,128)	6,943,024	(1,495,771)	26,740,606	(2,750,899)
	47,802,273	(1,748,756)	6,943,024	(1,495,771)	54,745,297	(3,244,527)
Mortgage-backed-securities available-for-sale:						
Government sponsored enterprises, residential	9,293,664	(649,957)	34,836,860	(7,297,854)	44,130,524	(7,947,811)
Total	$ 57,095,937	$ (2,398,713)	$ 41,779,884	$ (8,793,625)	$ 98,875,821	$ (11,192,338)

	2021					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available-for-sale:						
Obligations of states and political subdivisions	$ 6,752,551	$ (118,436)	$ 855,135	$ (37,157)	$ 7,607,686	$ (155,593)
Mortgage-backed-securities available-for-sale:						
Government sponsored enterprises, residential	40,097,784	(697,146)	-	-	40,097,784	(697,146)
Total	$ 46,850,335	$ (815,582)	$ 855,135	$ (37,157)	$ 47,705,470	$ (852,739)

The Corporation had 78 securities in an unrealized loss position for less than 12 months and 37 securities in an unrealized loss position for 12 months or more at December 31, 2022. These securities are issued by the U.S. government, its agencies and U.S. government sponsored entities, as well as local governments. The declines in fair value are considered due to changes in interest rates and not from downgrades in the creditworthiness of the issuers. In analyzing an issuer’s financial condition, management considers whether the securities are issued by the federal government or related entities, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer’s financial condition. The Corporation does not intend to sell these securities nor is it more likely than not that it will be required to sell these securities prior to recovery. No declines are considered other-than-temporary.

3. Loans, Net

The composition of the Corporation's loan portfolio at December 31 is as follows:

	2022	2021
Commercial and industrial	$ 3,294,901	$ 4,153,194
Commercial real estate	41,857,668	43,592,958
Residential mortgage	46,470,249	43,980,944
Home equity	4,329,931	3,469,537
Municipal	25,949,945	27,829,540
Consumer	1,687,754	1,616,622
Total loans	123,590,448	124,642,795
Allowance for loan losses	(1,325,823)	(1,220,599)
Net deferred loan origination costs	376,250	315,239
Net loans	$ 122,640,875	$ 123,737,435

The following tables summarize the activity in the allowance for loan losses by loan class for the years ended December 31, 2022 and 2021, and information in regard to the allowance for loan losses and the recorded investment in loans receivable by loan class as of December 31:

	2022						
	Allowance for Loan Losses						
	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial and industrial	$ 27,411	$ -	$ -	$ (9,248)	$ 18,163	$ -	$ 18,163
Commercial real estate	509,078	-	-	(21,517)	487,561	-	487,561
Residential mortgage	387,607	-	-	12,506	400,113	-	400,113
Home equity	26,368	-	-	4,253	30,621	-	30,621
Consumer	14,711	(5,541)	765	4,073	14,008	-	14,008
Municipal	41,744	-	-	(2,819)	38,925	-	38,925
Unallocated	213,680	-	-	122,752	336,432	-	336,432
Total	$ 1,220,599	$ (5,541)	$ 765	$ 110,000	$ 1,325,823	$ -	$ 1,325,823

	2022		
	Loans Receivable		
	Ending Balance	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Commercial and industrial	$ 3,294,901	$ -	$ 3,294,901
Commercial real estate	41,857,668	-	41,857,668
Residential mortgage	46,470,249	117,664	46,352,585
Home equity	4,329,931	-	4,329,931
Municipal	25,949,945	-	25,949,945
Consumer	1,687,754	-	1,687,754
Total	$ 123,590,448	$ 117,664	$ 123,472,784

	2021						
	Allowance for Loan Losses						
	Beginning Balance	Charge-offs	Recoveries	Provisions	Ending Balance	Ending Balance: Individually Evaluated for Impairment	Ending Balance: Collectively Evaluated for Impairment
Commercial and industrial	$ 45,383	$ (7,061)	$ -	$ (10,911)	$ 27,411	$ -	$ 27,411
Commercial real estate	449,321	-	-	59,757	509,078	-	509,078
Residential mortgage	393,473	(12,238)	12,238	(5,866)	387,607	-	387,607
Home equity	27,001	-	-	(633)	26,368	-	26,368
Consumer, other	13,751	(3,762)	1,489	3,233	14,711	-	14,711
Municipal	12,768	-	-	28,976	41,744	-	41,744
Unallocated	118,236	-	-	95,444	213,680	-	213,680
Total	$ 1,059,933	$ (23,061)	$ 13,727	$ 170,000	$ 1,220,599	$ -	$ 1,220,599

	2021		
	Loans Receivable		
	Ending Balance	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Commercial and industrial	$ 4,153,194	$ -	$ 4,153,194
Commercial real estate	43,592,958	-	43,592,958
Residential mortgage	43,980,944	122,475	43,858,469
Home equity	3,469,537	-	3,469,537
Municipal	27,829,540	-	27,829,540
Consumer	1,616,622	-	1,616,622
Total	$ 124,642,795	$ 122,475	$ 124,520,320

The following tables present the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Corporation's internal loan risk rating system as of December 31:

	2022				
	Pass	Special Mention	Sub-standard	Doubtful	Total
Commercial and industrial	$ 3,294,901	$ -	$ -	$ -	$ 3,294,901
Commercial real estate	41,808,052	-	49,616	-	41,857,668
Residential mortgage	46,470,249	-	-	-	46,470,249
Home equity	4,317,880	-	12,051	-	4,329,931
Municipal	25,949,945	-	-	-	25,949,945
Consumer	1,687,754	-	-	-	1,687,754
Total	$ 123,528,781	$ -	$ 61,667	$ -	$ 123,590,448

	2021				
	Pass	Special Mention	Sub-standard	Doubtful	Total
Commercial and industrial	$ 4,153,194	$ -	$ -	$ -	$ 4,153,194
Commercial real estate	43,076,166	-	516,792	-	43,592,958
Residential mortgage	43,980,944	-	-	-	43,980,944
Home equity	3,457,665	-	11,872	-	3,469,537
Municipal	27,829,540	-	-	-	27,829,540
Consumer	1,616,622	-	-	-	1,616,622
Total	$ 124,114,131	$ -	$ 528,664	$ -	$ 124,642,795

The following tables summarize information on impaired loans by loan portfolio class as of December 31:

	2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential mortgage	$ 117,664	$ 117,664	$ -	$ 120,070	$ 8,388
	2021				
With no related allowance recorded:					
Residential mortgage	$ 122,475	$ 122,475	$ -	$ 123,176	$ 8,499

The following table presents nonaccrual loans by classes of the loan portfolio as of December 31:

	2022	2021
Residential mortgage	$ 12,051	$ 11,872

The performance and 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 past due. The following tables present past due status of loans as of December 31:

2022	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable > 90 Days and Accruing
Commercial and industrial	$ -	$ -	$ -	$ -	$ 3,294,901	$ 3,294,901	$ -
Commercial real estate	63,187	-	-	63,187	41,794,481	41,857,668	-
Residential mortgage	49,082	97,314	48,976	195,372	46,274,877	46,470,249	36,925
Home equity	-	-	-	-	4,329,931	4,329,931	-
Municipal	-	-	-	-	25,949,945	25,949,945	-
Consumer	1,556	-	-	1,556	1,686,198	1,687,754	-
Total	$ 113,825	$ 97,314	$ 48,976	$ 260,115	$ 123,330,333	$ 123,590,448	$ 36,925

2021	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable > 90 Days and Accruing
Commercial and industrial	$ -	$ -	$ -	$ -	$ 4,153,194	$ 4,153,194	$ -
Commercial real estate	72,421	-	-	72,421	43,520,537	43,592,958	-
Residential mortgage	64,620	156,726	-	221,346	43,759,598	43,980,944	-
Home equity	-	-	-	-	3,469,537	3,469,537	-
Municipal	-	-	-	-	27,829,540	27,829,540	-
Consumer	11,655	-	448	12,103	1,604,519	1,616,622	448
Total	$ 148,696	$ 156,726	$ 448	$ 305,870	$ 124,336,925	$ 124,642,795	$ 448

The Corporation may grant a concession or modification for economic or legal reasons related to a borrower's financial condition that it would not otherwise consider resulting in a modified loan which is then identified as a troubled debt restructuring. The Corporation may modify loans through rate reductions, extensions of maturity, interest only payments or payment modifications to better match the timing of cash flows due under the modified terms with the cash flows from the borrowers' operations. Loan modifications are intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. TDRs are considered impaired loans for purposes of calculating the Corporation's allowance for loan losses.

The Corporation identifies loans for potential restructure primarily through direct communication with the borrower and evaluation of the borrower's financial statements, revenue projections, tax returns and credit reports. Even if the borrower is not presently in default, management will consider the likelihood that cash flow shortages, adverse economic conditions and negative trends may result in a payment default in the near future.

As of December 31, 2022 and 2021, the Corporation has a recorded investment in TDRs of $117,664 and $122,475, respectively. The Corporation has not allocated a specific allowance for these loans at December 31, 2022 and 2021 and has not committed to lend any additional amounts on such loans.

The Corporation had no troubled debt restructurings in 2022 and 2021. There were no troubled debt restructuring loans which have subsequently defaulted in the last twelve months.

4. Premises and Equipment

The following summarizes premises and equipment at December 31:

	2022	2021
Land, buildings, and improvements	$ 4,251,840	$ 4,210,409
Furniture and fixtures	3,481,706	3,476,410
Total cost	7,733,546	7,686,819
Less accumulated depreciation	6,245,563	6,102,167
Net	$ 1,487,983	$ 1,584,652

5. Deposits

Interest-bearing deposits at December 31 are as follows:

	2022	2021
NOW and money market accounts	$ 77,206,415	$ 83,137,347
Savings accounts	56,831,690	54,883,286
Time deposits	38,550,637	28,017,697
Total	$ 172,588,742	$ 166,038,330

Scheduled maturities of time deposits are as follows:

Years ending December 31:	
2023	$ 27,805,930
2024	6,201,410
2025	2,221,080
2026	1,444,709
2027	877,508
Total	$ 38,550,637

Time deposits that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2022 and 2021 were approximately $15,569,000 and $5,380,000, respectively.

6. Borrowings

The Corporation has a maximum borrowing capacity with the FHLB of $63,603,200 at December 31, 2022, including a line of credit of $29,589,950. There were no borrowings under the line of credit at December 31, 2022 and 2021. Advances are secured by certain mortgage loans.

At December 31, 2022 and 2021, the Corporation has a $5,000,000 fixed rate advance outstanding with the FHLB. The advance matures October 2023 and bears interest at 2.48%.

The Corporation also has a $4,000,000 unsecured line of credit agreement with the Atlantic Community Bankers Bank. There were no borrowings at December 31, 2022 and 2021.

7. Income Taxes

Income tax expense consists of the following:

	2022	2021
Current	$ 178,407	$ 190,781
Deferred	(3,250)	(28,522)
Total	$ 175,157	$ 162,259

The reconciliation between the expected statutory income expense of 21% and the actual tax expense is as follows for 2022 and 2021:

	2022	2021
Federal income tax at statutory rate:	$ 336,431	$ 279,606
Increase (decrease) resulting from:		
Tax-exempt income	(173,119)	(114,963)
Other items	11,845	(2,384)
Income tax expense	$ 175,157	$ 162,259
Effective tax rate	10.93 %	11.99 %

The components of deferred income taxes, net at December 31 are as follows:

	2022	2021
Unrealized losses (gains) on securities available-for-sale	$ 2,350,389	$ (51,952)
Allowance for loan losses	278,424	256,327
Premises and equipment	41,540	39,099
Deferred compensation and other accrued expenses	24,567	32,183
Other	26	1,577
Prepaid expenses	(7,505)	(7,450)
Goodwill	(168,903)	(156,838)
Deferred income taxes, net	$ 2,518,538	$ 112,946

8. Related-Party Transactions

The Corporation has granted loans to directors, principal officers, principal shareholders and their related interests. The following table summarizes activity in these loans:

	2022	2021
Balance, January 1	$ 151,000	$ 187,000
New loans	-	-
Repayments	(54,000)	(36,000)
Balance, December 31	$ 97,000	$ 151,000

At December 31, 2022 and 2021, deposits from related parties totaled $1,404,404 and $1,184,666, respectively.

9. Contingencies and Commitments

There are no material legal proceedings to which the Corporation is a party, except proceedings which arise in the normal course of business, which in the opinion of management, will not have a material effect on the consolidated financial statements of the Corporation.

10. Dividend Restrictions

Dividends can be paid by the Bancorp from its assets, which are mainly provided by dividends received from the Bank. The Bank is subject to certain restrictions on the dividends that it may declare without prior regulatory approval. The Pennsylvania Banking Code provides that cash dividends may be declared and paid only out of accumulated net earnings as defined. Cash dividends must be approved by the Federal Reserve Bank if the total of all cash dividends declared by the Bank in any calendar year, including the proposed cash dividend, exceeds the total of the Bank's net profit for that year plus its retained net profits from the preceding two years. Under this formula, the Bank can declare dividends to the Bancorp at December 31, 2022 equal to approximately $3.2 million. In addition, dividends paid by the Bank to the Bancorp would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

11. Regulatory Capital

The Bank is subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated 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 assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the following tables) of total capital, Tier 1 capital (as defined in the regulations) and common equity Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. A capital conservation buffer of 2.50%, comprised of common equity Tier I capital, is also established above the regulatory minimum capital requirements and must be maintained to avoid limitations on capital distributions. Management believes, as of December 31, 2022, that the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2022, the most recent notification from regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum ratios as set forth in the following tables. There are no conditions or events since that notification that management believes have changed those categories. The Bank's actual capital amounts and ratios are as follows:

	December 31, 2022					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 23,648,891	19.89 %	$ 9,510,880	≥ 8.0 %	$ 11,888,600	≥ 10.0 %
Common equity Tier 1 (to risk-weighted assets)	22,313,068	18.77	5,349,870	≥ 4.5	7,727,590	≥ 6.5
Tier 1 capital (to risk-weighted assets)	22,313,068	18.77	7,133,160	≥ 6.0	9,510,880	≥ 8.0
Tier 1 capital (to average-assets)	22,313,068	8.62	10,356,200	≥ 4.0	12,945,250	≥ 5.0

	December 31, 2021					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)	$ 22,679,180	19.85 %	$ 9,139,760	≥ 8.0 %	$ 11,424,700	≥ 10.0 %
Common equity Tier 1 (to risk-weighted assets)	21,448,581	18.77	5,141,115	≥ 4.5	7,426,055	≥ 6.5
Tier 1 capital (to risk-weighted assets)	21,448,581	18.77	6,854,820	≥ 6.0	9,139,760	≥ 8.0
Tier 1 capital (to average-assets)	21,448,581	8.69	9,875,800	≥ 4.0	12,344,750	≥ 5.0

The Federal Reserve Bank has established capital guidelines for bank holding companies. These guidelines allow small bank holding companies, as defined, an exemption from regulatory capital requirements. The Bancorp meets the eligibility criteria and is exempt from regulatory capital requirements.

12. Fair Value Disclosures

Fair value is defined as an exit price representing the amount that would be received to sell an asset or settle a liability in an orderly transaction between market participants. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities;

Level 2 - Valuation is determined from quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3 - Valuation is derived from model-based and other techniques in which at least one significant input is unobservable, and which may be based on the Corporation's own estimates about the assumptions that a market participant would use to value the asset or liability.

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

The following table sets forth the Corporation's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy:

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Securities available-for-sale:				
U.S. Treasury	$ 12,802,659	$ -	$ 12,802,659	$ -
U.S. government agencies	15,202,032	-	15,202,032	-
Obligations of states and political subdivisions	26,740,606	-	26,740,606	-
Mortgage-backed securities available-for-sale	44,130,524	-	44,130,524	-
	$ 98,875,821	$ -	$ 98,875,821	$ -

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Securities available-for-sale:				
Obligations of states and political subdivisions	$ 30,463,256	$ -	$ 30,463,256	$ -
Mortgage-backed securities available-for-sale	53,246,130	-	53,246,130	-
	$ 83,709,386	$ -	$ 83,709,386	$ -

In addition to the disclosures of financial instruments recorded at fair value, GAAP requires the disclosure of the estimated fair value of all the Corporation's financial instruments. The majority of the Corporation's assets and liabilities are considered financial instruments. However, many of these instruments lack an available market. In addition, the Corporation's general practice and intent is to hold its financial instruments to maturity. The Corporation has considered the fair value measurement criteria as required under the accounting standard relating to fair value measurement as noted above. Fair value estimates have been determined based on the methodologies management considers most appropriate for each financial instrument.

The following are the carrying amounts and estimated fair values of the Corporation's financial instruments as of December 31 (in thousands):

	2022				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Cash and due from banks	$ 4,110	$ 4,110	$ 4,110	$ -	$ -
Interest-bearing deposits with banks	8,531	8,531	8,531	-	-
Investment securities	98,876	98,876	-	98,876	-
Loans, net	122,641	117,160	-	-	117,160
Restricted stock	535	535	-	535	-
Accrued interest receivable	682	682	-	682	-
Financial liabilities:					
Deposits	225,052	223,839	-	223,839	-
Federal home loan bank borrowings	5,000	4,902	-	4,902	-
Accrued interest payable	70	70	-	70	-

	2021				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets:					
Cash and due from banks	$ 4,306	$ 4,306	$ 4,306	$ -	$ -
Interest-bearing deposits with banks	25,985	25,985	25,985	-	-
Investment securities	83,709	83,709	-	83,709	-
Loans, net	123,737	125,231	-	-	125,231
Restricted stock	537	537	-	537	-
Accrued interest receivable	533	533	-	533	-
Financial liabilities:					
Deposits	218,389	218,589	-	218,589	-
Federal home loan bank borrowings	5,000	5,128	-	5,128	-
Accrued interest payable	49	49	-	49	-

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

All investment securities are measured at fair value using quoted prices from an independent third party that provide valuation services, such as matrix pricing, for similar assets, with similar terms in actively traded markets.

The Corporation has no financial instruments measured at fair value on a nonrecurring basis at December 31, 2022 and 2021.

13. Financial Instruments With Off-Balance-Sheet Risk

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The Corporation's exposure to credit loss is represented by the contractual amounts of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit may or may not be collateralized and usually contain a specified maturity date and may not be drawn upon to the total extent to which the Corporation is committed.

Standby letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans.

To reduce credit risk related to the use of credit-related financial instruments, the Corporation might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Corporation's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real estate. The Corporation has not incurred any losses on its commitments in either 2022 or 2021.

Financial instruments whose contract amount represents credit risk were as follows:

	2022	2021
Commitments to extend credit	$ 14,457,000	$ 18,034,000
Standby letters of credit	441,000	10,000

Team JTNB - Experience is the Difference

JTNB Board of Directors

Joseph F. Arieta, Director – 28 Years

Jane F. Engler, Chairman/Director – 35 Years

William P. Gardiner, Secretary/Director – 46 Years

Harry W. Hintz, Director – 50^{+} Years

Ronald J. Sheehan, Vice Chairman/Director – 16 Years

Joseph T. Svetik, Director – 9 Years (48 Total)

Craig A. Zurn, President & CEO/Director – 40 Years

JTNB Management Team

Craig A. Zurn, CEO/President – 40 Years

Gregory C. Hartman, EVP/CFO – 30 Years

Richard T. Kuhn, EVP/COO – 30 Years

Jay T. Miller, SVP/Compliance Officer – 44 Years

Sarah A. Smith, AVP/Deposit Operations-Electronic Banking Manager – 43 Years

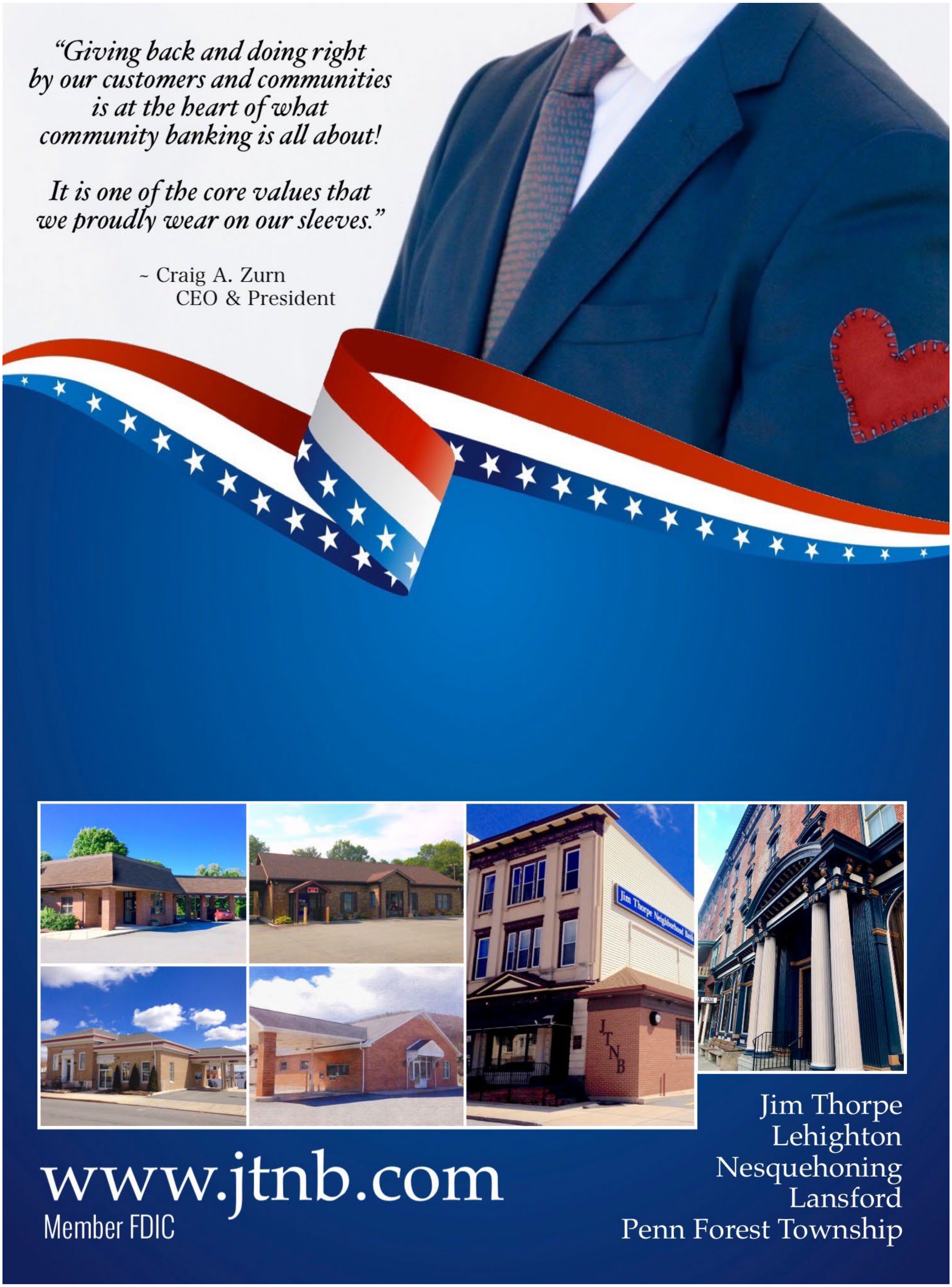
Amy Behrens, Executive Assistant – 36 Years

Mary C. Marzen, Credit Administration Officer/Branch Manager – 35 Years

Eugene DeGiosio, VP/Commercial Lending – 7 Years

In the end, all business operations can be reduced to three words:
people, product and profits.
Unless you've got a good team, you can't do much with the other two.

~ Lee Iacocca


"Giving back and doing right
by our customers and communities
is at the heart of what
community banking is all about!

It is one of the core values that
we proudly wear on our sleeves."

~ Craig A. Zurn
CEO & President

www.jtnb.com
Member FDIC

Jim Thorpe
Lehighton
Nesquehoning
Lansford
Penn Forest Township