SOMERSET TRUST HOLDING COMPANY

ANNUAL REPORT
DECEMBER 31, 2022

Core Values & Mission Statement

Service • Honesty • Fairness

We will help build communities by creating the finest possible independent community bank, incorporating Somerset Trust Company's superior personnel and convenient delivery channels with advanced technology.

Looking Ahead

If the future does indeed depend on what we do today, then the future is looking very bright for our organization. Our people can take pride in reaching new milestones and then setting new goals. We continue to pursue the opportunities presented to us, as well as those we create for ourselves. We are celebrating our successes and seeking new horizons.

We believe with our people and our continued commitment to our communities, we can look forward to great days ahead.

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Somerset Trust HOLDING COMPANY
151 W. Main Street, PO Box 777, Somerset, Pennsylvania 15501
Phone 814-443-9200 | Fax 814-443-9220 | somersettrust.com

March 15, 2023

To Somerset Trust Holding Company Shareholders:

I'm proud to report Somerset Trust had a very strong year in 2022. We finished the year with net income of $20.856 million, which equates to $8.28 per share. Both of these measures are significant improvements from the previous year when we generated $13.946 million in net income and earnings per share of $5.56. I'm also pleased to report that we were able to continue our impressive multi-decade streak of annual increases to the dividend by raising it from $1.53 per share in 2021 to $1.57 per share in 2022.

One of the primary drivers of our year over year growth in net income was the increase in interest income. This increase stemmed from higher interest rates on both loans and securities. In 2022, as inflation proved to be more 'sticky' and less 'transitory,' monetary policy shifted course and aggressive action was taken by the Federal Reserve to fight inflation. The main monetary policy tool utilized was the Federal Funds Rate. As policy makers increased this rate at a historically aggressive pace and magnitude, other markets responded and nearly all interest and market rates moved higher. Our balance sheet was positioned to take advantage of a rising rate environment and we realized those benefits as our total interest income increased from $69.380 million in 2021 to $79.036 million in 2022. In order to prepare our balance sheet for future uncertainty, we implemented a security sale / buyback strategy in the 4th quarter of 2022. This resulted in the sale of approximately $50 million in securities at relatively low yields and the subsequent reinvestment of those proceeds into securities at higher yields. We realized a net loss on the sale of nearly $2.5 million, but the higher yielding securities that were purchased will help us earn that loss back in approximately 1.25 years. This strategy has strengthened the security portfolio and will help generate improved returns well beyond the earn-back period.

With painful inflation and rising interest rates disrupting the U.S. economy in 2022, economic forecasts became more ominous and both equity and bond markets suffered throughout the year. Equity and bond markets typically exhibit a negative correlation and the historically rare event where both markets generated negative returns hasn't happened in the U.S. since 1969. These conditions motivated many investors to revisit their holdings and question whether they were getting the assistance and guidance necessary to manage their financial situation effectively. Once again, our wealth management group leveraged their reputation for providing best-in-class service and investment advice and was able to grow existing relationships as well as onboard new clients. We look forward to continuing this recent growth trend as we build momentum with our wealth management offering.

We were not immune to the turbulent labor force dynamics that carried over from 2021 and into 2022. With workforce turnover at historically high rates, we were occasionally left short staffed in different areas of the bank. Thankfully, we have a dedicated employee base who put in the extra time and effort to help cover shortfalls. One positive that emerged from this undesirable situation of having fewer employees on the payroll is the realization of a year over year decrease in salaries and employee benefit expense. This decrease of just over $1 million helped keep our overall total other expense down year over year. We've since made great strides in finding high caliber new employees and I'm pleased to report that we were nearly fully staffed by the end of 2022.

We undertook two landmark initiatives in 2022 beginning with the opening of our first ever branch in the state of Virginia. We've been operating a loan production office in Vienna, Virginia, since 2018 and this initiative was the natural next step for our growth in that market. The success of the loan production office and the motivation to open a branch is centered around a single lender that ultimately created this opportunity for the bank and we are very grateful for her efforts. We're excited about taking our community bank business model outside our traditional branch footprint and expanding our capabilities and offerings to Vienna, Virginia, and the surrounding area.

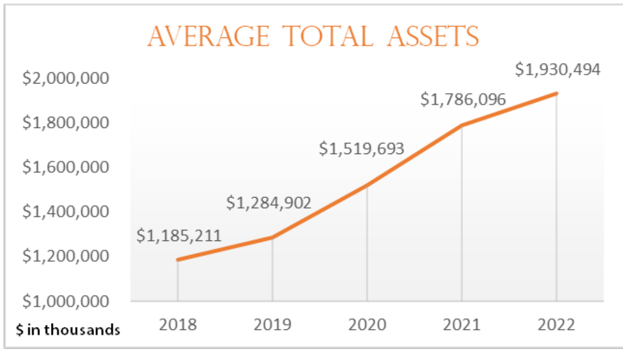
The second of the two landmark initiatives in 2022 was our purchase of the Georgian Place development in Somerset, Pennsylvania. Our exceptional growth over the past few years has caused us to review several factors affecting our ability to continue a strong level of growth going forward. In an evaluation of our situation, it was determined that our current headquarters facility is a weakness and that we needed a different location to better support our future growth. The Georgian Place development represents a unique property with a campus-like setting that will allow us to customize our workspaces and layout to be more conducive for collaboration and to realize more process work flow efficiencies. While it will take a few years for the remodeling to occur and for everyone to move into the new facility, we believe the potential of this new location is limitless and we're very excited about the opportunity it represents. Perhaps the most important consideration in our pursuit of a new headquarters is the idea that we are staying true to who we are and what we represent as an organization. We were founded in Somerset, Pennsylvania, 133 years ago and our current roots are well established in this area. These new roots we intend to plant are still in Somerset, and we hope they will be the foundation for our growth over the next 133 years.

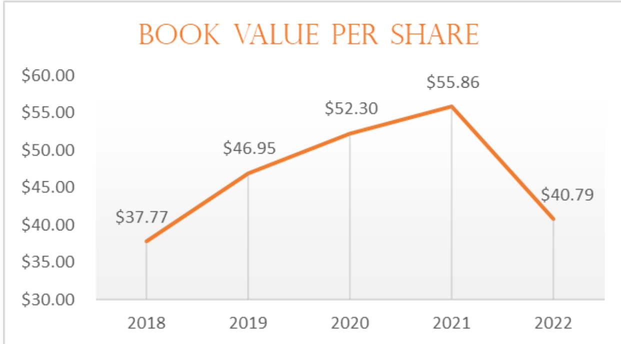
We've experienced several significant retirements over the past few years and 2022 was no exception. The importance of a consultant is rarely, if ever, mentioned in an annual shareholder letter, but the uniqueness of this notation seems perfectly appropriate considering the exceptional nature of his character and contributions. Despite his consultant status, Peter Cook was like family to everyone at the bank. He approached his role with a genuine, infinite curiosity and his frequent challenge of the status quo often resulted in more practical and effective outcomes. His enigmatic and fearless pursuit of growth would leave many of us wondering where and how he generated new opportunities. His insights on many issues, not just banking, are profound and he's frequently quoted around the bank when people are trying to make a point. He has been instrumental in assisting the bank in our growth initiative for over thirty years and his myriad contributions will pay dividends and help fuel the bank's future growth. Thank you, Peter, for helping us be a better bank!

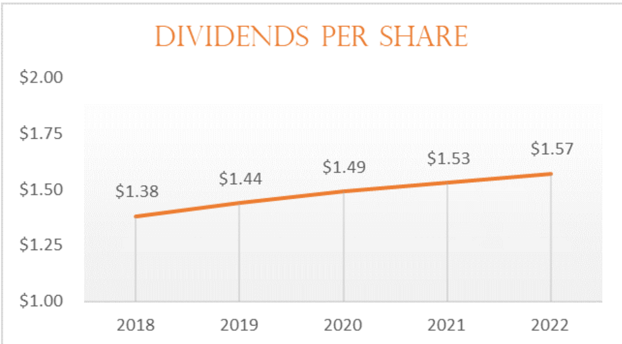
Best Regards,

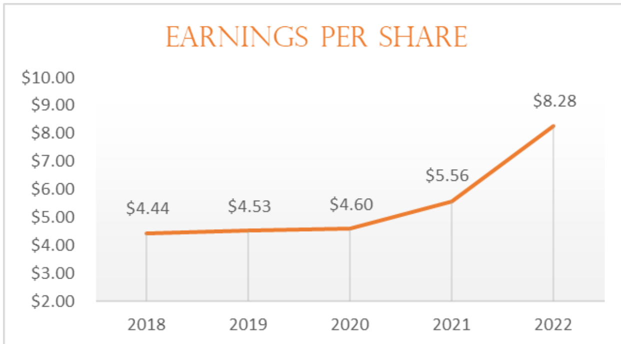
Sean M. Cook
Chief Executive Officer

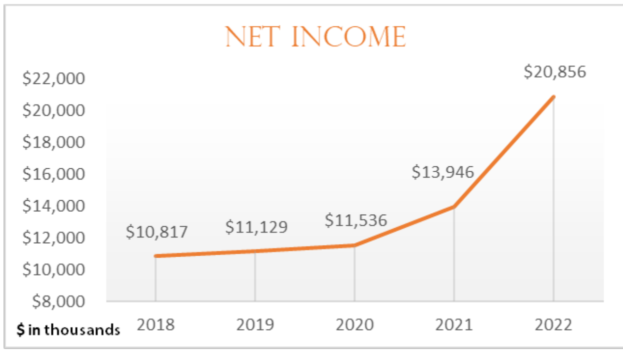
SUMMARY OF FINANCIAL INFORMATION
(Unaudited)

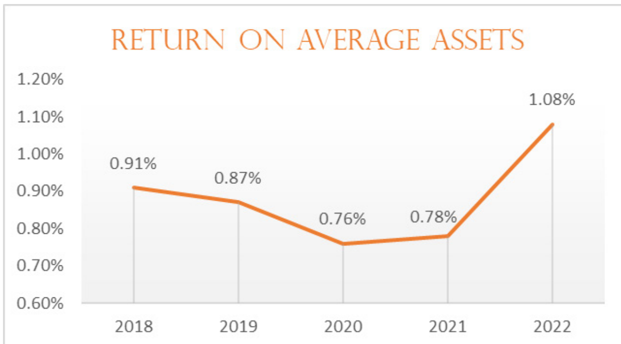


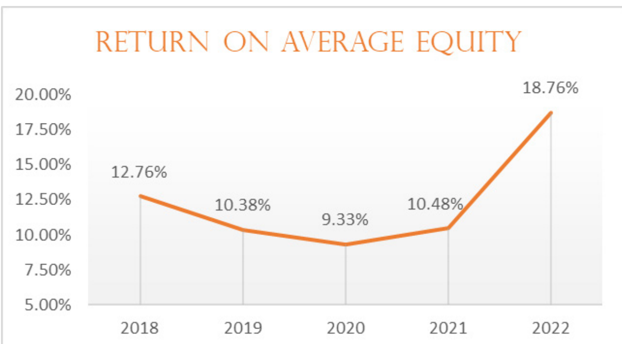


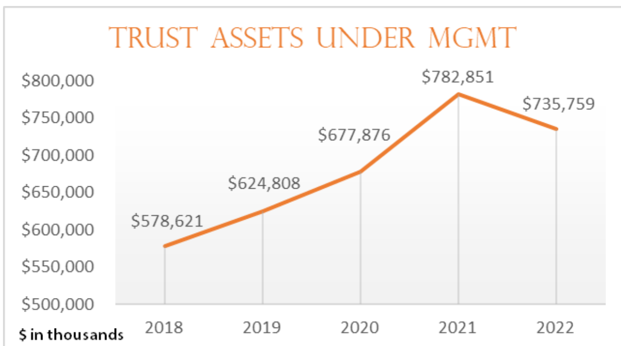












FORV/S

30 Isabella Street, Suite 107 / Pittsburgh, PA 15212
P 412.364.9395 / **F** 412.364.2661
forvis.com

Independent Auditor's Report

Board of Directors and Stockholders
Somerset Trust Holding Company
Somerset, Pennsylvania

Opinion

We have audited the consolidated financial statements of Somerset Trust Holding Company and subsidiary (Company), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year 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 Somerset Trust Holding Company and subsidiary as of December 31, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 15, 2023, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

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 Consolidated 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.

Prior Year Audited by Other Auditors

The 2021 consolidated financial statements, before they were revised for the matter discussed in Note 1, were audited by other auditors, and their report thereon, dated March 21, 2022, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

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

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

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

In performing an audit in accordance with GAAS, we:

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

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS, LLP

Pittsburgh, Pennsylvania
March 15, 2023

FORVIS

30 Isabella Street, Suite 107 / Pittsburgh, PA 15212
P 412.364.9395 / **F** 412.364.2661
forvis.com

Independent Auditor's Report

Board of Directors and Stockholders
Somerset Trust Holding Company
Somerset, Pennsylvania

Opinion on Internal Control Over Financial Reporting

We have audited Somerset Trust Holding Company and its subsidiary's (Company) internal control over financial reporting as of December 31, 2022, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on COSO.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the consolidated financial statements of the Company as of and for the year ended December 31, 2022, and our report dated March 15, 2023, expressed an unmodified opinion thereon.

Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting" 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 audit. 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 Internal Control Over Financial Reporting

Management is responsible for designing, implementing and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying report on management's assessment of internal control over financial reporting.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of Somerset Trust Holding Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FORVIS, LLP

Pittsburgh, Pennsylvania
March 15, 2023

SOMERSET TRUST HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 2022	December 31, 2021
ASSETS		
Cash and due from banks	$ 25,613	$ 21,466
Interest bearing deposits in other banks	14,324	129,374
Total cash and cash equivalents	39,937	150,840
Investment securities available for sale	604,014	514,492
Mortgage loans held for sale	2,506	499
Loans	1,263,828	1,132,304
Less allowance for loan losses	18,722	20,291
Net loans	1,245,106	1,112,013
Premises and equipment, net	38,565	35,160
Operating lease right-of-use asset	4,927	3,708
Bank-owned life insurance	34,790	25,491
Regulatory stock	9,190	4,340
Accrued interest receivable	9,570	7,170
Deferred tax asset	15,489	1,329
Other real estate owned	145	30
Other intangible assets	20	20
Net pension asset	2,250	-
Other assets	10,968	12,334
TOTAL ASSETS	$ 2,017,477	$ 1,867,426
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 440,418	$ 405,393
Interest-bearing demand	301,524	292,144
Savings	196,666	185,832
Money market	479,899	452,522
Time	239,315	250,959
Total deposits	1,657,822	1,586,850
Short-term borrowings	158,375	22,656
Other borrowed funds	79,514	98,287
Operating lease liabilities	4,978	3,776
Net pension liability	-	1,362
Accrued interest payable and other liabilities	13,919	14,502
TOTAL LIABILITIES	1,914,608	1,727,433
STOCKHOLDERS' EQUITY		
Common stock, no par value; 4,000,000 shares authorized; 2,522,298 issued and 2,522,298 outstanding at year-end 2022 and 2,522,298 issued and 2,505,912 outstanding at year-end 2021	3,583	3,448
Retained earnings	150,271	133,511
Rabbi Trust	(2,226)	(2,368)
Surplus	3,075	3,075
Accumulated other comprehensive income (loss)	(51,834)	2,966
Unallocated shares held by Employee Stock Ownership Plan (ESOP), -0- shares as of December 31, 2022 and 16,386 shares as of December 31, 2021	-	(639)
TOTAL STOCKHOLDERS' EQUITY	102,869	139,993
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,017,477	$ 1,867,426

See accompanying notes to the consolidated financial statements.

SOMERSET TRUST HOLDING COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except share and per share data)

	Year Ended December 31, 2022	2021
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 63,130	$ 59,405
Interest and dividends on investment securities:		
Taxable	14,495	8,314
Exempt from federal income tax	1,222	1,525
Interest-bearing deposits in other banks	189	136
Total interest and dividend income	79,036	69,380
INTEREST EXPENSE		
Deposits	5,452	5,007
Short-term borrowings	1,238	58
Other borrowed funds	1,857	2,198
Total interest expense	8,547	7,263
NET INTEREST INCOME	70,489	62,117
Provision for loan losses	1,045	4,142
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	69,444	57,975
OTHER INCOME		
Service charges on deposit accounts	1,989	1,913
Investment security (losses) gains, net	(2,478)	3
Trust and investment services income	4,857	4,624
Earnings on bank-owned life insurance	799	594
Gain on sale of mortgage loans	633	1,954
Debit and credit card fee income	5,551	5,066
Other income	2,257	3,234
Total other income	13,608	17,388
OTHER EXPENSE		
Salaries and employee benefits	32,446	33,587
Net occupancy expense	5,267	4,971
Equipment expense	2,341	2,615
Data processing expense	7,724	7,553
Professional fees	1,359	1,516
(Gain) on other real estate owned	(22)	(56)
Postage, freight, and supplies expense	1,022	1,125
Pennsylvania shares tax	1,283	1,176
Federal depository insurance expense	1,142	1,010
Advertising and marketing expense	802	650
Core deposit intangible amortization	-	142
Other expense	5,551	5,518
Total other expense	58,915	59,807
INCOME BEFORE INCOME TAXES	24,137	15,556
Income tax expense	3,281	1,610
NET INCOME	$ 20,856	$ 13,946
EARNINGS PER SHARE	$ 8.28	$ 5.56
AVERAGE SHARES OUTSTANDING	2,518,347	2,507,333

See accompanying notes to the consolidated financial statements.

SOMERSET TRUST HOLDING COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year Ended December 31, 2022	2021
Net income	$ 20,856	$ 13,946
Components of other comprehensive income (loss):		
Unrealized loss on available-for-sale securities	(75,318)	(4,070)
Tax effect	15,817	855
Reclassification adjustment for investment security (gains) losses realized in income	2,478	(3)
Tax effect	(520)	1
Change in pension obligation	3,472	2,643
Tax effect	(729)	(555)
Total other comprehensive income (loss)	(54,800)	(1,129)
Total comprehensive income (loss)	$ (33,944)	$ 12,817

See accompanying notes to the consolidated financial statements.

SOMERSET TRUST HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share and per share data)

	Common Stock	Retained Earnings	Surplus	Rabbi Trust	Accumulated Other Comprehensive Income (Loss)	Unallocated Shares Held by ESOP	Total Stockholders' Equity
Balance, December 31, 2020	$ 3,442	$ 121,046	$ 3,075	$ (17)	$ 4,095	$ (739)	$ 130,902
Rabbi Trust prior year revision	-	3,147	-	(3,147)	-	-	-
Balance, January 1, 2021, as revised	3,442	124,193	3,075	(3,164)	4,095	(739)	130,902
Net income	-	13,946	-	-	-	-	13,946
Other comprehensive loss	-	-	-	-	(1,129)	-	(1,129)
Cash dividends ($1.53 per share)	-	(3,832)	-	-	-	-	(3,832)
ESOP shares purchased (0 shares)						-	-
ESOP shares released (2,508 shares)	6	-	-	-	-	100	106
Rabbi Trust shares purchased (926 shares)	-	40	-	(40)	-	-	-
Rabbi Trust shares distributed or sold (49,852 shares)	-	(836)	-	836	-	-	-
Balance, December 31, 2021	$ 3,448	$ 133,511	$ 3,075	$ (2,368)	$ 2,966	$ (639)	$ 139,993
Net income	-	20,856	-	-	-	-	20,856
Other comprehensive loss	-	-	-	-	(54,800)	-	(54,800)
Cash dividends ($1.57 per share)	-	(3,954)	-	-	-	-	(3,954)
ESOP shares purchased (0 shares)	-	-	-	-	-	-	-
ESOP shares released (16,386 shares)	135	-	-	-	-	639	774
Rabbi Trust shares purchased (1,554 shares)	-	70	-	(70)	-	-	-
Rabbi Trust shares distributed or sold (10,768 shares)	-	(212)	-	212	-	-	-
Balance, December 31, 2022	$ 3,583	$ 150,271	$ 3,075	$ (2,226)	$ (51,834)	$ -	$ 102,869

See accompanying notes to the consolidated financial statements.

SOMERSET TRUST HOLDING COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2022	2021
OPERATING ACTIVITIES		
Net income	$ 20,856	$ 13,946
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,045	4,142
Depreciation and amortization of premises and equipment	2,636	2,506
Amortization of right-of-use asset	1,180	1,088
Software amortization	477	474
Net amortization of investment securities	2,411	2,989
ESOP plan expense	639	100
Accretion of deferred loan fees	(2,216)	(8,256)
Investment security losses (gains), net	2,478	(3)
Origination of mortgage loans held for sale	(33,868)	(62,374)
Proceeds from sales of mortgage loans	32,494	66,531
Gain on sale of mortgage loans	(633)	(1,954)
Decrease (increase) in accrued interest receivable	(2,400)	116
(Increase) decrease in accrued interest payable	171	(426)
Earnings on bank-owned life insurance	(799)	(594)
Deferred income taxes	406	(7)
(Increase) decrease in prepaid federal income taxes	1,567	(775)
Gain on other real estate owned	(22)	(53)
Loss on disposition of fixed assets	386	162
Core deposit intangible	-	142
Increase of mortgage servicing asset	(60)	(543)
Other, net	(2,445)	232
Net cash provided by operating activities	24,303	17,443
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from sales	47,184	503
Proceeds from maturities and principal repayments	40,334	58,954
Purchases of securities	(254,769)	(227,237)
Net increase in loans	(132,102)	(8,248)
Purchases of software	(92)	(230)
Purchases of premises and equipment	(6,427)	(5,596)
Redemptions of regulatory stock	6,788	1,003
Purchases of regulatory stock	(11,637)	(233)
Purchases of Bank owned life insurance	(8,500)	-
Proceeds from sale of other real estate owned	52	1,040
Net cash used for investing activities	(319,169)	(180,044)
FINANCING ACTIVITIES		
Net increase in deposits	70,970	258,742
Net increase in short-term borrowings	135,719	10,013
Proceeds from other borrowed funds	15,000	-
Repayment of other borrowed funds	(33,772)	(20,100)
Cash dividends paid	(3,954)	(3,832)
Net cash provided by financing activities	183,963	244,823
(Decrease) Increase in cash and cash equivalents	(110,903)	82,222
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	150,840	68,618
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 39,937	$ 150,840

Supplemental cash flow information:	Year Ended December 31, 2022	2021
Interest paid	8,376	7,689
Income taxes paid	1,308	2,561
Supplemental noncash disclosures:		
Transfer of loans to other real estate owned	145	32
Right-of-use asset obtained in exchange for operating and lease liability	2,399	1,273

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

The consolidated financial statements include the accounts of Somerset Trust Holding Company (the "Company") and its wholly owned subsidiary, Somerset Trust Company (the "Bank"). All intercompany transactions have been eliminated in consolidation. The investment in subsidiary on the parent company financial statements is carried at the parent company's equity in the underlying net assets of the subsidiary.

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 and the Bank's principal sources of revenues are derived from their portfolio of residential real estate, commercial mortgage, commercial, and consumer loans. Additional sources consist of an investment portfolio, trust and investment management services, and a variety of deposit services to their customers through 40 branch locations in Pennsylvania, three in Maryland, and one in Virginia. The Company is supervised by the Federal Reserve Bank. The Bank is supervised by the Federal Deposit Insurance Corporation (FDIC) and the Pennsylvania Department of Banking.

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Consolidated Balance Sheet date and reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks and interest-bearing deposits in other banks with original maturities of 90 days or less. Cash and due from banks potentially subject the Company to concentration of credit risk. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At December 31, 2022 and 2021, the Company had $3.4 million and $12.7 million in excess of the FDIC insured limit, respectively.

Investment Debt Securities

The Company has classified investment securities as available for sale to serve principally as a source of liquidity. Unrealized holding gains and losses for investment securities available for sale are reported as a separate component of stockholders' equity, net of tax, until realized. Realized security gains and losses are computed using the specific identification method for debt securities. Interest and dividends on investment securities are recognized as income when earned.

Securities are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. For debt securities, management considers whether the present value of cash flows expected to be collected are less than the security's amortized cost basis (the difference defined as the credit loss), the magnitude and duration of the decline, the reasons underlying the decline, and the Company's intent to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in market value, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, if the investor does not intend to sell the security, and it is more likely than not that it will not be required to sell the security, before recovery of the security's amortized cost basis, the charge to earnings is limited to the amount of credit loss. Any remaining difference between fair value and amortized cost (the difference defined as the non-credit portion) is recognized in other comprehensive income, net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Stock

Common stock of the Federal Home Loan Bank (FHLB) and Atlantic Community Bancshares, Inc. represents ownership in institutions that are wholly owned by other financial institutions. These equity securities are accounted for at cost and are classified as other assets.

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 as necessary. 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 to 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. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their principal amount net of the allowance for loan losses. Interest on loans is recognized as income when earned on the accrual method. Generally, the policy has been to stop accruing interest on loans when it is determined that a reasonable doubt exists as to the collectability of additional interest. Interest previously accrued but deemed uncollectible is deducted from current interest income. Payments received on nonaccrual loans are recorded as income or applied against principal according to management's judgment as to the collectability of such principal, or in accordance with judicial directives.

Loan origination fees and certain direct loan origination costs are being deferred and the net amount amortized as an adjustment of the related loan's yield. Management is amortizing these amounts over the contractual life of the related loans.

In general, fixed rate, permanent residential mortgage loans originated by the Bank are held for sale and are carried in the aggregate at the lower of cost or market. Such loans are sold to the Federal National Mortgage Association ("Fannie Mae") and serviced by the Bank. In addition, a small number of qualifying mortgages are sold to the Pennsylvania Housing Finance Administration with servicing released.

Allowance for Loan Losses

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. The allowance for loan losses represents the amount which management estimates is adequate to provide for probable losses inherent in its loan portfolio. The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. Loans are generally charged off or partially charged down when the loans are 120 days past due unless the loans are well secured or in the process of collection. Collateralized loans are generally charged down to net realizable value if management determines that a loan is uncollectible or upon attaining possession of the assets. The provision for loan losses is based on management's periodic evaluation of individual loans, past loan loss experience, and other relevant factors listed in Note 4 Allowance for Loan Losses. The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, are particularly susceptible to change in the near term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)

Management generally considers all commercial and commercial real estate loans which are nonaccrual or greater than 90 days past due and still accruing to be impaired. These loans are analyzed to determine whether it is probable that all amounts will not be collected according to the original contractual terms of the loan agreement and does not aggregate these loans by major risk classifications. If management determines that the value of the impaired loan is less than the recorded investment in the loan, impairment is recognized through a specific reserve allocation within the allowance for loan losses or a charge-off to the allowance. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. Management may choose to place a loan on nonaccrual status due to payment delinquency or uncertain collectability, while not classifying the loan as impaired, provided the loan is not a commercial or commercial real estate classification. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of loans is determined by the difference between the present value of the expected cash flows related to the loan using the original interest rate and its recorded value, or, as a practical expedient in the case of collateral-dependent loans, the difference between the fair value of the collateral and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

Mortgage loans secured by one-to-four family properties and all consumer loans are large groups of smaller-balance homogeneous loans and are measured for impairment collectively. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all circumstances concerning the loan, the creditworthiness and payment history of the borrower, the length of the payment delay, and the amount of shortfall in relation to the principal and interest owed.

Troubled Debt Restructuring

For economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered. The related loan is classified as a troubled debt restructuring. Management strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring as noted above for impaired loans. In addition to the allowance for the pooled portfolios, management has developed a separate allowance for loans that are identified as impaired through a troubled debt restructuring. These loans are excluded from pooled loss forecasts and a separate reserve is provided under the accounting guidance for loan impairment. Consumer loans whose terms have been modified in a troubled debt restructuring are also individually analyzed for estimated impairment.

Premises and Equipment

Buildings and equipment, which include leasehold improvements, are stated at cost less accumulated depreciation and amortization. Land is stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which consist of 7 to 20 years for land improvements, 39 years for buildings, and 5 to 7 years for furniture, fixtures, and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining terms of the related leases or the estimated useful lives of the asset. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Company has operating leases for multiple branch locations and office space. Generally, the underlying lease agreements do not contain any material residual value guarantees or material restrictive covenants. Many of the Company's leases include both lease (e.g., minimum rent payments) and non-lease components, such as common area maintenance charges, utilities, real estate taxes, and insurance. The Company elected to account for the variable non-lease components, such as common area maintenance charges, real estate taxes, and insurance within the lease component and include them in the calculation of the present value of the remaining lease payments. Therefore, they are included in the right-of-use assets and lease liabilities reported on the Consolidated Balance Sheets.

Certain of the Company's leases contain options to renew the lease after the initial term. Management considers the Company's historical pattern of exercising renewal options on leases and the performance of the leased locations, when determining whether it is reasonably certain that the leases will be renewed. If management concludes that there is reasonable certainty about the renewal option, it is included in the calculation of the remaining term of each applicable lease. The discount rate utilized in calculating the present value of the remaining lease payments for each lease was the Federal Home Loan Bank of Pittsburgh advance rate corresponding to the remaining maturity of the lease.

Under Topic 842, the lessee can elect to not record on the Consolidated Balance Sheet a lease whose term is 12 months or less and does not include a purchase option that the lessee is reasonably certain to exercise. The Company had four short-term equipment leases as of December 31, 2022 and two short-term equipment leases as of December 31, 2021, which it has elected not to record on the Consolidated Balance Sheets.

Bank-Owned Life Insurance

The Company owns insurance on the lives of a certain group of key employees. The policies were purchased to help offset the increase in the costs of various fringe benefit plans. The cash surrender value of these policies is included as an asset on the Consolidated Balance Sheets, and any increases in the cash surrender value are recorded as earnings on bank-owned life insurance on the Consolidated Statements of Income. In the event of the death of an insured individual under these policies, the Company would receive a death benefit, which would also be recorded as earnings on bank-owned life insurance.

Other Real Estate Owned (OREO)

Other real estate owned (OREO) acquired in settlement of foreclosed loans is carried as a component of other assets at the lower of cost or fair value minus estimated cost to sell. Direct cost incurred in the foreclosure process and subsequent holding costs incurred on such properties are recorded as expenses of current operations. OREO is measured at fair value based on appraisals, less cost to sell at the date of 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. Income and expenses from operations and changes in valuation allowance are included in the net expenses from OREO.

Foreclosed assets acquired in settlement of loans are carried at the lower of carrying amount or fair value less estimated costs to sell. As of December 31, 2022, included within the foreclosed assets is $145 thousand in real estate that was foreclosed on or received via a deed in lieu transaction prior to the period end. As of December 31, 2021, included within the foreclosed assets is $30 thousand in real estate that was foreclosed on or received via a deed in lieu transaction prior to the period end. As of December 31, 2022, the Company had initiated formal foreclosure procedures on $753 thousand of consumer residential mortgages and $302 thousand in commercial real estate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans

Pension costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, benefits earned, interest costs, expected return on plan assets, mortality rates, and other factors. In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation of future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Bank's pension obligations and future expense.

The interest cost component is determined by aggregating the product of the discounted cash flows of the plan's projected benefit obligations for each year and a discount rate. Management believes this methodology is an appropriate measure as each year's cash flows are specifically linked to the interest rates of bond payments in the same respective year. The Bank's pension benefits are described further in Note 11 of the Notes to Consolidated Financial Statements.

Employees are eligible to participate in the Bank's 401(k) Profit Sharing plan upon hire date for salary deferrals. Employees become eligible to receive the Somerset Trust Company contributions for the 401(k) Profit Sharing and Employee Stock Ownership Plans if employed at December 31st of that year and having worked 1,000 hours within that year. The employee enters the plan on the first day of January or the first day of July, upon reaching age 21. After three years of eligible service, the employee is 100 percent vested in both plans.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Trust Department

Trust Department assets (other than cash deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying Consolidated Balance Sheets since such items are not assets of the Company or the Bank. Trust fees for services performed by the Bank in a fiduciary capacity are reported on a cash basis. The annual results would not be materially different if such income was accrued.

Income Taxes

The Company and the Bank file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Earnings Per Share

The Company currently maintains a simple capital structure; thus, there are no dilutive effects on earnings per share. Earnings per share are calculated by dividing net income by the weighted-average number of shares outstanding for the periods. To calculate the weighted-average number of shares outstanding, the weighted-average unearned Employee Stock Ownership Plan shares for the year are deducted from the total weighted-average shares outstanding for the year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Servicing Right (MSR)

The Company has agreements for the express purpose of selling loans in the secondary market. The Company maintains all servicing rights to loans sold to Fannie Mae. Originated MSRs are recorded by allocating total costs incurred between the loan and servicing rights based on their relative fair values. MSRs are amortized in proportion to the estimated servicing income over the estimated life of the servicing portfolio. Impairment is evaluated based on the fair value of the servicing right, portfolio interest rates and prepayment characteristics. MSRs are a component of other assets on the Consolidated Balance Sheets. At December 31, 2022, the assets were not impaired with a book value of $2.49 million and a fair value of $3.25 million. An impairment recovery of $60 thousand was made to other income through a valuation allowance in 2022. At December 31, 2021, the assets were impaired with a book value of $2.60 million and a fair value of $2.54 million.

Activity in MSRs for the years ended December 31, 2022 and 2021, are as follows:

(in thousands)	2022	2021
Beginning balance	$ 2,536	$ 1,932
Amount capitalized	111	281
Amortization	(218)	(220)
MSR impairment recovery	60	543
Ending balance	$ 2,489	$ 2,536

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) comprises unrealized gains and losses on the available-for-sale securities portfolio and the change in the unrecognized pension cost.

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the normal course of business. It is the opinion of management that the disposition of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations, and cash flows of the Bank.

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 total stockholders' equity.

Revision of Comparative Amounts for Rabbi Trust

Certain comparative amounts for the prior years have been revised to conform to current-year classifications. These revisions did not have a significant impact on the financial statement line items impacted and had no effect on net income or total stockholders' equity. Revisions were made to accurately reflect equity activity related to the Rabbi Trust.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

method is appropriate for their circumstances. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The ASU was effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities). FASB subsequently approved a delay in adoption for Smaller Reporting Companies. The Company has completed an analysis to determine that it qualifies as a Smaller Reporting Company. As such, adoption can be postponed until periods beginning after December 15, 2022 (i.e., January 1, 2023, for calendar year entities). Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.

The Current Expected Credit Losses ("CECL") methodology applies to loans held for investment, held to maturity debt securities, and off balance-sheet credit exposures. The ASU allows for several different methods of computing the ALLL: closed pool, vintage, average charge-off, migration, probability of default / loss given default, discounted cash flow, weighted average remaining maturity and regression. Based on its analysis of observable data, the Company concluded the weighted average remaining maturity method to be the most appropriate and statistically relevant. Maximum possible lookbacks will be utilized to calculate the historical loss period based on all available data.

The Company began reviewing parallel reports in 2022. At the end of third quarter 2022, the Company evaluated and refined its methodology and produced a parallel report for the calculation of the ALLL under the ASU guidance. The Company will contract with a third party to begin an independent validation of its processes and methodology in 2023.

The ALLL has been computed through 2022 by applying historical loss rates, adjusted for qualitative factors, to pools of loans. Upon implementation of the ASU, the expected loss estimate will be made up of a historical lookback of actual losses applied over the weighted average remaining life of the loan portfolio with an implemented loss rate floor and adjusted for qualitative factors and forecasted losses based on economic and forward-looking data applied over a reasonable and supportable forecast period.

The impact of the adoption of the ASU is estimated to be a one-time cumulative-effect adjustment to our reserves for loans and unfunded commitments in a range between $1 million and $3 million. This estimate may change as the Company continues to improve its processes and methodology.

The qualitative impact of the new accounting standard will still be directed by many of the same factors that impacted the previous methodology for computing the ALLL including, but not limited to, quality and experience of staff, changes in the value of collateral, concentrations of credit in loan types or industries and changes to lending policies. In addition to this, the Company will also use reasonable and supportable forecasts.

The Company does not anticipate any material changes to its business practices as a result of implementing the ASU. The Company adopted ASU 2016-13 on January 1, 2023.

In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." This ASU eliminates the accounting guidance on troubled debt restructurings for creditors in ASC 310-40 and requires entities to evaluate all receivable modifications under ASC 310-20 to determine whether a modification made to a borrower results in a new loan or a continuation of the existing loan. The amended guidance adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. The amended guidance also requires disclosure of current period gross charge-offs by year of origination within the vintage disclosures required by ASC 326. The amended guidance is effective for the Company on January 1, 2023, with early adoption permitted. The Company adopted ASU 2022-02 on January 1, 2023.

2. INVESTMENT DEBT SECURITIES AVAILABLE FOR SALE

The amortized cost and fair value of investment securities available for sale as of December 31 are summarized as follows:

	2022			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 351,334	$ 478	$ (35,825)	$ 315,987
Mortgage-backed securities:				
Government-sponsored entities	246,274	546	(23,695)	223,125
Corporate debt obligations	36,596	43	(2,303)	34,336
U.S. treasuries	19,910	-	(350)	19,560
U.S. government agencies	11,003	14	(11)	11,006
Total	$ 665,117	$ 1,081	$ (62,184)	$ 604,014

	2021			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 324,154	$ 13,061	$ (857)	$ 336,358
Mortgage-backed securities:				
Government-sponsored entities	152,560	262	(870)	151,952
Corporate debt obligations	26,042	551	(411)	26,182
Total	$ 502,756	$ 13,874	$ (2,138)	$ 514,492

The following tables show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, at December 31:

	2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Obligations of states and political subdivisions	$ 230,796	$ (20,920)	$ 61,394	$ (14,905)	$ 292,190	$ (35,825)
Mortgage-backed securities:						
Government-sponsored entities	79,588	(5,999)	104,668	(17,696)	184,256	(23,695)
Corporate debt obligations	22,945	(1,408)	6,819	(895)	29,764	(2,303)
U.S. treasuries	19,560	(350)	-	-	19,560	(350)
U.S. government agencies	8,529	(11)	-	-	8,529	(11)
Total	$ 361,418	$ (28,688)	$ 172,881	$ (33,496)	$ 534,299	$ (62,184)

	2021					
	Less than Twelve Months		Twelve Months or Greater		Total	
(in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Obligations of states and political subdivisions	$ 58,324	$ (630)	$ 7,567	$ (227)	$ 65,891	$ (857)
Mortgage-backed securities:						
Government-sponsored entities	142,838	(870)	20	-	142,858	(870)
Corporate debt obligations	10,594	(411)	-	-	10,594	(411)
Total	$ 211,756	$ (1,911)	$ 7,587	$ (227)	$ 219,343	$ (2,138)

2. INVESTMENT DEBT SECURITIES AVAILABLE FOR SALE (Continued)

Unrealized losses on securities shown on the tables above have not been recognized into income because the issuers' bonds are of high credit quality. Values have only been impacted by rate changes, and the Company has the intent and ability to hold the securities for the foreseeable future. The fair value is expected to recover as the bonds approach the maturity date.

There were 363 positions considered temporarily impaired as of December 31, 2022. The Company reviews its position quarterly and has asserted that the declines outlined in the above tables represent temporary declines and the Company does not intend to sell and does not believe it will be required to sell these securities before recovery of their cost basis, which may be at maturity. The Company has concluded that any impairment of its investment securities portfolio is not other than temporary but is the result of interest rate changes, sector credit rating changes, or company-specific rating changes that are not expected to result in the noncollection of principal and interest during the period.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2022, 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.

Included in the chart below are Mortgage Backed Securities that do not mature at a single date, but rather pay down over the life of the instrument.

(in thousands)	Amortized Cost	Fair Value
Due within one year	$ -	$ -
Due after one year through five years	36,024	34,698
Due after five years through ten years	74,983	69,333
Due after ten years	554,110	499,983
Total	$ 665,117	$ 604,014

Proceeds from sales of investment securities during 2022 and 2021 were $47.2 million and $503 thousand, respectively. Gross gains and losses were realized on those sales as follows:

(in thousands)	2022	2021
Gross gains	$ -	$ 3
Gross losses	(2,478)	-

Investment securities with a fair value of $293.8 million and $214.5 million at December 31, 2022 and 2021, respectively, were pledged to secure public deposits and borrowings and for other purposes as required by law.

3. LOANS

Major classifications of loans are summarized as follows:

(in thousands)	2022	2021
Commercial loans	$ 327,661	$ 327,171
Commercial real estate	660,970	557,996
Obligations of states and political subdivisions	42,057	45,154
Residential	72,007	60,936
Home equity	115,665	98,340
Consumer	37,624	35,736
Credit cards	7,844	6,971
	1,263,828	1,132,304
Less allowance for loan losses	18,722	20,291
Total loans	$ 1,245,106	$ 1,112,013

Loan Portfolio Types and Related Risk Characteristics

Following are the characteristics and underwriting criteria for each major type of loan the Company offers:

Commercial: Loans to proprietorships, partnerships, or corporations to provide temporary working capital and seasonal loans as well as long term loans for capital asset acquisition. Risks include adequacy of cash flow, reasonableness of projections, financial leverage, economic trends, management ability and estimated capital expenditures during the fiscal year. The Company employs additional credit analysis on higher balance loans to mitigate risk by ensuring the customer's ability to repay in a changing rate environment before granting loan approval.

Commercial Real Estate: Construction, purchase, and refinance of business purpose real estate. Risks include potential construction delays and overruns, vacancies, collateral value subject to market value fluctuations, interest rate, market demands, borrower's ability to repay in orderly fashion, and others.

Obligations of states and political subdivisions: Primarily funds public improvements in the Bank's service area. Repayment ability is based on the continuance of revenues and taxation as the source of repayment.

Residential and Home Equity: Purchase, refinance, or equity financing of one to four family owner occupied dwelling. Success in repayment is subject to borrower's income, debt level, character in fulfilling payment obligations, employment, and others.

Consumer and Credit Cards: Funding for individual and family purposes. Success in repayment is subject to borrower's income, debt level, character in fulfilling payment obligations, employment, and other factors.

Included in the major loan classification amounts above are net deferred loan origination fees of $1.4 million and $1.7 million at December 31, 2022 and 2021, respectively. Included in deferred loan origination fees were $13 thousand related to Paycheck Protection Program (PPP) loans remaining on the books at December 31, 2022. More information regarding the PPP program and the Company's participation in the program is described below.

Real estate loans serviced for Fannie Mae, which are not included in the Consolidated Balance Sheets, totaled $331 million and $342 million at December 31, 2022 and 2021, respectively.

The Company's primary business activity is with customers located within its local trade area. Commercial, residential, personal, and agricultural loans are offered. The commercial loan portfolio includes $306 thousand in PPP loans at December 31, 2022. 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, 2022 and 2021, the repayment of the loans outstanding by individuals and businesses is dependent upon the local economic conditions in its immediate trade area.

3. LOANS (Continued)

Paycheck Protection Program

In the first quarter of 2021, the Small Business Administration made another round of Paycheck Protection Program (PPP) funding available in response to the COVID-19 pandemic, and the Company made additional loans to qualifying small businesses. Additionally, all rounds of PPP loans became eligible for forgiveness. As a qualified SBA lender, the Company was automatically authorized to originate PPP loans.

In 2021, the Company approved and funded 1,234 PPP loans totaling $90.3 million, generating $5.1 million in fees to be recognized over the life of the loans. During 2021, an additional 1,975 loans were forgiven totaling $180.7 million; these loans originated from both rounds of PPP funding. The Company recognized $0.8 million in fee income from PPP lending activity in 2022.

4. ALLOWANCE FOR LOAN LOSSES

Management has established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Company has aggregated certain loans in the portfolio by segment. These portfolio segments are as follows: commercial loans, commercial real estate loans, residential real estate loans, home equity loans, and consumer loans. The Company further disaggregates the commercial loan portfolio into two classes, which include: commercial loans and obligations of states and political subdivision loans, and disaggregates the consumer portfolio into two classes, which include: consumer loans and credit cards.

Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. These historical loss percentages are calculated over a three-year period for all portfolio segments. Certain qualitative factors are then added to the historical allocation percentage to get the adjusted factor to be applied to non-classified loans. These qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the portfolio. The following qualitative factors are analyzed for each portfolio segment:

- Levels of and trends in delinquencies and nonaccruals
- Levels and trends in classified lending
- Trends in volume and terms
- Changes in lending policies and procedures
- Experience, depth and ability of management
- Economic trends
- Concentrations of credit
- Changes in the underlying collateral for collateral dependent loans

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Loans by Segment

The following tables present, by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans as of December 31:

2022 (in thousands)	Commercial	Commercial Real Estate	Residential	Home Equity	Consumer	Total
Allowance for loan losses:						
Beginning balance	$ 5,373	$ 12,425	$ 476	$ 1,106	$ 911	$ 20,291
Charge-offs	(2,052)	-	(5)	(329)	(986)	(3,372)
Recoveries	75	-	8	205	470	758
Provision	1,305	(609)	(89)	61	377	1,045
Ending balance	$ 4,701	$ 11,816	$ 390	$ 1,043	$ 772	$ 18,722
Ending balance: individually evaluated for impairment	$ 848	$ 2,662	$ -	$ -	$ -	$ 3,510
Ending balance: collectively evaluated for impairment	3,853	9,154	390	1,043	772	15,212
Loans:						
Ending balance: individually evaluated for impairment	3,771	7,664	-	-	-	11,435
Ending balance: collectively evaluated for impairment	365,947	653,306	72,007	115,665	45,468	1,252,393
Ending balance	$ 369,718	$ 660,970	$ 72,007	$ 115,665	$ 45,468	$ 1,263,828

2021 (in thousands)	Commercial	Commercial Real Estate	Residential	Home Equity	Consumer	Total
Allowance for loan losses:						
Beginning balance	$ 6,303	$ 8,476	$ 214	$ 894	$ 958	$ 16,845
Charge-offs	(245)	(802)	(33)	(65)	(533)	(1,678)
Recoveries	69	528	64	30	291	982
Provision	(754)	4,223	231	247	195	4,142
Ending balance	$ 5,373	$ 12,425	$ 476	$ 1,106	$ 911	$ 20,291
Ending balance: individually evaluated for impairment	$ 873	$ 3,806	$ -	$ -	$ -	$ 4,679
Ending balance: collectively evaluated for impairment	4,500	8,619	476	1,106	911	15,612
Loans:						
Ending balance: individually evaluated for impairment	4,011	19,010	-	-	8	23,029
Ending balance: collectively evaluated for impairment	358,729	548,571	60,936	98,340	42,699	1,109,275
Ending balance	$ 362,740	$ 567,581	$ 60,936	$ 98,340	$ 42,707	$ 1,132,304

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Information

The Company monitors the credit quality of the commercial loan portfolio by using the internally assigned credit risk grades. The grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans. The Company's internally assigned grades are as follows:

Pass – Loans classified as Pass are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral.

Special Mention – Loans classified as Special Mention have a potential weakness or risk that exists, which could cause a more serious problem if not corrected.

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

Doubtful – Loans classified as Doubtful have an element of potential loss. These loans may be secured with insufficient collateral or other sources to provide full payment to the Company, making collection or liquidation in full highly questionable and improbable, based on existing circumstances.

Loss – Loans classified as Loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted.

The following tables present credit exposures for the commercial loan classes by internally assigned grades as of December 31:

	2022		
(in thousands)	Commercial	Commercial Real Estate	Obligations of States and Political Subdivisions
Pass	$ 311,243	$ 606,603	$ 41,859
Special Mention	5,804	28,866	198
Substandard	10,614	25,501	-
Doubtful	-	-	-
Ending balance	$ 327,661	$ 660,970	$ 42,057

	2021		
(in thousands)	Commercial	Commercial Real Estate	Obligations of States and Political Subdivisions
Pass	$ 304,736	$ 480,575	$ 44,903
Special Mention	7,287	50,118	251
Substandard	15,148	27,303	-
Doubtful	-	-	-
Ending balance	$ 327,171	$ 557,996	$ 45,154

Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Residential, home equity, consumer, and credit cards are considered nonperforming when they become 120 days past due or are placed on nonaccrual. The following tables present performing and nonperforming residential, home equity, consumer, and credit card classes based on payment activity as of December 31:

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Information (Continued)

(in thousands)	2022 Residential	2022 Home Equity	2022 Consumer	2022 Credit Cards
Performing	$ 71,727	$ 114,600	$ 37,559	$ 7,726
Nonperforming	280	1,065	65	118
Total	$ 72,007	$ 115,665	$ 37,624	$ 7,844

(in thousands)	2021 Residential	2021 Home Equity	2021 Consumer	2021 Credit Cards
Performing	$ 60,647	$ 97,221	$ 35,671	$ 6,931
Nonperforming	289	1,119	65	40
Total	$ 60,936	$ 98,340	$ 35,736	$ 6,971

The following tables present an aging analysis of the recorded investment of past-due loans by class as of December 31:

	2022						
(in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Total Current	Total Loans	90 Days or Greater and Accruing
Commercial:							
Commercial	$ 1,077	$ 320	$ 4,726	$ 6,123	$ 321,538	$ 327,661	$ 3,930
Commercial real estate	8,530	118	4,741	13,389	647,581	660,970	1,440
Obligations of states and political subdivisions	-	-	-	-	42,057	42,057	-
Residential	1,359	-	280	1,639	70,368	72,007	-
Home equity	559	130	1,065	1,754	113,911	115,665	-
Consumer:							
Consumer	345	67	80	492	37,132	37,624	15
Credit cards	51	51	118	220	7,624	7,844	118
Total	$ 11,921	$ 686	$ 11,010	$ 23,617	$ 1,240,211	$ 1,263,828	$ 5,503

	2021						
(in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Total Current	Total Loans	90 Days or Greater and Accruing
Commercial:							
Commercial	$ 128	$ 151	$ 610	$ 889	$ 326,282	$ 327,171	$ -
Commercial real estate	1,076	-	7,619	8,695	549,301	557,996	9
Obligations of states and political subdivisions	-	-	-	-	45,154	45,154	-
Residential	379	288	289	956	59,980	60,936	-
Home equity	380	51	1,119	1,550	96,790	98,340	-
Consumer:							
Consumer	225	82	62	369	35,367	35,736	-
Credit cards	101	4	40	145	6,826	6,971	40
Total	$ 2,289	$ 576	$ 9,739	$ 12,604	$ 1,119,700	$ 1,132,304	$ 49

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Troubled Debt Restructuring

Regarding loan mitigation or troubled debt restructuring (TDR) programs, the Company from time to time will modify a loan agreement to provide temporary relief and, if necessary, longer-term financial relief to loan customers consistent with accounting and regulatory guidance. The Company's loan loss mitigation programs may grant concessions for economic or legal reasons related to the borrower's financial difficulties that may not otherwise be considered. Regardless of the form of concession granted, the Company's objective in offering a TDR is to increase the probability of repayment by the borrower. To be considered a TDR, a determination as to whether a concession has been made for economic or legal reasons that the Company would not have otherwise considered is made on a case-by-case basis.

Residential, other consumer, or commercial loan modifications can result in a loan remaining on accrual status or being returned to accrual status once all criteria to do so are met. Loan modifications may also increase the Company's interest income by returning loans to or allowing them to remain on accrual status and provide cash flows as the borrower continues to make payments, while lowering the number of foreclosed properties and other real estate owned expenses. The Company continues to consider a modified loan as a nonperforming asset for purposes of estimating its allowance for loan losses until the borrower has made at least six consecutive contractual payments. At that time, the loan will be treated as a performing loan for purposes of estimating the allowance for loan losses.

New loan modifications that are considered troubled debt restructurings for the years ended December 31 were as follows:

	2022		
(in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial	2	$ 3,422	$ 3,422
Commercial real estate	3	$ 1,586	$ 1,586

	2021		
(in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate	2	$ 5,745	$ 5,745

Modifications to loans considered TDR's include maturity extensions, reductions in the amount of principal outstanding and additional funding. As of December 31, 2022, and 2021, none of the loan modifications classified as troubled debt restructurings at the previous year-end subsequently defaulted within one year of modification. The Company had $2.4 million in reserves within the allowance for loan losses related to troubled debt restructuring relationships in 2022 and $1.7 million in 2021.

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans

The following tables include the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable, as of December 31:

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	2022				
With no related allowance recorded:					
Commercial	$ 2,923	$ 2,923	$ -	$ 3,373	$ 36
Commercial real estate	1,929	1,929	-	6,500	549
Consumer	-	-	-	-	-
With an allowance recorded:					
Commercial	848	848	848	957	15
Commercial real estate	5,735	5,735	2,662	5,940	158
Total	$ 11,435	$ 11,435	$ 3,510	$ 16,770	$ 758

(in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	2021				
With no related allowance recorded:					
Commercial	$ 2,910	$ 2,910	$ -	$ 821	$ 31
Commercial real estate	4,482	4,482	-	6,325	81
Consumer	8	8	-	9	2
With an allowance recorded:					
Commercial	1,101	1,101	873	513	2
Commercial real estate	14,528	14,528	3,806	7,975	72
Total	$ 23,029	$ 23,029	$ 4,679	$ 15,643	$ 188

Nonaccrual Loans

Loans are generally considered nonaccrual upon reaching 120 days delinquency, although the Company may be receiving partial payments of interest and partial repayments of principal on such loans. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income.

The following table presents the loans on nonaccrual status, by class, as of December 31:

(in thousands)	2022	2021
Commercial:		
Commercial	$ 796	$ 610
Commercial real estate	3,301	7,610
Residential	280	289
Home equity	1,065	1,119
Consumer	65	62
Total	$ 5,507	$ 9,690

In 2022, interest income on loans would have decreased by approximately $300 thousand due to a decline in nonaccrual loan balances shown in the table above. In 2021, interest income on loans would have increased by $296 thousand if these loans had performed in accordance with their original terms.

5. COMMITMENTS

In the normal course of business, there are various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. 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. These commitments to extend credit include lines of credit, overdraft protection, and loans committed but not funded. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These commitments comprise the following at December 31:

(in thousands)	2022	2021
Commitments to extend credit	$ 334,557	$ 343,950
Letters of credit and financial guarantees	4,369	4,169
Total	$ 338,926	$ 348,119

Such commitments and standby letters of credit involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated financial statements.

The exposure to loss under these commitments is limited by subjecting them to credit approval and monitoring procedures. Substantially all commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of the loan funding. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for loan losses. Since many of the commitments are expected to expire without being drawn upon, the total contractual amounts do not necessarily represent future funding requirements.

Standby 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. Also, the customer may not be involved in any legal proceedings except nonmaterial litigation incidental to the ordinary course of business.

6. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows as of December 31:

(in thousands)	2022	2021
Land and improvements	$ 11,556	$ 10,718
Buildings	21,944	21,320
Furniture, fixtures, and equipment	20,835	20,111
Leasehold improvements	9,241	8,078
Construction in process	6,328	3,889
	69,904	64,116
Less accumulated depreciation and amortization	31,339	28,956
Total	$ 38,565	$ 35,160

Depreciation and amortization charged to operations was $2.64 million in 2022 and $2.51 million in 2021.

7. LEASE COMMITMENTS AND CONTINGENCIES

Due to the adoption of ASU 2016-02, Leases (Topic 842), the Company completed a comprehensive review and analysis of all its property contracts. As a result of this review, it was determined that the Company leased 35 locations under operating leases. Several assumptions and judgments were made when applying the requirements of Topic 842 to the Company's existing lease commitments, including the allocation of consideration in the contracts between lease and non-lease components, determination of the lease term, and determination of the discount rate used in calculating the present value of the lease payments.

The Company elected to account for the variable non-lease components, such as common area maintenance charges, real estate taxes, and insurance within the lease component and include them in the calculation of the present value of the remaining lease payments. Therefore, they are included in the right-of-use assets and lease liabilities reported on the Consolidated Balance Sheets.

The components of total lease costs were as follows for the periods ending:

(in thousands)	December 31, 2022	December 31, 2021
Operating lease cost	$ 1,285	$ 1,167
Short-term lease cost	26	17
Total Lease Cost	$ 1,311	$ 1,184

Certain of the Company's leases contain options to renew the lease after the initial term. Management considers the Company's historical pattern of exercising renewal options on leases and the positive performance of the leased locations when determining whether it is reasonably certain that the leases will be renewed. If management concludes that there is reasonable certainty about the renewal option, it is included in the calculation of the remaining term of each applicable lease. The discount rate utilized in calculating the present value of the remaining lease payments for each lease was the Federal Home Loan Bank of Pittsburgh advance rate corresponding to the remaining maturity of the lease as of January 1, 2019. For all leases added after January 1, 2019 the discount rate utilized in calculating the present value of remaining lease payments was the Federal Home Loan Bank of Pittsburgh advance rate corresponding to the lease term at time of inception.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2022 are as follows:

(in thousands)	Operating Leases
2023	$ 1,237
2024	1,027
2025	760
2026	559
2027	278
2028 and thereafter	1,820
Total undiscounted lease payments	5,681
Impact of present value discount	(703)
Total operating lease liability	$ 4,978

7. LEASE COMMITMENTS AND CONTINGENCIES (Continued)

The following table displays the weighted-average term and discount rates of operating leases outstanding as of December 31, 2022:

	Operating Leases
Weighted-average term (in years)	8.63
Weighted-average discount rate	2.62%

8. DEPOSITS

The schedule of maturities of time deposits at December 31, 2022, are summarized as follows:

Matures in	(in thousands)
2023	$ 132,557
2024	44,294
2025	37,230
2026	11,846
2027	13,377
2028 and thereafter	11
	$ 239,315

The aggregate amount of time certificates of deposit including individual retirement accounts with a minimum denomination equal to or in excess of the federally insured limit of $250,000 was $31.9 million and $38.1 million at December 31, 2022 and 2021, respectively.

Deposits from executive officers, directors, and their related interests at December 31, 2022 and 2021 were $7.9 million and $9.6 million, respectively.

Brokered deposits totaled $40.0 million and $31.3 million at December 31, 2022 and 2021, respectively.

9. SHORT-TERM BORROWINGS

Short-term borrowings are for the purpose of meeting short-term liquidity needs. Short-term borrowings consist of FHLB borrowings and repurchase agreements. The outstanding balances and related information of repurchase agreements at December 31 are summarized as follows:

(in thousands)	2022	2021
Balance at year-end	$ 25,398	$ 22,656
Average balance outstanding	$ 25,187	$ 19,791
Maximum month-end balance	$ 36,027	$ 24,951
Weighted-average rate during the year	0.30 %	0.30 %
Weighted-average rate at year-end	0.30 %	0.30 %

The average balance outstanding during the year represents daily averages. Average interest rates represent interest expense divided by the related average balance.

The Bank maintains an overnight line of credit at FHLB Pittsburgh. The line had a balance of $103.0 million and $0 as of December 31, 2022 and December 31, 2021, respectively. Also included are short-term FHLB advances maturing in less than 12-months, which total $30.0 million and $0 as of December 31, 2022 and December 31, 2021, respectively.

9. SHORT-TERM BORROWINGS (Continued)

Repurchase Agreements

The Company utilizes repurchase agreements to facilitate the needs of their customers and to facilitate secured short-term funding needs. Repurchase agreements are stated at the amount of cash received in connection with the transaction. The Company monitors collateral levels on a continuous basis. Securities pledged as collateral under repurchase agreements are maintained with the Company's safekeeping agents. The remaining contractual maturity of the repurchase agreements included in short-term borrowings in the Consolidated Balance Sheets as of December 31, 2022 and December 31, 2021 is presented in the following tables:

	As of December 31, 2022				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30 to 90 Days	Greater than 90 days	Total
Repurchase Agreements:					
Obligations of U.S. Government Agencies	$ 48,773	-	-	-	$ 48,773
Total carrying value of collateral pledged	$ 48,773	-	-	-	$ 48,773
Total liability recognized for repurchase argreements					25,398
Amounts related to agreements not included in offsetting disclosures above					$ 23,375

	As of December 31, 2021				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 Days	30 to 90 Days	Greater than 90 days	Total
Repurchase Agreements:					
Obligations of U.S. Government Agencies	$ 28,903	-	-	-	$ 28,903
Total carrying value of collateral pledged	$ 28,903	-	-	-	$ 28,903
Total liability recognized for repurchase argreements					$ 22,656
Amounts related to agreements not included in offsetting disclosures above					$ 6,247

10. OTHER BORROWED FUNDS

The following table sets forth information concerning other borrowed funds at December 31:

(in thousands)	Maturity Range		Weighted-Average	Stated Interest Rate Range			
Description	From	To	Interest Rate	From	To	2022	2021
Fixed rate	01/27/23	07/24/25	2.49%	1.59%	4.87%	$ 79,514	$ 97,648
ESOP loan payable	-	-	-	-	-	-	639
						$ 79,514	$ 98,287

10. OTHER BORROWED FUNDS (Continued)

The schedule of maturities and principal payments of other borrowings at December 31, 2022, are summarized as follows:

Years Ending December 31,		Amount (in thousands)	Weighted-Average Rate
2023	$	29,000	2.61 %
2024		35,514	2.74
2025		15,000	1.67
	$	79,514	2.49 %

The Bank is a member of the FHLB of Pittsburgh which provides the Bank with the opportunity to obtain short to long-term advances secured by a blanket security agreement based upon the Company's investment in assets secured by one-to-four-family residential real estate and certain types of commercial real estate.

The Bank maintains a credit arrangement that includes a revolving line of credit with the FHLB of Pittsburgh. Under this credit arrangement, the Bank has a remaining maximum borrowing capacity of approximately $224.1 million at December 31, 2022, which is subject to quarterly renewal and typically incurs no service charges. Any loans generated with this credit facility are secured by a blanket security agreement on outstanding qualifying loans and the Bank's investment in FHLB stock.

The Employee Stock Ownership Plan loan had an outstanding balance of $0 and $639 thousand at December 31, 2022 and 2021, respectively. The loan was paid off and closed during 2022.

11. EMPLOYEE BENEFITS

401(k) Profit Sharing Plan

The Company maintains a trusteed Section 401(k) plan. Effective January 1, 2021, what was known previously as the Optional Profit Sharing Contribution, is now invested in Company stock as part of the Bank's ESOP (discussed below). Employees have the option to make salary-deferred contributions from their bi-weekly paychecks and have the ability to direct their choice of investments on these salary-deferred contributions. Effective January 1, 2021, the Company contributed a match of $0.50 for each $1.00 of salary-deferred contributions up to a limit of 10% of an employees' annual compensation. The Company's contribution to this plan was $1.5 million in 2022 and $1.4 million in 2021 and is deposited into the STC trust account of the plan. Employees shall not be permitted to make any salary-deferred contributions in excess of the maximum standard set by law during any calendar year, which was limited to $20.5 thousand for 2022 and $19.5 thousand for 2021. The employees direct their choice of investments on these salary-deferred contributions.

Employee Stock Ownership Plan (ESOP)

The Company has an ESOP for the benefit of employees who meet the eligibility requirements. The ESOP trust acquires shares of the Company's stock from proceeds of a loan with an independent financial institution (which is described in Note 10), from the dividends received from the Company on the shares the ESOP holds, or, beginning January 1, 2021, from employer cash contributions. Those shares acquired through direct cash contributions and dividends are allocated to eligible employees on the plan anniversary date. The Plan acquired 2,637 shares and distributed 11,326 to plan participants in 2022 and acquired 5,843 shares and distributed 29,658 shares to plan participants in 2021.

11. EMPLOYEE BENEFITS (Continued)

Employee Stock Ownership Plan (ESOP) (Continued)

As the debt from the ESOP loan is repaid, shares are released from the collateral and allocated to qualified employees based on the proportion of debt service paid during the year. Accordingly, the shares pledged as collateral are reported as unallocated ESOP shares in the Consolidated Balance Sheets. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings-per-share computations. Included in income was the Company's ESOP contribution expense of $721 thousand and $151 thousand for the years ended December 31, 2022 and 2021, respectively.

The following table presents the components of the ESOP shares at December 31:

(in thousands)	2022	2021
Allocated shares	159	152
Unreleased shares	-	16
Total ESOP shares	159	168
Fair value of unreleased shares (in thousands)	$ -	$ 755

The trustees of the ESOP have borrowed amounts to purchase shares of the Company as allowed by the plan. At December 31, 2022, the ESOP loan had an outstanding balance of $0. At December 31, 2021 the total outstanding ESOP loan balance was $639 thousand. The loan facility was paid off and closed during 2022.

The Company is obligated at the option of each beneficiary to repurchase shares of the ESOP upon the beneficiary's termination of employment or eligibility for diversification. At December 31, 2022 and 2021, the estimated fair value of allocated shares was $6.4 million and $7.2 million, respectively.

Non-Qualified Plans

The Bank maintains three non-qualified benefit plans for certain employees in a Rabbi Trust. The plans are intended to be deferred compensation plans, taxable under section 451 of the Internal Revenue Code of 1986, as amended (the "Code") and qualifying as "top-hat plans". The plans are deferred compensation plans maintained for a select group of management or highly compensated employees. The purpose of the plans is to offer those employees incentive compensation benefits. Employees are vested at 20 percent per year once they achieve the age of 61 and continue to vest until the age of 65.

In 2022 and 2021, the Company contributed $2 thousand and $31 thousand to the plans, and expensed $362 thousand and $2 thousand, respectively.

Defined Benefit Plan

The Company sponsors a trustee, noncontributory defined benefit pension plan that covers all employees meeting eligibility requirements. Contributions are made based on an actuarial calculation of the plan's funding requirements. All vested plan participants as of December 31, 2003, were grandfathered with future benefit disbursements offered at the greater of the cash balance formula or the previous calculation method under the former Defined Benefit Plan. Retiring employees will be offered various options regarding their benefit disbursement. Effective May 16, 2016, the Company amended its pension plan again to provide that no additional allocations would be made to the employee's accounts beyond that date.

11. EMPLOYEE BENEFITS (Continued)

Defined Benefit Plan (Continued)

The Company's funding policy is to make annual contributions, if needed, based upon the funding formula developed by the plan's actuary.

The following table sets forth the obligation and funded status as of December 31:

(in thousands)	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 19,514	$ 20,569
Interest cost	560	547
Effect of actuarial gain	34	278
Change in assumptions	(6,122)	(977)
Other non-asset loss	-	30
Settlements	-	(574)
Benefits paid	(555)	(359)
Benefit obligation at end of year	13,431	19,514
Change in plan assets:		
Fair value of plan assets at beginning of year	18,152	16,423
Actual return on plan assets	(1,916)	2,163
Contributions	-	500
Benefits paid	(555)	(934)
Fair value of plan assets at end of year	15,681	18,152
Funded status	$ 2,250	$ (1,362)
Amounts recognized in accumulated other comprehensive income (loss) consist of:		
Net loss	$ (4,510)	$ (7,982)
Total	$ (4,510)	$ (7,982)

The accumulated benefit obligation for the defined benefit pension plan was $13.4 million and $19.5 million at December 31, 2022 and 2021, respectively. Information for pension plans with an accumulated benefit obligation in excess of plan assets at December 31 is as follows:

(in thousands)	2022	2021
Projected benefit obligation	$ 13,431	$ 19,514
Accumulated benefit obligation	13,431	19,514
Fair value of plan assets	15,681	18,152

Components of Net Periodic Pension (Benefit) Cost

(in thousands)	2022	2021
Net periodic pension (benefit) cost:		
Interest cost	$ 560	$ 547
Expected return on plan assets	(1,165)	(1,054)
Amortization of net loss	465	590
Settlement costs	-	276
Net periodic pension (benefit) cost	$ (140)	$ 359

11. EMPLOYEE BENEFITS (Continued)

Components of Net Periodic Pension Cost (Continued)

The estimated net loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is $244 thousand.

Assumptions

The weighted-average assumptions used to determine benefit obligations at December 31 are as follows:

	2022	2021
Discount rate	5.26 %	2.90 %

The weighted-average assumptions used to determine net periodic cost for years ended December 31 are as follows:

	2022	2021
Discount rate	2.90 %	2.63 %
Expected long-term return on plan assets	6.50	6.50

The long-term rate of return on plan assets gives consideration to returns currently being earned on plan assets as well as future rates expected to be earned.

Plan Assets

The Bank's defined benefit pension plan weighted-average asset allocations at December 31 by asset category are as follows:

	2022	2021
Cash and cash equivalents	4.96 %	3.09 %
Taxable municipal bonds	5.05	5.04
Corporate bonds and notes	30.53	30.60
Equity securities	59.46	61.27
Total	100.00 %	100.00 %

The Bank believes that the plan's risk and liquidity position are, in large part, a function of the asset class mix. The Bank desires to utilize a portfolio mix that results in a balanced investment strategy. The investment objective for the defined benefit pension plan is to maximize total return with tolerance for average to slightly above average risk. Asset allocation strongly favors corporate bonds and equity securities.

11. EMPLOYEE BENEFITS (Continued)

Plan Assets (Continued)

The following tables set forth by level, within the fair value hierarchy, the plan's assets at fair value as of December 31:

(in thousands)	2022 Level I	Level II	Level III	Total
Assets:				
Cash and cash equivalents	$ 777	$ -	$ -	$ 777
Taxable municipal bonds	-	793	-	793
Corporate bonds and notes	-	4,787	-	4,787
Mutual funds	501	624	-	1,125
Exchange-traded funds	173	-	-	173
Common stock	8,026	-	-	8,026
Total assets at fair value	$ 9,477	$ 6,204	$ -	$ 15,681

(in thousands)	2021 Level I	Level II	Level III	Total
Assets:				
Cash and cash equivalents	$ 560	$ -	$ -	$ 560
Taxable municipal bonds	-	915	-	915
Corporate bonds and notes	-	5,555	-	5,555
Mutual funds	814	646	-	1,460
Exchange-traded funds	343	-	-	343
Common stock	9,319	-	-	9,319
Total assets at fair value	$ 11,036	$ 7,116	$ -	$ 18,152

U.S. government agency securities, corporate bonds, taxable municipal bonds, exchange-traded funds, and common stock are valued at the closing price reported on the active market on which the individual securities are traded. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities. While the Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Cash and cash equivalents have a fair value that approximates their carrying value.

Cash Flows

The Bank does not expect to contribute to its defined benefit pension plan in 2023, for the plan year 2022. The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefit (in thousands)
2023	$ 555
2024	591
2025	639
2026	689
2027	731
2028 through 2032	$ 4,088

11. EMPLOYEE BENEFITS (Continued)

Cash Flows (Continued)

The plan allows for lump sum distributions on benefits accrued by a participant prior to December 31, 2003, (if elected). All benefits earned after December 31, 2003, are payable as a monthly annuity unless the present value of a participant's total accrued benefit is de minimus (i.e. less than $5 thousand), in which case he or she will receive a lump sum (and will be cashed out of the plan). If a participant is a highly compensated employee and assets after his or her lump sum payout do not exceed 110 percent of current liability, his or her ability to receive a lump sum payout will be restricted.

12. INCOME TAXES

Federal income tax expense consists of the following:

(in thousands)	2022	2021
Currently payable:		
Federal	$ 2,842	$ 1,571
State	33	46
Deferred	406	(7)
Total	$ 3,281	$ 1,610

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

(in thousands)	2022	2021
Deferred tax assets:		
Allowance for loan losses	$ 3,942	$ 4,271
Deferred loan fees	281	355
Nonaccrual loans	318	381
Nonqualified retirement plan	667	715
Lease liability	1,045	793
Writedown of other security	53	53
Net unrealized loss on investment securities	12,812	-
Net unrealized pension obligation	947	1,676
Other	223	238
Total	20,288	8,482
Deferred tax liabilities:		
Premises and equipment	2,340	2,391
Prepaid pension asset	1,420	1,495
Fair value adjustments from acquisition	4	4
Net unrealized gain on investment securities	-	2,484
Right of use asset	1,035	779
Total	4,799	7,153
Net deferred tax asset	$ 15,489	$ 1,329

No valuation allowance was established at December 31, 2022 and 2021, based on the Company's ability to carryback taxes paid in previous years and certain tax strategies coupled with the anticipated future taxable income as evidenced by the Company's earnings potential.

12. INCOME TAXES (Continued)

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

	2022		2021	
(in thousands)	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	$ 5,076	21.0 %	$ 3,267	21.0 %
State income tax	26	0.1	36	0.2
Effect of tax-free investment income	(1,689)	(7.0)	(1,611)	(10.4)
Earnings on bank-owned life insurance	(168)	(0.7)	(125)	(0.8)
Other	36	0.1	43	0.3
Income tax expense and effective rate	$ 3,281	13.5 %	$ 1,610	10.3 %

U.S generally accepted accounting principles prescribe a recognition threshold and a measurement attribute 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 than 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 is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet 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 known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. The Company's federal and state income tax returns for taxable years through 2018 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

13. REGULATORY RESTRICTIONS

The Company's wholly owned subsidiary, the Bank, is subject to the Pennsylvania Banking Code, which restricts the availability of surplus for dividend purposes. At December 31, 2022 and 2021, surplus funds of $5.9 million and $5.9 million, respectively, were not available for dividends.

Federal law prohibits the Company from borrowing from the Bank unless the loans are secured by specific collateral. Further, such secured loans are limited in amount to 10 percent of the Bank's capital surplus.

14. REGULATORY CAPITAL REQUIREMENTS

Federal regulations require the Company and the Bank to maintain minimum amounts of capital. Specifically, financial institutions are required to maintain certain minimum dollar amounts and ratios of the Total and Tier 1 capital to risk weighted assets, Common Equity to Tier 1 capital, and Tier 1 capital to average total assets.

14. REGULATORY CAPITAL REQUIREMENTS (Continued)

In addition to the capital requirements, the Federal Deposit Insurance Corporation Improvement Act (FDICIA) established five capital categories ranging from "well capitalized" to "critically undercapitalized". Should any institution fail to meet the requirements to be considered "adequately capitalized", it would become subject to a series of increasingly restrictive regulatory actions.

As of December 31, 2022 and 2021, the FDIC categorized the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, Total risk-based, Tier 1 risk-based, Common Equity Tier 1 risk-based, and Tier 1 leverage capital ratios must be at least 10 percent, 8 percent, 6.5 percent, and 5 percent, respectively.

The Company's actual capital ratios are presented in the following table, which shows the Company met all regulatory capital requirements. The capital position of the Bank does not differ significantly from the Company's capital position.

	2022		2021	
	Amount (in thousands)	Ratio	Amount (in thousands)	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 173,150	11.72 %	$ 153,012	11.99 %
For capital adequacy purposes	118,142	8.00	102,071	8.00
To be well-capitalized	147,677	10.00	127,589	10.00
Tier I capital (to risk-weighted assets)				
Actual	$ 154,684	10.47 %	$ 137,007	10.74 %
For capital adequacy purposes	88,606	6.00	76,553	6.00
To be well-capitalized	118,142	8.00	102,071	8.00
Common Equity Tier I capital (to risk-weighted assets)				
Actual	$ 154,684	10.47 %	$ 137,007	10.74 %
For capital adequacy purposes	66,455	4.50	57,415	4.50
To be well-capitalized	95,990	6.50	82,933	6.50
Tier I capital (to average assets)				
Actual	$ 154,684	8.00 %	$ 137,007	7.67 %
For capital adequacy purposes	77,327	4.00	71,462	4.00
To be well-capitalized	96,659	5.00	89,327	5.00

15. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three broad levels defined by this hierarchy are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level III: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

15. FAIR VALUE MEASUREMENTS (Continued)

This hierarchy requires the use of observable market data when available.

Fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted market prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing, which is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Loans considered impaired are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. The measurement of loss associated with impaired loans can be based on either the observable market price of the loan, the fair value of the collateral (if collateral dependent), or the present value of expected future cash flows. Fair value is measured based on the value of the collateral securing the loan less estimated costs to sell or the expected present value of future cash flows.

The fair value of impaired loans reported below is based on the total impaired loans with a specific allowance for loan losses allocation less the total cost to sell allocations for such loans. Specific allocations to the allowance for loan losses for impaired loans were $3.5 million and $4.7 million at December 31, 2022 and 2021. The estimated holding and selling costs, which have not been included in fair value of the loan, but were included in the estimation of the specific allocation were $692 thousand and $744 thousand as of December 31, 2022 and 2021, respectively.

The fair value of mortgage servicing rights reported on the tables below is based on an independent third party valuation. Fair values are only reported if impairment exists.

The following tables present the assets reported on the Consolidated Balance Sheets at their fair value as of December 31 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.

15. FAIR VALUE MEASUREMENTS (Continued)

(in thousands)	2022 Level I	Level II	Level III	Total
Fair value measured on a recurring basis:				
Securities available for sale:				
Obligations of states and political subdivisions	$ -	$ 315,987	$ -	$ 315,987
U.S. treasuries	-	19,560	-	19,560
U.S. government agencies	-	11,006	-	11,006
Mortgage-backed securities:				
Government-sponsored entities	-	223,125	-	223,125
Corporate debt obligations	-	34,336	-	34,336
Fair value measured on a nonrecurring basis:				
Impaired loans	-	-	3,073	3,073

(in thousands)	2021 Level I	Level II	Level III	Total
Fair value measured on a recurring basis:				
Securities available for sale:				
Obligations of states and political subdivisions	$ -	$ 336,358	$ -	$ 336,358
Mortgage-backed securities:				
Government-sponsored entities	-	151,952	-	151,952
Corporate debt obligations	-	26,182	-	26,182
Fair value measured on a nonrecurring basis:				
Impaired loans	-		11,232	11,232
Mortgage servicing rights	-	-	2,536	2,536

The following tables present quantitative information about the Level III significant unobservable inputs for assets measured at fair value on a nonrecurring basis at December 31, 2022 and 2021:

	2022 Quantitative Information about Level III Fair Value Measurements			
December 31, 2021	Estimate (in thousands)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Impaired loans	$ 3,073	Fair value of collateral (1)	Appraisal adjustments (2)	0% to 100% (24.22%)

	2021 Quantitative Information about Level III Fair Value Measurements			
December 31, 2020	Estimate (in thousands)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Impaired loans	$ 11,232	Fair value of collateral (1)	Appraisal adjustments (2)	0% to 75% (41.83%)
Mortgage servicing rights	2,536	Discounted cash flows	Discount rate	9.5%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which include unobservable Level III inputs.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions, aging, and/or estimated liquidation expenses incurred when selling the collateral.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments not required to be measured or reported at fair value as of December 31 is as follows:

	2022				
(in thousands)	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Cash and cash equivalents	$ 39,937	$ 39,937	$ 39,937	$ -	$ -
Mortgage loans held for sale	2,506	2,506	2,506	-	-
Net loans	1,245,106	1,214,761	-	-	1,214,761
Regulatory stock	9,190	9,190	9,190	-	-
Accrued interest receivable	9,570	9,570	9,570	-	-
Financial liabilities:					
Deposits	$ 1,657,822	$ 1,658,558	$ 1,418,933	$ -	$ 239,625
Short-term borrowings	158,375	158,375	158,375	-	-
Other borrowed funds	79,514	76,934	-	-	76,934
Accrued interest payable	941	941	941	-	-

	2021				
(in thousands)	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Cash and cash equivalents	$ 150,840	$ 150,840	$ 150,840	$ -	$ -
Mortgage loans held for sale	499	499	499	-	-
Net loans	1,112,013	1,103,678	-	-	1,103,678
Regulatory stock	4,340	4,340	4,340	-	-
Accrued interest receivable	7,170	7,170	7,170	-	-
Financial liabilities:					
Deposits	$ 1,586,850	$ 1,585,437	$ 1,335,892	$ -	$ 249,545
Short-term borrowings	22,656	22,656	22,656	-	-
Other borrowed funds	98,287	87,797	-	-	87,797
Accrued interest payable	770	770	770	-	-

Financial instruments are defined as cash, evidence of ownership interest in an entity, or a contract that creates an obligation or right to receive or deliver cash or another financial instrument from/to a second entity on potentially favorable or unfavorable terms.

Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. If a quoted market price is available for a financial instrument, the estimated fair value would be calculated based upon the market price per trading unit of the instrument.

If no readily available market exists, the fair value estimates for financial instruments should be based upon management's judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses, and other factors as determined through various option pricing formulas.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Since many of these assumptions result from judgments made by management based upon estimates that are inherently uncertain, the resulting estimated fair values may not be indicative of the amount realizable in the sale of a particular financial instrument. In addition, changes in assumptions on which the estimated fair values are based may have a significant impact on the resulting estimated fair values.

Since certain assets, such as deferred tax assets and premises and equipment, are not considered financial instruments, the estimated fair value of financial instruments would not represent the full value of the Company.

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in accumulated other comprehensive income (loss) by component net of tax as of December 31, 2021 and 2022.

(in thousands)	Net Unrealized Gain (Loss) on Securities (a)	Net Unrecognized Pension Costs (a)	Total (a)
Accumulated other comprehensive income (loss), January 1, 2021	$ 12,489	$ (8,394)	$ 4,095
Other comprehensive income (loss) before reclassification	(3,215)	1,622	(1,593)
Amounts reclassified from accumulated other comprehensive income	(2)	466	464
Accumulated other comprehensive income (loss), December 31, 2021	9,272	(6,306)	2,966
Other comprehensive income (loss) before reclassification	(59,501)	2,376	(57,125)
Amounts reclassified from accumulated other comprehensive income	1,958	367	2,325
Accumulated other comprehensive income (loss), December 31, 2022	$ (48,271)	$ (3,563)	$ (51,834)

(a) All amounts are net of tax. Amounts in parenthesis indicate debits.

The following table presents the items reclassified out of accumulated other comprehensive income (loss) to the Consolidated Statement of Income as of December 31, 2022 and 2021.

(in thousands)	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) (a) 2022	2021	Affected Line on on the Consolidated Statement of Income
Realized gain (loss) on sale of securities	$ (2,478)	$ 3	Investment security gains (losses), net
	520	(1)	Income tax expense
	$ (1,958)	$ 2	
Net unrecognized pension costs	$ (465)	$ (590)	Other expense
	98	124	Income tax expense
	$ (367)	$ (466)	

(a) All amounts in parenthesis indicate debits to net income.

18. REVENUE RECOGNITION

Topic 606, related to ASU 2014-09 Revenue from Contracts with Customers, is applicable to noninterest revenue streams such as trust and investment services income, deposit related fees, interchange fees, merchant income, and annuity and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Substantially all of the Company's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below:

Trust and Investment Services - income is primarily comprised of fees earned from the management and administration of trusts and customer investment portfolios and IRA's. The Company's performance obligation is generally satisfied over a period of time and the resulting fees are billed monthly or quarterly, based upon the month end market value of the assets under management. Payment is generally received after quarter end through a direct charge to customers' accounts. Optional services such as tax return preparation services are also available to existing trust customers. The Company's performance obligation for these transactional-based services is generally satisfied, and related revenue recognized, at a point in time (i.e., as incurred). Payment is received shortly after services are rendered.

Service charges on deposit accounts - consist of account analysis fees, insufficient funds (NSF) fees, monthly service fees, check orders, 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. NSF fees, check orders and other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

Fees and other service charges - are primarily comprised of debit and credit card income, ATM fees, merchant services income, overdraft fees, and other service charges. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. Merchant services income mainly represents fees charged to merchants to process their debit and credit card transactions. Other service charges include revenue from processing wire transfers, bill pay service, cashier's checks, and other services. The Company's performance obligation for fees and other service charges 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 noninterest income - consists of other recurring revenue streams such as commissions for the sale of mutual funds, annuities, and life insurance products, safe deposit box rental fees, gain (loss) on sale of other real estate owned and other miscellaneous revenue streams. Commissions on the sale of mutual funds, annuities, and life insurance products are recognized in the month following the settlement date, which is when the Company has satisfied its performance obligation (that is successful consummation of trade in a compliant manner) and is paid. The Company also receives periodic service fees from mutual fund companies typically based on a percentage of market value and are paid quarterly. Safe deposit box rental fees are charged to the customer on an annual basis and recognized when billed. The Company has determined that since rentals and renewals occur consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. Gains and losses on the sale of other real estate owned are recognized at the completion of the property sale when the buyer obtains control of the real estate and all the performance obligations of the Company have been satisfied.

18. REVENUE RECOGNITION (Continued)

The Company's non-interest income is disaggregated as follows:

(in thousands)		Year Ended December 31, 2022		2021
Non-Interest Income				
In-scope of Topic 606:				
Trust and investment services income				
Trust department income	$	4,182	$	3,992
Investment services income		675		632
		4,857		4,624
Service charges on deposit accounts				
Service charges		306		262
Overdraft fees		1,619		1,588
Other		64		63
		1,989		1,913
Fees, and other services				
Credit card fee income		264		210
Debit card fee income		4,986		4,514
ATM fees		497		624
Other		96		89
		5,843		5,437
Other		564		470
Non-interest income (in-scope of Topic 606)		13,253		12,444
Non-interest income (out-of-scope of Topic 606)		355		4,944
Total Non-Interest Income	$	13,608	$	17,388

19. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 15, 2023, the date the financial statements were available to be issued and no additional subsequent events occurred requiring accrual or disclosure.

151 W. Main Street, P. O. Box 777, Somerset PA 15501
Phone: (814) 443-9200 Fax: (814) 443-9220
www.somersettrust.com

REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Statement of Management's Responsibilities
The management of Somerset Trust Holding Company (the Company) is responsible for preparing the Company's annual financial statements in accordance with accounting principles generally accepted in the United States of America; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the FR Y-9C – Consolidated Statements for Holding Companies; and for complying with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions. The following subsidiary institutions of the Company that are subject to Part 363 are included in this statement of management's responsibilities: Somerset Trust Company.

Management's Assessment of Compliance with Designated Laws and Regulations
The management of Somerset Trust Holding Company has assessed the Company's compliance with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2022. Based upon its assessment, management has concluded that the Company complied with the federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2022. The following subsidiary institutions of the Company that are subject to Part 363 are included in this assessment of compliance with these designated laws and regulations: Somerset Trust Company.

Management's Assessment of Internal Control over Financial Reporting
The Company's internal control over financial reporting is a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., FR Y-9C – Consolidated Statements for Holding Companies & FFIEC 041 – Consolidated Reports of Condition and Income. The Company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (c) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Somerset Trust HOLDING COMPANY

151 W. Main Street, P. O. Box 777, Somerset PA 15501
Phone: (814) 443-9200 Fax: (814) 443-9220
www.somersettrust.com

Management is responsible for establishing and maintaining effective internal control over financial reporting including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for FR Y-9C – Consolidate Statements for Holding Companies, as of December 31, 2022, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework* in 2013. Based upon its assessment, management has concluded that, as of December 31, 2022, Somerset Trust Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the FFIEC 041 – Consolidated Reports of Condition and Income, is effective based on the criteria established in *Internal Control – Integrated Framework* issued in 2013. The following subsidiary institutions of the Company that are subject to Part 363 are included in this assessment of the effectiveness of internal control over financial reporting: Somerset Trust Company.

The effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the FR Y-9C – Consolidate Statements for Holding Companies, as of December 31, 2022, has been audited by FORVIS, LLP, an independent public accounting firm, as stated in their report dated March 15, 2023.

Sean M. Cook
Chief Executive Officer
March 15, 2023

Jennifer A. Sheeler
Chief Financial Officer
March 15, 2023

SOMERSET TRUST HOLDING COMPANY

FIVE YEAR SUMMARY OF FINANCIAL CONDITION
(unaudited)
(in thousands, except per share data)

	December 31, 2022	2021	2020	2019	2018
ASSETS					
Cash and due from banks	$ 39,937	$ 150,840	$ 68,618	$ 26,148	$ 51,756
Interest bearing deposits	-	-	-	514	-
Equity securities	-	-	-	-	114
Investment securities available for sale	604,014	514,492	353,770	295,812	266,722
Mortgage loans held for sale	2,506	499	2,703	1,126	83
Loans (net)	1,245,106	1,112,013	1,099,683	931,087	837,318
Bank premises & equipment	38,565	35,160	32,233	28,790	23,381
Accrued interest receivable	9,570	7,170	7,286	5,359	5,102
Other assets	77,779	47,252	46,235	47,014	49,198
TOTAL ASSETS	$ 2,017,477	$ 1,867,426	$ 1,610,528	$ 1,335,850	$ 1,233,674
LIABILITIES AND SHAREHOLDERS' EQUITY					
Non-interest bearing deposits	$ 440,418	$ 405,393	$ 321,979	$ 203,466	$ 209,528
Interest bearing deposits	1,217,404	1,181,457	1,006,130	830,944	793,252
Total Deposits	1,657,822	1,586,850	1,328,109	1,034,410	1,002,780
Other borrowed funds	237,889	120,943	131,030	166,008	127,143
Accrued interest payable	941	770	1,196	1,579	1,353
Other liabilities	17,956	18,870	19,291	16,018	10,391
TOTAL LIABILITIES	1,914,608	1,727,433	1,479,626	1,218,015	1,141,667
Common stock	3,583	3,448	3,442	3,449	3,448
Undivided profits	150,271	133,511	124,193	113,232	105,638
Unearned ESOP shares	-	(639)	(739)	(510)	(610)
Rabbi Trust	(2,226)	(2,368)	(3,164)	-	(2,459)
Surplus	3,075	3,075	3,075	3,072	1,852
Accumulated other comprehensive income (loss)	(51,834)	2,966	4,095	(1,408)	(15,862)
TOTAL SHAREHOLDERS' EQUITY	102,869	139,993	130,902	117,835	92,007
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,017,477	$ 1,867,426	$ 1,610,528	$ 1,335,850	$ 1,233,674
Outstanding Shares at December 31	2,522	2,506	2,503	2,510	2,436
BOOK VALUE PER SHARE	$ 40.79	$ 55.86	$ 52.30	$ 46.95	$ 37.77

Supplementary Information Provided by Management and Not Covered by Auditor's Report.

SOMERSET TRUST HOLDING COMPANY
FIVE YEAR SUMMARY OF EARNINGS

(unaudited)

(in thousands, except per share data)

	Year Ended December 31,				
	2022	2021	2020	2019	2018
INTEREST INCOME					
Interest and fees on loans....................	$ 63,130	$ 59,405	$ 56,807	$ 52,070	$ 45,011
Interest and dividends.........................	15,906	9,975	9,511	9,952	10,637
Total interest income.......................	79,036	69,380	66,318	62,022	55,648
INTEREST EXPENSE................................	8,547	7,263	10,285	11,199	9,565
NET INTEREST INCOME........................	70,489	62,117	56,033	50,823	46,083
Provision for loan losses......................	1,045	4,142	6,563	2,650	1,560
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	69,444	57,975	49,470	48,173	44,523
Other operating income.......................	13,608	17,388	18,818	15,888	12,577
Other operating expense.....................	58,915	59,807	55,511	51,810	45,977
INCOME BEFORE INCOME TAXES........	24,137	15,556	12,777	12,251	11,123
Income tax expense...........................	3,281	1,610	1,241	1,122	306
NET INCOME...	$ 20,856	$ 13,946	$ 11,536	$ 11,129	$ 10,817
Weighted average shares outstanding..........................	2,518	2,507	2,507	2,455	2,436
NET INCOME PER SHARE......................	$ 8.28	$ 5.56	$ 4.60	$ 4.53	$ 4.44
CASH DIVIDENDS PER SHARE.............	$ 1.57	$ 1.53	$ 1.49	$ 1.44	$ 1.38

Supplementary Information Provided by Management and Not Covered by Auditor's Report.

BOARD OF DIRECTORS

Thomas J. Cook, Esq.
Chairman
Somerset Trust Company

Jeffrey P. Anzovino
Deluzio & Company LLP

Sean C. Isgan
CME Management LLC

Troy A. Miller
Luther P. Miller Inc.

J. Scott Roberts
SunStorm LLC

Sean M. Cook
Vice Chairman
Somerset Trust Company

Vickie L. Beer, CPA
Beer, Ream & Company

James G. Knepper, Jr.
The Knepper Agency Inc.

Ann B. Persun
Somerset Trust Company

DIRECTORS EMERITI

G. Henry Cook
Chairman Emeritus

Andrew F. Cook

Dean M. Hottle

Fred S. Shaulis

Joan M. Wheeler

Jon C. Clapper

Barbara W. Davies

John M. Kriak

Marlin C. Sherbine

Richard C. Yeager

HOLDING COMPANY OFFICERS


Sean M. Cook
President


Jennifer A. Sheeler
Treasurer


Christopher R. Robbins
Secretary

BANK OFFICERS


Sean M. Cook
Chief Executive Officer
President


Aaron R. Hoover
Chief Operations Officer
Senior Vice President


Melissa S. Platt
Senior Vice President
Senior Human Resources Officer


Michael B. Whipkey
Senior Vice President
Compliance & Privacy Officer


Paula G. Albert
Vice President
Information Technology Manager


Christopher R. Robbins
Vice President
General Counsel


Trisha N. Hottle
Assistant Vice President
Training Officer


Betsy J. Kreger
Assistant Vice President
Human Resources Officer & Trainer


Cathy A. Rohrs
Assistant Vice President
Branch & Consumer Compliance Audit Officer


Brandi Whipkey
Assistant Vice President
Human Resources Officer


John C. Ash
Chief Information Officer
Senior Vice President


Jennifer A. Sheeler
Chief Financial Officer
Senior Vice President


Susan Powell
Senior Vice President
Senior Auditor


Mark S. Addleman
Vice President
Risk Officer


Allison C. Hoffman
Vice President
Marketing & Customer Experience Officer


Daniel M. Honkus
Assistant Vice President
Controller


JoAlyce Kopinski
Assistant Vice President
Bank Secrecy Act Officer


Robert P. Luteri
Assistant Vice President
Security Officer


Renold M. Sossong
Assistant Vice President
Assistant General Counsel


Brian P. Brant
Programmer II

BANK OFFICERS, CONT'D

Melissa K. Countryman
Branch Training Officer

Sean D. Kubasky
Securities Facilities Maintenance Officer

Christopher J. Mostoller
Information Technology Officer

Michael R. Petrosky
Information Technology Security Officer

Travis E. Shaulis
Facilities Maintenance Officer

Bonnie L. Roberts
Assistant Security Officer

Chad E. Grimes
Facilities Signage & Events Officer

Donna M. Meinecke
Event & Project Administrator

Luann Paugh
Accounting Operations Officer

Katelynn A. Pucci
Audit Officer

Scott D. Latuch
Assistant Controller

BRANCH ADMINISTRATION

Alan L. Brick
Senior Vice President
Senior Branch Administrator

James P. Leahey
Vice President
Branch Manager

Joshua C. Sechler
Assistant Vice President
Senior Relationship Development Officer

Andrew T. Urban
Lead Branch Administrator

Lisa A. Geary
Branch Manager

Kimberly A. Hirko
Branch Manager

Kamala A. Schmucker
Vice President
Lead Branch Administrator

Michael E. Stevens
Assistant Vice President, Lead Branch Administrator & Loan Officer

Christopher D. Stoner
Assistant Vice President
Lead Branch Administrator

Cinthia K. Beeman
Branch Manager

Bonnie K. Henry
Branch Manager

Mary Jo Hixon
Branch Manager

BRANCH ADMINISTRATION, CONT'D

Terry R. Hubbard
Branch Manager

Christopher R. Kimmel
Business Services Manager

Cynthia Knaus
Branch Manager

Michael D. Miller
Branch Manager

JoAnn D. Mock
Branch Manager

Candy Myers
Branch Manager

Marla A. Olinzock
Branch Manager

Daniel G. Spinelli
Relationship Development Officer

Jody M. Weaver
Branch Manager

Markus J. Yuko
Branch Manager

C. Lynn Judy
Branch Lending Officer

Angela S. Klotz
Branch Operations Officer

Brenda K. Miller-Paxton
Branch Manager

Tammy S. Miner
Branch Manager

Pamela Moore
Branch Manager

Roxanne O'Brien
Branch Manager

Shawn S. Sefick
Relationship Development Officer

Michael M. Stibich
Assistant Business Services Officer &
Product Specialist

Antionette L. Wilson
Branch Manager

COMMERCIAL LENDING


Bruce E. Shipley
Senior Vice President, Senior Commercial Loan Officer & Business Development


William J. Locher
Senior Vice President
Senior Commercial Loan Officer


Les J. Brilhart
Senior Vice President
Commercial Loan Officer


Rebecca L. Davidson
Senior Vice President
Commercial Loan Officer


Tamara L. Walker
Vice President
Senior Credit Analyst


Robert A. Boscarino
Vice President
Commercial Loan Officer


Michael L. Carr
Vice President
Agriculture Loan Officer


Brook E. Gardner
Vice President
Commercial Loan Officer


Marcia J. Karasek
Vice President
Commercial Loan Officer


Cassie J. Moon
Vice President
Commercial Loan Officer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Vice President
Commercial Loan Officer


Kyle S. Shaffer
Vice President
Commercial Loan Officer


Jerome M. Supko
Vice President
Commercial Loan Officer


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Senior Vice President
Senior Commercial Loan Officer


John A. Malone
Senior Vice President
Senior Commercial Loan Officer


Tyson E. Cook
Senior Vice President
Commercial Loan Officer


Parke Kreinbrook
Vice President
Senior SBA Lender


Katie E. Garland
Vice President & Managing Director of Greater Washington Area


Cheryl L. Campbell
Vice President
Commercial Loan Officer


Emaline L. Diehl
Vice President
Commercial Loan Officer


Kristen M. Kaib
Vice President
Commercial Loan Officer


John E. Kubinsky
Vice President
Commercial Credit Officer


Kimberly J. Riek
Vice President
Commercial Loan Officer


Megan L. Schaffer
Vice President
Commercial Loan Officer


Lori N. Soles
Vice President
Commercial Loan Officer


Chastity Thornton
Vice President
Commercial Loan Officer

COMMERCIAL LENDING, CONT'D


Kevin M. Volk
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Commercial Loan Officer


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Commercial Loan Officer


Joshua W. Miller
Assistant Vice President
Economic Development Officer


Ryan M. Fisher
Commercial Loan Officer


Amanda E. Hersch
Credit Analyst


Rebecca R. Spoerlein
Credit Analyst II


Kathleen M. Carnahan
Assistant to Commercial Loan Officer


Heather L. Ream
Assistant to Commercial Loan Officer


William F. Wise
Vice President
Commercial Loan Officer


Daniel B. Harshberger
Assistant Vice President
Commercial Loan Officer


Kevin E. Siebert
Assistant Vice President
Commercial Loan Officer


Tiffani M. Fisher
Commercial Loan Officer


Jessica D. Schomer
Commercial Loan Officer


Alisha J. Whipkey
Lead Commercial Loan Processor


Christine N. Hutzell
Assistant to Commercial Loan Officer


Lee A. Uptegraph
Assistant to Commercial Loan Officer

CONSUMER & MORTGAGE LENDING


Suzanne L. Huls
Vice President
Mortgage Loan Officer


Sherry D. Desort
Assistant Vice President
Mortgage Loan Officer


Catherine W. Zborovancik
Assistant Vice President
Lending Operations Manager


Sandra K. Aurndt
Lending Operations Officer


Kimberly C. Fulmer
Assistant Vice President
Senior Collections Officer


Carol L. Tokar
Assistant Vice President
Consumer Real Estate Originator


Kathleen L. Geary
Consumer Lending Lead Officer


Karen S. Carr
Mortgage Underwriting Officer

CONSUMER & MORTGAGE LENDING CONT'D


Mary L. Conn
Consumer Real Estate Originator


Scott M. Gilmore
Consumer Loan Adverse Action Officer


Brian K. Kauffman
Consumer Loan Officer


Alina D. Mehalic
Mortgage Underwriting Officer


Sharon L. Schickel
Mortgage Closing Officer


Michelle M. Strope
Mortgage Underwriting Officer


Heidi M. Cover
Consumer Real Estate Originator


Kristi E. Japalucci
Appraisal & Collateral Processor


Anna Lund
Mortgage Loan Officer


Della A. Resh
Mortgage Underwriter &
Secondary Market Analyst


Karyn S. Sechler
Consumer Real Estate Originator


Lori A. Walker
Consumer Underwriting Officer

OPERATIONS


Brandon J. Adams
Vice President
Digital Services Officer


Janeen M. Cochran
Assistant Vice President
IRA Specialist


Kara W. Brown
Card Services Operations Administrator


Beth A. Prinkey
Operations Officer


Cathy A. Lichty
Vice President
Core Application System & Support


Michelle R. Gilbert
Assistant Vice President, Core
Application Systems & Support Officer


Angela L. Corrigan
Fraud & CATO Officer


Mitzi R. Krause
Assistant Digital Customer Care Officer

TRUST & INVESTMENT SERVICES

Jason R. Yuhas
Vice President
Senior Wealth Management Officer

Felicia A. DeVincentis
Vice President
Wealth Advisor & Trust Officer

Tine Hillegass
Vice President
Trust Officer

Nancy L. Marley
Vice President
Trust Officer

Jordan C. Ochoa
Vice President
Trust Investment Officer

Debra M. Niemiec
Assistant Vice President
Quality Control Officer

John E. Centi
Investment Services Officer

Diane L. Kerr
Trust Officer

Kelly L. Myers
Trust Operations Administrator

Justin A. Teets
Investment Services Officer

Cheryl A. Pletcher
Assistant Investment Services Officer

Lisa M. Bittner
Vice President
Senior Trust Officer

Bryce D. Harshberger
Vice President
Wealth Advisor & Trust Officer

Stacey L. Long
Vice President
Trust Officer & Assistant Secretary

Donna J. McAlister
Vice President
Trust Officer

Michelle R. McCombie
Assistant Vice President
Trust Operations Officer

Megan L. O'Brien
Assistant Vice President
Trust Officer

Denise A. Gost
Trust Officer

Ian R. Mapes
Trust Investment Officer

Ashley R. Perez
Wealth Advisor & Trust Officer

Kenneth G. Trimbath
Wealth Business Development Officer

CORPORATE HEADQUARTERS

Main Office
151 West Main Street
PO Box 777
Somerset, PA 15501

Operations Complex
139 East Patriot Street
Somerset, PA 15501

STC Trust & Investment Management
131 North Center Avenue
Somerset, PA 15501

STC Settlements Office
226 Main Street
Irwin, PA 15642

G. Henry Cook Enrichment Center
138 East Main Street
Somerset, PA 15501

BRANCHES

ALLEGANY COUNTY, MD

Frostburg Branch
351 East Main Street
Frostburg, MD 21532

Frostburg Broadway St Branch
3 South Broadway
Frostburg, MD 21532

BEDFORD COUNTY, PA

Bedford Branch
8796 Lincoln Highway
Bedford, PA 15522

Fishertown Branch
2095 Quaker Valley Road
Fishertown, PA 15539

Schellsburg Branch
3966 Lincoln Highway, Suite 101
Schellsburg, PA 15559

CAMBRIA COUNTY, PA

Johnstown Branch
116 Market Street
Johnstown, PA 15901

Lilly Branch
500 Main Street
Lilly, PA 15938

UPJ Student Union Branch
450 Schoolhouse Road
Johnstown, PA 15904

Richland Branch
1416 Scalp Avenue
Johnstown, PA 15904

CAMBRIA COUNTY, Cont'd

Richland Giant Eagle Branch
1451 Scalp Avenue
Johnstown, PA 15904

Vinco Branch
2690 William Penn Avenue, Stuite 5
Johnstown, PA 15909

Westwood Branch
1739 Lyter Drive
Johnstown, PA 15905

FAIRFAX COUNTY, VA

Vienna Branch
100 Maple Avenue East
Vienna, VA 22180

FAYETTE COUNTY, PA

Connellsville HS Falcon Branch
201 Falcon Drive
Connellsville, PA 15425

Connellsville Train Station Branch
904 West Crawford Avenue
Connellsville, PA 15425

Connellsville Walmart Branch
1450 Morrell Avenue
Connellsville, PA 15425

Hopwood Branch
1141 National Pike
Uniontown, PA 15401

National Pike Branch
4640 National Pike
Markleysburg, PA 15459

FAYETTE COUNTY, Cont'd

Perryopolis Branch
100 Quaker Church Road
Perryopolis, PA 15473

Uniontown Branch
82 West Fayette Street
Uniontown, PA 15401

Uniontown Giant Eagle Branch
581 Pittsburgh Road
Uniontown, PA 15401

GARRETT COUNTY, MD

Grantsville Branch
3245 Chestnut Ridge Road
Grantsville, MD 21536

SOMERSET COUNTY, PA

Berlin Branch
420 Main Street
Berlin, PA 15530

Boswell Branch
210 Ohio Street, Suite D
Boswell, PA 15531

Confluence Branch
612 Logan Place
Confluence, PA 15424

Glades Pike Branch
4185 Glades Pike
Somerset, PA 15501

Hooversville Branch
803 Barn Street
Hooversville, PA 15936

BRANCHES, CONT'D

SOMERSET COUNTY, Cont'd

Meyersdale Branch
151 Center Street
Meyersdale, PA 15552

Meyersdale Southside Branch
7109 Mason Dixon Highway
Meyersdale, PA 15552

Somerset Main Office
151 West Main Street
Somerset, PA 15501

Somerset Plaza Branch
1614 North Center Avenue
Somerset, PA 15501

Somerset Walmart Branch
2028 North Center Avenue
Somerset, PA 15501

WESTMORELAND COUNTY

Champion Branch
1446 County Line Road
Champion, PA 15622

Greensburg Branch
859 East Pittsburgh Street
Greensburg, PA 15601

Ligonier Branch
228 West Main Street
Ligonier, PA 15658

Ligonier Giant Eagle Branch
117 South Walnut Street
Ligonier, PA 15658

Mt. Pleasant Walmart Branch
2100 Summit Ridge Plaza
Mount Pleasant, PA 15660

New Florence Branch
161 12th Street
New Florence, PA 15944

WESTMORELAND CO., Cont'd

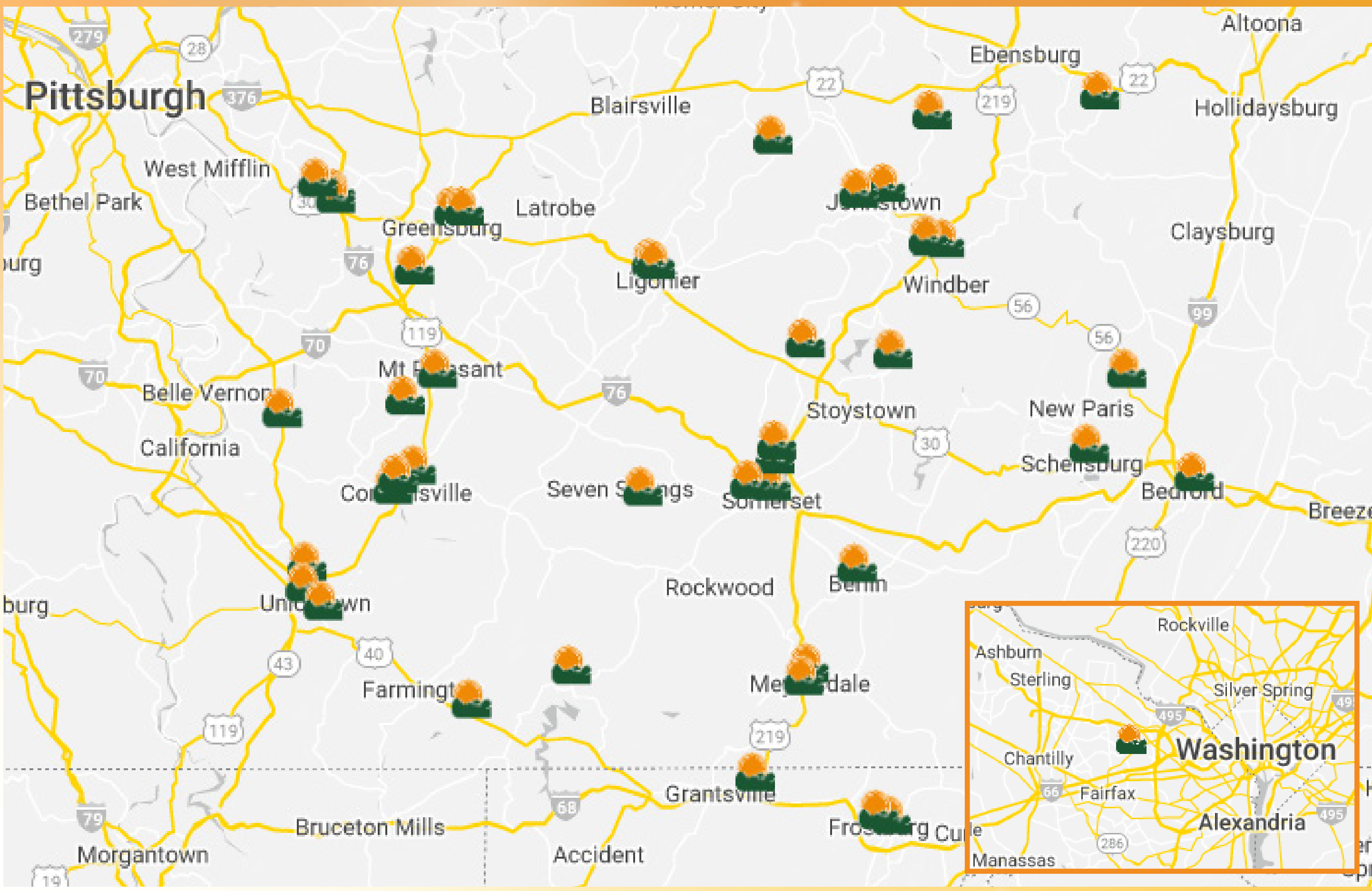
North Huntingdon Walmart Branch
915 Mills Drive
North Huntingdon, PA 15666

Norwin Town Square Branch
12120 State Route 30, Suite 110
Irwin, PA 15642

Scottdale Branch
157 Pittsburgh Street
Scottdale, PA 15683

Westmoreland Mall Branch
5256 US 30, Unit FC-05
Greensburg, PA 15601

Youngwood Shop N Save Branch
250 South 3rd Street
Youngwood, PA 15697



151 WEST MAIN STREET
SOMERSET, PENNSYLVANIA 15501
800-972-1651
SOMERSETTRUST.COM