Somerset Trust Holding Company
Annual Report

December 31, 2024

Our Mission

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.

Our Values

Service • Honesty • Fairness

Our Creed

At Somerset Trust Company, we are committed to understanding our customers, our communities and one another in order not only to meet their banking needs, but to exceed expectations every day.

Somerset Trust HOLDING COMPANY

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March 18, 2025

To Somerset Trust Holding Company Shareholders,

I'm proud to report Somerset Trust had another very strong year in 2024. We finished the year with net income of $24.489 million, which equates to $9.71 per share. Both of these measures are improvements from the previous year when we generated $23.235 million in net income and earnings per share of $9.21. And once again, I'm pleased to report that we were able to continue our remarkable multi-decade streak of annual increases to the dividend by raising it from $1.61 per share in 2023 to $1.65 per share in 2024.

The primary driver for our earnings continues to be net interest income. While we had experienced net interest margin expansion in 2022 and 2023, we anticipated that the lag effects of growing deposit costs would eventually lead to margin compression. This proved to be true last year as we saw our margin tighten from 4.16% in 2023 to 3.81% in 2024. Despite this decrease in margin, we were able to grow loans from $1.431 billion in 2023 to $1.523 billion in 2024. This growth in loans helped offset the margin compression such that we were able to incrementally increase net interest income from $80.017 million in 2023 to $80.531 million in 2024. This concept of ensuring growth in net interest income is key to our performance because 'dollars', not 'margin', pay the bills.

Somerset Trust has a long history of taking a thoughtful approach to credit management where we always look for ways to work with our borrowers during difficult times. This approach typically requires a significant amount of time and resources from the bank, but can be very rewarding for both the bank and borrower when genuine efforts are made to work through the challenges. It is because of this patient approach and our lower propensity to immediately charge-off a credit that our credit ratios may appear worse than credit ratios at other banks. We knowingly accept this risk and account for it by carrying a higher loan loss reserve relative to other banks of similar size. We entered 2024 with a healthy level of loan loss reserves on our balance sheet and during the year we experienced a couple of significant recovery events which positively impacted our calculation for credit loss provisioning. This adjustment resulted in a year-over-year drop in required provisioning from $3.400 million in 2023 to $0.643 million in 2024. This reduction in provisioning expense was ultimately very helpful in ensuring an increase in year-over-year earnings.

Our growth strategy relies heavily on the addition of new branches in both new and existing markets. Our recent growth in the Greensburg area has been very exciting and we continued our build out of the market with the addition of two new branches in 2024. We opened a location along US 119 in South Greensburg in January and we opened a branch across from the Westmoreland County Courthouse in downtown Greensburg in October. Both of these branches help improve our positioning as we look to become the most convenient bank in Greensburg. Along with our Greensburg expansion, we opened a new branch in Mt. Pleasant in March. We originally entered the Mt. Pleasant market with a branch inside the Mt. Pleasant Walmart nearly ten years ago. We always knew that Mt. Pleasant was a great community and, as time went by, our interest in having a larger presence in the area grew. Fortunately, an opportunity to renovate a building along West Main Street presented itself and now our second convenient location in the market will help us better serve the community of Mt. Pleasant.

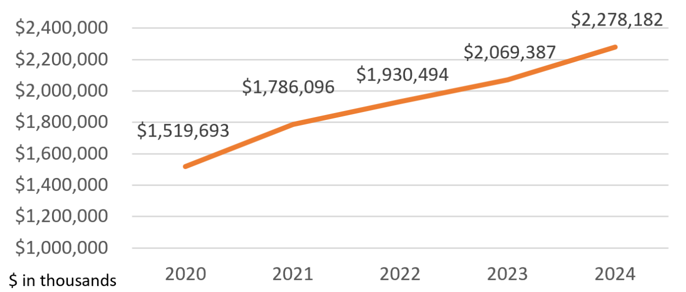
2024 marked the 135th year that Somerset Trust has been in business. 135 years is a very long time for a company to be in business. Many (oh so many) years ago when I was in college, I attended a job fair at an event center where hundreds of businesses had exhibits and representatives there to recruit soon-to-be college graduates. I remember walking up to a booth for a technology company and the representative gave me the elevator pitch on how impressive the company was. In the pitch, I was told that their company has 'been around since before computers' and I remember thinking that was pretty impressive for a tech company. Now, here at Somerset Trust, I have a different level of appreciation for longevity and adaptability. Somerset Trust has been around since 'before the FDIC' and since 'before the Federal Reserve System'. So much has changed in 135 years and the bank's ability to manage through all the changes has been extraordinary. I'm afraid not every bank has shared the same success that Somerset Trust has experienced. In fact, since 1889, there have been over 19,500 U.S. bank failures. Also since 1889, there have been over 13,500 U.S. bank mergers. When the number of bank failures and the number of banks sold are added together, it totals over 33,000 U.S. banks that are no longer in business. I'm proud to be part of a bank where we are not surviving, but thriving. We are not complacent or content in the fact that we've been in business for 135 years; rather we're continually looking to position ourselves for future success with the mindset that the bank will be around for another 135 years. We have a great team at Somerset Trust who is excited about our future and I hope you as a shareholder are too. Thank you for being a shareholder and thank you for all of your support.

Best Regards,

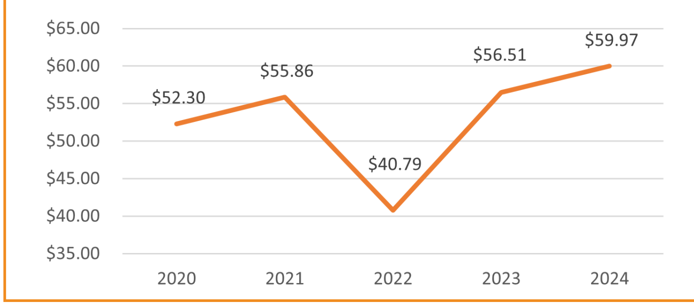
Sean M. Cook
Chief Executive Officer

SUMMARY OF FINANCIAL INFORMATION
(Unaudited)

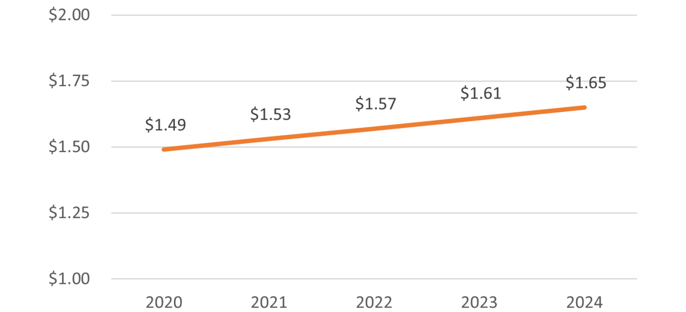
Average Total Assets



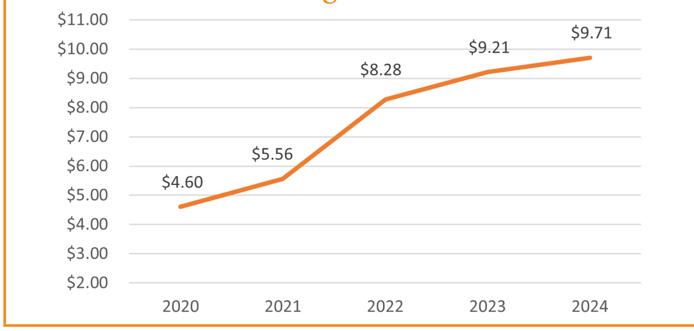
Book Value Per Share



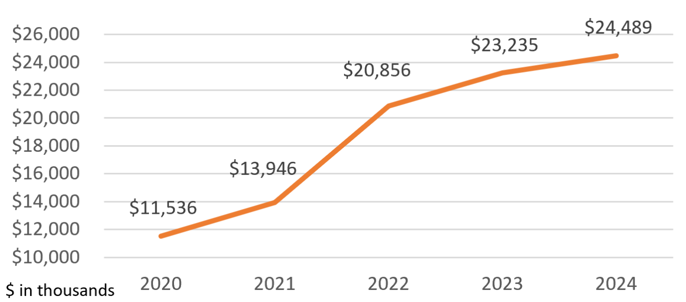
Dividends Per Share



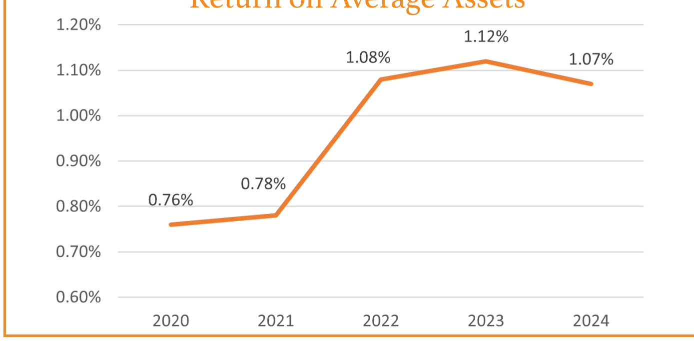
Earnings Per Share



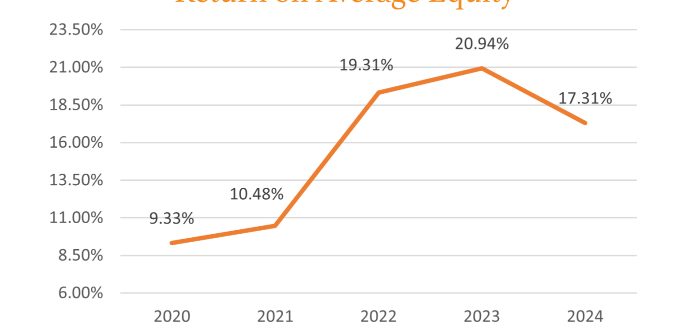
Net Income



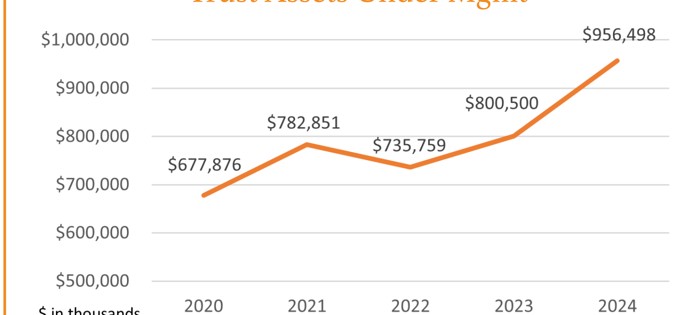
Return on Average Assets



Return on Average Equity



Trust Assets Under Mgmt



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Independent Auditor's Report

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

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the consolidated financial statements of Somerset Trust Holding Company and subsidiary (Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Somerset Trust Holding Company and subsidiary as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We also have audited Somerset Trust Holding Company and subsidiary's internal control over financial reporting as of December 31, 2024, based on criteria establish in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, Somerset Trust Holding Company and subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on COSO.

Basis for Opinions

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 and 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control Over Financial Reporting

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. Management also is responsible 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."

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 and Internal Control Over Financial Reporting

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 about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness 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 of financial statements and an audit of internal control over financial reporting 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.
- Obtain an understanding of internal control over financial reporting relevant to the audit 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.
- 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 opinions on the consolidated financial statements and the Company's internal control over financial reporting do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements and the Company's internal control over financial reporting, 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.

Definition and Inherent Limitations 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 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 the 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-9-C). The Company’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 Company; (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 Company 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 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 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 Mazars, LLP

Pittsburgh, Pennsylvania
March 18, 2025

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

	December 31, 2024	December 31, 2023
ASSETS		
Cash and due from banks	$ 30,006	$ 27,975
Interest bearing deposits in other banks	14,997	14,428
Total cash and cash equivalents	45,003	42,403
Investment debt securities available for sale	598,652	599,067
Mortgage loans held for sale	20,783	11,124
Loans	1,522,856	1,430,585
Less allowance for credit losses	18,779	18,772
Net loans	1,504,077	1,411,813
Premises and equipment, net	54,933	49,947
Operating lease right-of-use asset	5,764	5,842
Bank-owned life insurance	36,631	35,685
Regulatory stock	9,995	9,823
Accrued interest receivable	10,725	10,035
Net deferred tax asset	14,361	10,910
Other real estate owned	343	50
Other intangible assets	20	20
Net pension asset	-	1,902
Other assets	14,305	10,718
TOTAL ASSETS	$ 2,315,592	$ 2,199,339
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 399,543	$ 422,205
Interest-bearing demand	284,235	305,241
Savings	183,525	184,316
Money market	556,356	497,856
Time	457,747	377,722
Total deposits	1,881,406	1,787,340
Short-term borrowings	29,929	26,379
Other borrowed funds	228,667	222,181
Operating lease liabilities	5,753	5,855
Accrued interest payable and other liabilities	18,588	15,062
TOTAL LIABILITIES	2,164,343	2,056,817
STOCKHOLDERS' EQUITY		
Common stock, no par value; 4,000,000 shares authorized; 2,522,298 issued and 2,522,298 outstanding at year-end 2024 and 2023	3,583	3,583
Retained earnings	191,995	170,739
Rabbi Trust	(2,089)	(2,342)
Surplus	3,075	3,075
Accumulated other comprehensive loss	(45,315)	(32,533)
TOTAL STOCKHOLDERS' EQUITY	151,249	142,522
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,315,592	$ 2,199,339

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, 2024	Year Ended December 31, 2023
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 99,860	$ 84,478
Interest and dividends on investment securities:		
Taxable	20,762	19,837
Exempt from federal income tax	1,004	1,042
Interest-bearing deposits in other banks	1,620	229
Total interest and dividend income	123,246	105,586
INTEREST EXPENSE		
Deposits	32,055	18,050
Short-term borrowings	553	4,000
Other borrowed funds	10,107	3,519
Total interest expense	42,715	25,569
NET INTEREST INCOME	80,531	80,017
Provision for credit losses	643	3,400
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	79,888	76,617
OTHER INCOME		
Service charges on deposit accounts	2,333	2,040
Trust and investment services income	5,645	4,854
Earnings on bank-owned life insurance	947	895
Gain on sale of mortgage loans	471	370
Gain on other real estate owned	29	107
Debit and credit card income	5,767	6,109
Other income	2,477	2,011
Total other income	17,669	16,386
OTHER EXPENSE		
Salaries and employee benefits	36,821	33,096
Net occupancy expense	6,833	5,932
Equipment expense	3,268	2,880
Data processing expense	7,919	8,813
Professional fees	1,125	1,522
Postage, freight, and supplies expense	1,254	1,186
Pennsylvania shares tax	1,362	970
Federal depository insurance expense	1,689	1,313
Advertising and marketing expense	931	1,047
Investment security losses	-	253
Other expense	6,875	8,642
Total other expense	68,077	65,654
INCOME BEFORE INCOME TAXES	29,480	27,349
Income tax expense	4,991	4,114
NET INCOME	$ 24,489	$ 23,235
EARNINGS PER SHARE	$ 9.71	$ 9.21
AVERAGE SHARES OUTSTANDING	2,522,298	2,522,298

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31, 2024	2023
Net income	$ 24,489	$ 23,235
Components of other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(17,303)	20,792
Tax effect	3,634	(4,367)
Reclassification adjustment for investment security losses realized in income	-	253
Tax effect	-	(53)
Change in pension obligation	1,123	3,387
Tax effect	(236)	(711)
Total other comprehensive income (loss)	(12,782)	19,301
Total comprehensive income	$ 11,707	$ 42,536

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)	Total Stockholders' Equity
Balance, December 31, 2022	$ 3,583	$ 150,271	$ 3,075	$ (2,226)	$ (51,834)	$ 102,869
CECL Implementation Adjustment 1/1/23		1,178				1,178
Balance, January 1, 2023	3,583	151,449	3,075	(2,226)	(51,834)	104,047
Net income	-	23,235	-	-	-	23,235
Other comprehensive income	-	-	-	-	19,301	19,301
Cash dividends ($1.61 per share)	-	(4,061)	-	-	-	(4,061)
Rabbi Trust shares purchased (8,879 shares)	-	384	-	(384)	-	-
Rabbi Trust shares distributed or sold (9,686 shares)	-	(268)	-	268	-	-
Balance, December 31, 2023	$ 3,583	$ 170,739	$ 3,075	$ (2,342)	$ (32,533)	$ 142,522
Trust activity adjustment	-	1,182	-	-	-	1,182
Net income	-	24,489	-	-	-	24,489
Other comprehensive loss	-	-	-	-	(12,782)	(12,782)
Cash dividends ($1.65 per share)	-	(4,162)	-	-	-	(4,162)
Rabbi Trust shares purchased (1,577 shares)	-	67	-	(67)	-	-
Rabbi Trust shares distributed or sold (10,678 shares)	-	(320)	-	320	-	-
Balance, December 31, 2024	$ 3,583	$ 191,995	$ 3,075	$ (2,089)	$ (45,315)	$ 151,249

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
OPERATING ACTIVITIES		
Net income	$ 24,489	$ 23,235
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	643	3,400
Depreciation and amortization of premises and equipment	3,537	2,862
Amortization of right-of-use asset	1,270	1,237
Software amortization	194	361
Net amortization of investment securities	1,079	1,450
Accretion of deferred loan fees	(1,702)	(1,619)
Investment security losses, net	-	253
Origination of mortgage loans held for sale	(31,634)	(25,740)
Proceeds from sales of mortgage loans	22,446	17,492
Gain on sale of mortgage loans	(471)	(370)
Increase in accrued interest receivable	(690)	(465)
Increase in accrued interest payable	1,604	3,352
Earnings on bank-owned life insurance	(947)	(895)
Deferred income taxes	(53)	(552)
(Increase) decrease in prepaid federal income taxes	390	(973)
Gain on other real estate owned	(29)	(107)
(Gain) loss on disposition of fixed assets	(139)	37
Other, net	855	2,580
Net cash provided by operating activities	20,842	25,538
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from sales	-	19,829
Proceeds from maturities and principal repayments	33,243	30,402
Purchases of securities	(51,209)	(25,942)
Net increase in loans	(91,771)	(168,688)
Purchases of software	(97)	(264)
Purchases of premises and equipment	(8,384)	(14,281)
Redemptions of regulatory stock	2,301	22,333
Purchases of regulatory stock	(2,473)	(22,967)
Proceeds from sale of other real estate owned	208	378
Net cash used for investing activities	(118,182)	(159,200)
FINANCING ACTIVITIES		
Net increase in deposits	94,066	129,518
Net increase (decrease) in short-term borrowings	3,550	(131,996)
Proceeds from other borrowed funds	42,000	211,667
Repayment of other borrowed funds	(35,514)	(69,000)
Cash dividends paid	(4,162)	(4,061)
Net cash provided by financing activities	99,940	136,128
Increase in cash and cash equivalents	2,600	2,466
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,403	39,937
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 45,003	$ 42,403

Supplemental cash flow information:	Year Ended December 31, 2024	Year Ended December 31, 2023
Interest paid	41,112	22,217
Income taxes paid	4,667	5,639
Supplemental noncash disclosures:		
Transfer of loans to other real estate owned	492	176
Right-of-use asset obtained in exchange for operating and lease liability	1,208	2,171

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 43 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 FDIC up to $250 thousand. At December 31, 2024 and 2023, the Company had $4.3 million and $3.4 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.

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Stock (Continued)

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 credit 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 Credit Losses (ACL)

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 previously are still 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 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 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 ACL: 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 ACL under the ASU guidance. The Company contracted with a third party to perform an independent validation of its processes and methodology in 2023.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (ACL) (Continued)

The ACL has been computed by applying historical loss rates, adjusted for qualitative factors, to pools of loans. Upon implementation of the ASU, the expected loss estimate is 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 qualitative impact of the new accounting standard is directed by many of the same factors that impacted the previous methodology for computing the ACL 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 also uses reasonable and supportable forecasts.

The Company adopted ASU 2016-13 on January 1, 2023. Upon adoption, the Company posted a decrease in the ACL of $2.5 million and an increase in the liability for off-balance sheet credit exposure of $1.3 million, which resulted in a net increase in stockholders' equity of $1.2 million.

Allowance for Credit Losses - AFS Debt Securities

For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management confirms that an AFS security is uncollectable or when either of the criteria regarding intent or requirement to sell is met. As of December 31, 2024 and December 31, 2023, the Company determined that the unrealized loss positions in AFS debt securities were not the result of credit losses, and therefore, an allowance for credit losses was not recorded. See Note 2, "Investment Debt Securities Available For Sale," and Note 15, "Fair Value Measurements," for more information about AFS debt securities.

Allowance for Credit Losses - Loans

The allowance for credit losses on loans represents management's estimate of expected credit losses over the estimated life of the existing portfolio of loans. The allowance for credit losses is a valuation account that is deducted from the loan's amortized cost basis to present the net amount expected to be collected on the loans. The expense for credit loss recorded through earnings is the amount necessary to maintain the allowance for credit losses on loans at the amount of expected credit losses inherent within the loan portfolio. Loans are recorded as charge-offs against the allowance when management confirms a loan balance is uncollectable. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts, and other significant qualitative and quantitative factors. Historical credit loss experience provides the basis for the estimation of expected credit losses.

Allowance for Credit Losses – Loans (Continued)

Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, changes in environmental conditions, delinquency level, segment growth rates and changes in duration within new markets, or other relevant factors. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has segregated its portfolio segments based on federal call report codes which classify loans based on the primary collateral supporting the loan.

To estimate expected credit losses, management uses a weighted average remaining maturity (WARM) model which contemplates expected losses at a pool-level, utilizing historic loss information. Management estimates the allowance for credit losses on loans using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. After the end of the reasonable and supportable forecast period, the loss rates revert to the mean loss rates. A floor is applied to historical loss rates, and adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, changes in environmental conditions, delinquency level, segment growth rates and changes in duration within new markets, or other relevant factors.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation and typically represent collateral dependent loans but may also include other nonperforming loans or borrowers experiencing financial difficulty.

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.

All commercial and commercial real estate loans which are nonaccrual or greater than 90 days past due and still accruing 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. These loans are then individually evaluated, and if management determines that the value of the loan is less than the recorded investment in the loan, a specific reserve allocation is recognized within the allowance for credit losses or a charge-off is made to the allowance. The definition of "individually evaluated 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 individually evaluated. The amount of reserve allocation 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, reserve allocation 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 not typically individually evaluated for a reserve allocation. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as individually evaluated. 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.

Allowance for Credit Losses – Off-Balance Sheet Credit Exposures

Management estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses – Off-Balance Sheet Credit Exposures (Continued)

Management estimates the amount of expected losses by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Bank and applying the loss factors used in the allowance for credit losses on loans methodology to the results of the usage calculation to estimate the liability for credit losses related to unfunded commitments for each loan segment. The estimate of credit losses on off-balance sheet credit exposures was $1.4 million and $1.5 million as of December 31, 2024 and 2023, respectively, and was reported in accrued interest payable and other liabilities on the consolidated balance sheets.

Loans Individually Evaluated for Impairment

The Company adopted ASU 2022-02, Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures effective January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measure of troubled debt restructurings and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty. The fair value of individually evaluated loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals prepared by third-parties. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach.

Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Management also adjusts appraised values based on the length of time that has passed since the appraisal date, and other factors such as estimated selling costs should a liquidation be necessary. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business. Individually evaluated loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

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, 40 years for buildings, and 5 to 10 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.

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 Pittsburgh advance rate corresponding to the remaining maturity of the lease.

Leases (Continued)

Under Topic 842, the lessee can elect to not record on the Consolidated Balance Sheets 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 five short-term equipment leases as of December 31, 2024 and four short-term equipment leases as of December 31, 2023, 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, 2024, included within the foreclosed assets is $343 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, 2023, included within the foreclosed assets is $50 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, 2024, the Company had initiated formal foreclosure procedures on $588 thousand of consumer residential mortgages and $812 thousand of commercial real estate.

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. After three years of eligible service, the employee is 100 percent vested in the Employer contributions of both plans.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2024, the assets were not impaired with a book value of $2.2 million and a fair value of $3.2 million. No impairment recovery was made to other income through a valuation allowance in 2024. At December 31, 2023, the assets were not impaired with a book value of $2.3 million and a fair value of $3.2 million.

Activity in MSRs for the years ended December 31, 2024 and 2023, are as follows:

(in thousands)	2024	2023
Beginning balance	$ 2,334	$ 2,489
Amount capitalized	67	51
Amortization	(197)	(206)
Ending balance	$ 2,204	$ 2,334

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income (Loss)

The Company is required to present comprehensive income (loss) in a full set of general-purpose financial statements for all periods presented. Other comprehensive income (loss) is comprised of unrealized 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.

Operating Segments

The chief operating decision maker (CODM) for the Company is Jennifer Sheeler, Chief Financial Officer. While the CODM monitors the revenue streams of the various branches, products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Discrete operating results are not reviewed by senior management to make resource allocation or performance decisions. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment. The segments are reported on the face of the financial statements in the Consolidated Statements of Income.

Recent Accounting Pronouncements

In January 2021, the FASB issued ASU 2021-01 – Reference Rate Reform (Topic 848). ASU 2021-01 expands and clarifies the scope of ASU 2020-04 to include derivatives affected by changes in interest rates used for margining, discounting, or contract price alignment, commonly referred to as the “discounting transaction.” Derivatives impacted by the discounting transaction will be eligible for certain optional expedients and exceptions related to contract modifications and hedge accounting as defined in Topic 848. The amendments in this update are effective for all entities as of March 12, 2020, and based upon the amendments provided in ASU 2022-06 discussed below, can generally be applied through December 31, 2024. The adoption of ASU 2021-01 did not significantly impact the Company’s financial statements and related disclosures.

In December 2022, the FASB issued ASU 2022-06 – Reference Rate Reform (Topic 848). ASU 2022-06 extends the period of time preparers can utilize the reference rate reform relief guidance provided by ASU 2020-04 and ASU 2021-01, which are discussed above. ASU 2022-06, which was effective upon issuance, defers the sunset date of this prior guidance from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief guidance in Topic 848. ASU 2022-06 did not have a material impact on the Company’s financial statements and related disclosures.

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:

(in thousands)	2024 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 359,927	$ 468	$ (33,417)	$ 326,978
Mortgage-backed securities:				
Government-sponsored entities	248,669	36	(21,955)	226,750
Corporate debt obligations	37,480	169	(2,719)	34,930
U.S. government agencies	9,937	57	-	9,994
Total	$ 656,013	$ 730	$ (58,091)	$ 598,652

(in thousands)	2023 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 357,400	$ 2,306	$ (21,228)	$ 338,478
Mortgage-backed securities:				
Government-sponsored entities	231,231	680	(18,776)	213,135
Corporate debt obligations	39,465	48	(3,153)	36,360
U.S. government agencies	11,029	65	-	11,094
Total	$ 639,125	$ 3,099	$ (43,157)	$ 599,067

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, as of December 31:

2024	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	$ 70,068	$ (1,688)	$ 237,580	$ (31,729)	$ 307,648	$ (33,417)
Mortgage-backed securities:						
Government-sponsored entities	66,141	(979)	147,242	(20,976)	213,383	(21,955)
Corporate debt obligations	1,973	(27)	26,395	(2,692)	28,368	(2,719)
Total	$ 138,182	$ (2,694)	$ 411,217	$ (55,397)	$ 549,399	$ (58,091)

2023	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	$ 6,857	$ (184)	$ 216,364	$ (21,044)	$ 223,221	$ (21,228)
Mortgage-backed securities:						
Government-sponsored entities	9,325	(147)	166,968	(18,629)	176,293	(18,776)
Corporate debt obligations	8,934	(319)	24,864	(2,834)	33,798	(3,153)
Total	$ 25,116	$ (650)	$ 408,196	$ (42,507)	$ 433,312	$ (43,157)

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 376 positions with unrealized losses as of December 31, 2024. 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 related to credit quality 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 as of December 31, 2024 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	$ 3,849	$ 3,860
Due after one year through five years	38,576	36,615
Due after five years through ten years	88,695	82,326
Due after ten years	524,893	475,851
Total	$ 656,013	$ 598,652

Proceeds from sales of investment securities during 2024 and 2023 were $0 and $19.8 million, respectively. Gross gains and losses were realized on those sales as follows:

(in thousands)	2024	2023
Gross gains	$ -	$ -
Gross losses	-	(253)

Investment securities with a fair value of $399.4 million and $428.8 million as of December 31, 2024 and 2023, 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 as of December 31:

(in thousands)	2024	2023
Commercial loans	$ 292,061	$ 276,392
Commercial real estate	905,953	852,892
Obligations of states and political subdivisions	46,904	43,838
Residential	77,853	75,217
Home equity	142,564	129,262
Consumer	48,013	44,590
Credit cards	9,508	8,394
	1,522,856	1,430,585
Less allowance for credit losses	18,779	18,772
Total loans	$ 1,504,077	$ 1,411,813

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 fluctuations, interest rate, market demands, borrower's ability to repay in an 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 dwellings. 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 $1.9 million and $2.0 million as of December 31, 2024 and 2023, respectively.

Real estate loans serviced for Fannie Mae, which are not included in the Consolidated Balance Sheets, totaled $303 million and $315 million as of December 31, 2024 and 2023, 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 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, the repayment of the loans outstanding by individuals and businesses is dependent upon the local economic conditions in its immediate trade area.

4. ALLOWANCE FOR CREDIT LOSSES

Management has established methodology to determine the adequacy of the allowance for credit losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for credit 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. The allowance for credit losses is influenced by loan mix and volumes, and other conditions influencing loss expectations, such as reasonable and supportable forecasts of economic conditions. 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:

- The nature and volume of financial assets
- The existence, growth and effect of any concentrations of credit
- The volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified assets
- The value of underlying collateral for loans that are collateral dependent
- Lending policies and procedures, including changes to underwriting standards and practices for collections, write-offs, and recoveries
- The quality of the credit review function
- The experience, ability and depth of lending, investment, collections, and other relevant management and staff
- The effect of other external factors such as regulatory, legal, and technological environments; competition and events such as natural disasters or pandemics
- Actual and expected changes in international, national, regional, and local economic and business conditions that could impact the collectability of financial assets

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loans by Segment

The following tables present, by portfolio segment, the changes in the allowance for credit losses as of December 31:

	2024					
(in thousands)	Commercial	Commercial Real Estate	Residential	Home Equity	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 5,195	$ 9,925	$ 594	$ 1,094	$ 1,964	$ 18,772
Charge-offs	(369)	(213)	(164)	(516)	(1,001)	(2,263)
Recoveries	19	714	146	407	341	1,627
Provision	(1,586)	1,011	42	83	1,093	643
Ending balance	$ 3,259	$ 11,437	$ 618	$ 1,068	$ 2,397	$ 18,779

	2023					
(in thousands)	Commercial	Commercial Real Estate	Residential	Home Equity	Consumer	Total
Allowance for credit losses:						
Beginning balance	$ 4,701	$ 11,816	$ 390	$ 1,043	$ 772	$ 18,722
Impact of CECL, January 1, 2023	(986)	(2,387)	140	(175)	951	(2,457)
Charge-offs	(257)	(197)	(66)	(503)	(830)	(1,853)
Recoveries	173	200	52	279	256	960
Provision	1,564	493	78	450	815	3,400
Ending balance	$ 5,195	$ 9,925	$ 594	$ 1,094	$ 1,964	$ 18,772

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.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

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

	As of December 31, 2024							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2024	2023	2022	2021	2020	Prior		
Commercial								
Commerical								
Pass	$ 3,956	$ 16,732	$ 17,928	$ 8,292	$ 3,956	$ 36,613	$ 182,803	$ 270,280
Special Mention	501	870	135	1,040	501	4,688	6,938	14,673
Substandard	210	61	99	1,046	210	1,813	3,669	7,108
Total Commercial	4,667	17,663	18,162	10,378	4,667	43,114	193,410	292,061
Current year-to-date gross charge-offs	-	22	141	-	28	128	-	319
Commercial Real Estate								
Pass	91,805	182,300	121,521	75,484	41,820	120,112	200,867	833,909
Special Mention	483	238	1,848	2,975	750	10,401	10,697	27,392
Substandard	-	299	306	394	2,045	27,506	14,102	44,652
Total Commercial Real Estate	92,288	182,837	123,675	78,853	44,615	158,019	225,666	905,953
Current year-to-date gross charge-offs	-	-	5	-	-	208	-	213
Obligations of State and Political Subdivisions								
Pass	4,505	923	9,970	1,082	1,308	20,043	8,987	46,818
Special Mention	-	-	-	-	-	86	-	86
Substandard	-	-	-	-	-	-	-	-
Total Obligations of State and Political Subdivisions	4,505	923	9,970	1,082	1,308	20,129	8,987	46,904
Current year-to-date gross charge-offs	-	-	-	-	-	-	-	-

	As of December 31, 2023							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Total
	2023	2022	2021	2020	2019	Prior		
Commercial								
Commerical								
Pass	$ 26,221	$ 23,329	$ 17,345	$ 8,029	$ 8,364	$ 7,875	$ 170,087	$ 261,250
Special Mention	538	718	1,093	81	233	132	7,712	10,507
Substandard	21	119	709	249	177	423	2,937	4,635
Total Commercial	26,780	24,166	19,147	8,359	8,774	8,430	180,736	276,392
Current year-to-date gross charge-offs	5	59	5	-	163	25	-	257
Commercial Real Estate								
Pass	157,933	127,857	83,542	48,947	47,214	95,305	218,584	779,382
Special Mention	248	4,205	5,258	2,970	3,263	10,779	9,354	36,077
Substandard	-	330	229	36	16,891	8,760	11,187	37,433
Total Commercial Real Estate	158,181	132,392	89,029	51,953	67,368	114,844	239,125	852,892
Current year-to-date gross charge-offs	-	-	-	80	-	117	-	197
Obligations of State and Political Subdivisions								
Pass	1,408	3,351	1,217	1,570	822	22,475	12,852	43,695
Special Mention	-	-	-	-	-	143	-	143
Substandard	-	-	-	-	-	-	-	-
Total Obligations of State and Political Subdivisions	1,408	3,351	1,217	1,570	822	22,618	12,852	43,838
Current year-to-date gross charge-offs	-	-	-	-	-	-	-	-

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Information (Continued)

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:

	2024			
(in thousands)	Residential	Home Equity	Consumer	Credit Cards
Performing	$ 76,849	$ 141,598	$ 47,847	$ 9,394
Nonperforming	1,004	966	166	114
Total	$ 77,853	$ 142,564	$ 48,013	$ 9,508

	2023			
(in thousands)	Residential	Home Equity	Consumer	Credit Cards
Performing	$ 74,565	$ 128,239	$ 44,443	$ 8,376
Nonperforming	652	1,023	147	18
Total	$ 75,217	$ 129,262	$ 44,590	$ 8,394

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

	2024						
(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	$ 870	$ 129	$ 2,464	$ 3,463	$ 288,598	$ 292,061	$ 299
Commercial real estate	5,333	792	16,761	22,886	883,067	905,953	365
Obligations of states and political subdivisions	-	-	-	-	46,904	46,904	-
Residential	1,281	334	1,004	2,619	75,234	77,853	624
Home equity	709	326	966	2,001	140,563	142,564	94
Consumer:							
Consumer	373	146	166	685	47,328	48,013	78
Credit cards	213	88	113	414	9,094	9,508	113
Total	$ 8,779	$ 1,815	$ 21,474	$ 32,068	$ 1,490,788	$ 1,522,856	$ 1,573

	2023						
(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	$ 566	$ 143	$ 1,732	$ 2,441	$ 273,951	$ 276,392	$ 31
Commercial real estate	2,121	1,307	6,476	9,904	842,988	852,892	183
Obligations of states and political subdivisions	-	-	-	-	43,838	43,838	-
Residential	2,015	430	652	3,097	72,120	75,217	86
Home equity	807	420	1,023	2,250	127,012	129,262	-
Consumer:							
Consumer	460	103	147	710	43,880	44,590	89
Credit cards	208	39	18	265	8,129	8,394	18
Total	$ 6,177	$ 2,442	$ 10,048	$ 18,667	$ 1,411,918	$ 1,430,585	$ 407

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan Modifications

The Company adopted ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures" effective January 1, 2023. The amendments in ASU 2022-02 eliminated the recognition and measure of troubled debt restructurings and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty.

Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans included in the "combination" column below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: a term extension, principal forgiveness, an other-than-insignificant payment delay and/or an interest rate reduction. The following tables present loan modifications as of December 31:

			2024			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Payment Delay and Term Extension	Total Class of Financing Receivable
Commercial	$ -	$ -	$ 394	$ -	$ -	0.1%
Commercial real estate	-	7,275	-	-	3,115	1.1%
Total	$ -	$ 7,275	$ 394	$ -	$ 3,115	0.9%

			2023			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Payment Delay and Term Extension	Total Class of Financing Receivable
Commercial	$ -	$ -	$ -	$ -	$ -	-
Commercial real estate	-	995	-	-	3,115	0.5%
Total	$ -	$ 995	$ -	$ -	$ 3,115	0.4%

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

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:

	2024		
(in thousands)	Nonaccrual	Nonaccrual with No Allowance for Credit Loss	Loans Past Due 90 Days and Still Accruing
Commercial:			
Commercial	$ 2,165	$ -	$ 299
Commercial real estate	16,396	1,517	365
Residential	380	-	624
Home equity	872	-	94
Consumer	88	-	78
Total	$ 19,901	$ 1,517	$ 1,460

	2023		
(in thousands)	Nonaccrual	Nonaccrual with No Allowance for Credit Loss	Loans Past Due 90 Days and Still Accruing
Commercial:			
Commercial	$ 1,701	$ 227	$ 31
Commercial real estate	6,293	1,123	183
Residential	566	-	86
Home equity	1,023	-	-
Consumer	58	-	89
Total	$ 9,641	$ 1,350	$ 389

In 2024, interest income on loans would have increased by approximately $1.3 million if these loans had performed in accordance with their original terms. In 2023, interest income on loans would have increased by approximately $228 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 as of December 31:

(in thousands)	2024	2023
Commitments to extend credit	$ 296,606	$ 323,170
Letters of credit and financial guarantees	4,068	5,821
Total	$ 300,674	$ 328,991

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.

5. COMMITMENTS (Continued)

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 credit 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)	2024	2023
Land and improvements	$ 17,336	$ 15,812
Buildings	30,936	29,127
Furniture, fixtures, and equipment	25,334	23,192
Leasehold improvements	12,024	10,779
Construction in process	6,836	5,033
	92,466	83,943
Less accumulated depreciation and amortization	37,533	33,996
Total	$ 54,933	$ 49,947

Depreciation and amortization charged to operations was $3.5 million in 2024 and $2.9 million in 2023.

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. 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.

7. LEASE COMMITMENTS AND CONTINGENCIES (Continued)

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

(in thousands)	December 31, 2024	December 31, 2023
Operating lease cost	$ 1,475	$ 1,404
Short-term lease cost	29	27
Total Lease Cost	$ 1,504	$ 1,431

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 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 Pittsburgh advance rate corresponding to the lease term at time of commencement.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2024 are as follows:

(in thousands)	Operating Leases
2025	$ 1,279
2026	1,095
2027	827
2028	615
2029	369
2030 and thereafter	2,676
Total undiscounted lease payments	6,861
Impact of present value discount	(1,108)
Total operating lease liability	$ 5,753

The following table displays the weighted-average term and discount rates of operating leases outstanding as of December 31, 2024, and 2023, respectively:

	2024	2023
Weighted-average term (in years)	9.29	9.16
Weighted-average discount rate	4.01%	3.39%

8. DEPOSITS

The schedule of maturities of time deposits as of December 31, 2024 are summarized as follows:

Matures in		(in thousands)
2025	$	347,980
2026		87,853
2027		10,106
2028		9,526
2029		2,275
2030 and thereafter		7
	$	457,747

The aggregate amount of time certificates of deposit including individual retirement accounts with a minimum denomination equal to or in excess of $250 thousand was $95.2 million and $65.9 million as of December 31, 2024 and 2023, respectively.

Brokered deposits totaled $23.7 million and $66.2 million as of December 31, 2024 and 2023, 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 as of December 31 are summarized as follows:

(in thousands)	2024	2023
Balance at year-end	$ 29,929	$ 26,379
Average balance outstanding	$ 27,402	$ 27,527
Maximum month-end balance	$ 33,412	$ 33,350
Weighted-average rate during the year	1.66 %	1.42 %
Weighted-average rate at year-end	1.69 %	1.72 %

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 no balance as of December 31, 2024 and December 31, 2023. Also, there were no short-term FHLB advances with an original maturity of 12-months or less as of December 31, 2024 and December 31, 2023.

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, 2024 and December 31, 2023 is presented in the following tables:

9. SHORT-TERM BORROWINGS (Continued)

Repurchase Agreements (Continued)

	As of December 31, 2024				
	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	$ 39,475	-	-	-	$ 39,475
Total carrying value of collateral pledged	$ 39,475	-	-	-	$ 39,475
Total liability recognized for repurchase agreements					$ 29,929
Amounts related to agreements not included in offsetting disclosures above					$ 9,546

	As of December 31, 2023				
	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	$ 44,765	-	-	-	$ 44,765
Total carrying value of collateral pledged	$ 44,765	-	-	-	$ 44,765
Total liability recognized for repurchase agreements					$ 26,379
Amounts related to agreements not included in offsetting disclosures above					$ 18,386

10. OTHER BORROWED FUNDS

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

(in thousands)	Maturity Range		Weighted-Average	Stated Interest Rate Range			
Description	From	To	Interest Rate	From	To	2024	2023
Fixed rate	01/24/25	06/07/29	4.51%	1.63%	5.28%	$ 228,667	$ 222,181
						$ 228,667	$ 222,181

The schedule of maturities and principal payments of other borrowings as of December 31, 2024, are summarized as follows:

Years Ending December 31,	Amount (in thousands)	Weighted-Average Rate
2025	$ 77,000	4.31 %
2026	88,833	4.65
2027	42,834	4.53
2028	10,000	4.69
2029	10,000	4.61
	$ 228,667	4.51 %

10. OTHER BORROWED FUNDS (Continued)

The Bank is a member of the FHLB 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 Pittsburgh. Under this credit arrangement, the Bank has a remaining maximum borrowing capacity of approximately $393.8 million as of December 31, 2024, 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.

11. EMPLOYEE BENEFITS

401(k) Profit Sharing Plan

The Company maintains a trusteed Section 401(k) plan. Employees have the option to make salary-deferred contributions from their bi-weekly paychecks. The Company contributes a match of $1.00 for each $1.00 of salary-deferred contributions up to a limit of 5% of an employees' annual compensation. The employees direct their choice of investments on these salary-deferred contributions and Employer match contributions to 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 $23.0 thousand for 2024 and $22.5 thousand for 2023. The Company's contribution expense to this plan was $916 thousand for 2024 and $463 thousand for 2023.

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 the dividends received from the Company on the shares the ESOP holds, or 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 26,815 shares and distributed 9,186 to plan participants in 2024 and acquired 21,197 shares and distributed 19,595 shares to plan participants in 2023. Included in income was the Company's ESOP contribution expense of $0 and $1.0 million for the years ended December 31, 2024 and 2023, respectively. With the termination of the defined benefit plan in 2024, discussed later in this footnote, $2.0 million in excess plan assets were transferred to a prepaid retirement contribution account, which will to be used to fund the ESOP contributions until exhausted. These funds are presented in other assets on the Consolidated Balance Sheets.

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

(in thousands)	2024	2023
Allocated shares	178	161
Unreleased shares	-	-
Total ESOP shares	178	161
Fair value of unreleased shares (in thousands)	$ -	$ -

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, 2024 and 2023, the estimated fair value of allocated shares and cash was $8.2 million and $6.9 million, respectively.

11. EMPLOYEE BENEFITS (Continued)

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 2024 and 2023, the Company expensed $0 and $7 thousand, respectively, related to these plans.

Defined Benefit Plan

The Company sponsored a trustee, noncontributory defined benefit pension plan that covered all employees meeting eligibility requirements. Contributions were 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 were 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.

In 2023, the Bank made the decision to terminate the Somerset Trust Company Defined Benefit Pension Plan. A request for approval of the Plan termination was submitted in May 2023 to the Pension Benefit Guarantee Corporation. Beneficiaries of the Plan with benefits in excess of $5 thousand were given the choice of receiving their Plan benefits in the form of an annuity or in the form of an immediate lump sum, with November 1, 2023 designated as the date to determine each participants' benefit. Participants that elected the lump sum option received their payments in November 2023; Participants that elected the annuity option (or made no election by the October 13, 2023 election due date) had an annuity purchased by the Bank in early 2024. As a result, final settlement of the Plan termination occurred in 2024 and no financial information is presented in the following tables for the year ending December 31, 2024.

The Company's funding policy was 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)		2023
Change in benefit obligation:		
Benefit obligation at beginning of year	$	13,431
Interest cost		606
Effect of actuarial gain		96
Change in assumptions		327
Settlements		(3,807)
Benefits paid		(7,597)
Benefit obligation at end of year		3,056
Change in plan assets:		
Fair value of plan assets at beginning of year		15,681
Actual return on plan assets		681
Benefits paid		(11,404)
Fair value of plan assets at end of year		4,958
Funded status	$	1,902
Amounts recognized in accumulated other comprehensive income (loss) consist of:		
Net loss	$	(1,123)
Total	$	(1,123)

11. EMPLOYEE BENEFITS (Continued)

Defined Benefit Plan (Continued)

The accumulated benefit obligation for the defined benefit pension plan was $0 and $3.1 million at December 31, 2024 and 2023, respectively.

Components of Net Periodic Pension (Benefit) Cost

(in thousands)		2023
Net periodic pension cost:		
Interest cost	$	606
Expected return on plan assets		(887)
Amortization of net loss		210
Settlement costs		3,807
Net periodic pension cost	$	3,736

Assumptions

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

	2023
Discount rate	5.10 %

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

	2023
Discount rate	5.26 %

Plan Assets

With the termination of the plan, all assets were moved to cash in 2023. The Bank's defined benefit pension plan weighted-average asset allocations as of December 31 by asset category are as follows:

	2023
Cash and cash equivalents	100.00 %
Taxable municipal bonds	0.00
Corporate bonds and notes	0.00
Equity securities	0.00
Total	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 will result 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. Prior asset allocation strongly favored corporate bonds and equity securities. With the termination of the plan, all assets were moved to cash in 2023.

12. INCOME TAXES

Federal income tax expense consists of the following:

(in thousands)		2024		2023
Currently payable:				
Federal	$	5,015	$	4,627
State		29		39
Deferred		(53)		(552)
Total	$	4,991	$	4,114

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

(in thousands)		2024		2023
Deferred tax assets:				
Allowance for credit losses	$	3,954	$	4,469
Deferred loan fees		401		405
Nonaccrual loans		629		366
Nonqualified retirement plan		574		574
Lease liability		1,208		1,230
Writedown of other security		53		53
Net unrealized loss on investment securities		12,026		8,392
Net unrealized pension obligation		-		236
Other		288		143
Total		19,133		15,868
Deferred tax liabilities:				
Premises and equipment		3,159		3,092
Prepaid pension asset		398		635
Fair value adjustments from acquisition		4		4
Right of use asset		1,211		1,227
Total		4,772		4,958
Net deferred tax asset	$	14,361	$	10,910

No valuation allowance was established as of December 31, 2024 and 2023, 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.

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

	2024				2023			
(in thousands)		Amount	% of Pretax Income			Amount	% of Pretax Income	
Computed at statutory rate	$	6,205	21.0	%	$	5,758	21.0	%
State income tax		23	0.1			31	0.1	
Effect of tax-free investment income		(1,133)	(3.8)			(1,532)	(5.6)	
Earnings on bank-owned life insurance		(199)	(0.7)			(188)	(0.7)	
Other		95	0.3			45	0.2	
Income tax expense and effective rate	$	4,991	16.9	%	$	4,114	15.0	%

12. INCOME TAXES (Continued)

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 Statements of Income. The Company's federal and state income tax returns for taxable years through 2020 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, 2024 and 2023, 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.

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, 2024 and 2023, 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.

	2024		2023	
	Amount (in thousands)	Ratio	Amount (in thousands)	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 216,748	12.59 %	$ 195,325	11.98 %
For capital adequacy purposes	137,678	8.00	130,389	8.00
To be well-capitalized	172,098	10.00	162,987	10.00
Tier I capital (to risk-weighted assets)				
Actual	$ 196,544	11.42 %	$ 175,036	10.74 %
For capital adequacy purposes	103,259	6.00	97,792	6.00
To be well-capitalized	137,678	8.00	130,389	8.00
Common Equity Tier I capital (to risk-weighted assets)				
Actual	$ 196,544	11.42 %	$ 175,036	10.74 %
For capital adequacy purposes	77,444	4.50	73,344	4.50
To be well-capitalized	111,864	6.50	105,941	6.50
Tier I capital (to average assets)				
Actual	$ 196,544	8.62 %	$ 175,036	8.45 %
For capital adequacy purposes	91,230	4.00	82,872	4.00
To be well-capitalized	114,038	5.00	103,590	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.

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 credit losses allocation less the total cost to sell allocations for such loans. Specific allocations to the allowance for credit losses for impaired loans were $4.0 million and $3.7 million as of December 31, 2024 and 2023. The estimated holding and selling costs, which have been included in the fair value of the loans were $588 thousand and $162 thousand as of December 31, 2024 and 2023, 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.

15. FAIR VALUE MEASUREMENTS (Continued)

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.

(in thousands)	2024 Level I	Level II	Level III	Total
Fair value measured on a recurring basis:				
Securities available for sale:				
Obligations of states and political subdivisions	$ -	$ 326,978	$ -	$ 326,978
U.S. treasuries	-	-	-	-
U.S. government agencies	-	9,994	-	9,994
Mortgage-backed securities:				
Government-sponsored entities	-	226,750	-	226,750
Corporate debt obligations	-	34,930	-	34,930
Fair value measured on a nonrecurring basis:				
Individually evaluated loans - collateral dependent	-	-	11,269	11,269

(in thousands)	2023 Level I	Level II	Level III	Total
Fair value measured on a recurring basis:				
Securities available for sale:				
Obligations of states and political subdivisions	$ -	$ 338,478	$ -	$ 338,478
U.S. treasuries	-	-	-	-
U.S. government agencies	-	11,094	-	11,094
Mortgage-backed securities:				
Government-sponsored entities	-	213,135	-	213,135
Corporate debt obligations	-	36,360	-	36,360
Fair value measured on a nonrecurring basis:				
Individually evaluated loans - collateral dependent	-	-	3,804	3,804

The following tables present quantitative information about the Level III significant unobservable inputs for assets measured at fair value on a nonrecurring basis as of December 31, 2024 and 2023:

	2024 Quantitative Information about Level III Fair Value Measurements			
December 31, 2024	Estimate (in thousands)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Individually evaluated loans - collateral dependent	$ 11,269	Fair value of collateral (1)	Appraisal adjustments (2)	0% to 100% (16.43%)

	2023 Quantitative Information about Level III Fair Value Measurements			
December 31, 2023	Estimate (in thousands)	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Individually evaluated loans - collateral dependent	$ 3,804	Fair value of collateral (1)	Appraisal adjustments (2)	0% to 100% (45.37%)

(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:

	2024				
(in thousands)	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Cash and cash equivalents	$ 45,003	$ 45,003	$ 45,003	$ -	$ -
Mortgage loans held for sale	20,783	20,783	20,783	-	-
Net loans	1,504,077	1,499,082	-	-	1,499,082
Regulatory stock	9,995	9,995	9,995	-	-
Accrued interest receivable	10,725	10,725	10,725	-	-
Financial liabilities:					
Deposits	$ 1,881,406	$ 1,883,453	$ 1,423,659	$ -	$ 459,794
Short-term borrowings	29,929	29,929	29,929	-	-
Other borrowed funds	228,667	228,866	-	-	228,866
Accrued interest payable	5,897	5,897	5,897	-	-

	2023				
(in thousands)	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Cash and cash equivalents	$ 42,403	$ 42,403	$ 42,403	$ -	$ -
Mortgage loans held for sale	11,124	11,124	11,124	-	-
Net loans	1,411,813	1,392,466	-	-	1,392,466
Regulatory stock	9,823	9,823	9,823	-	-
Accrued interest receivable	10,035	10,035	10,035	-	-
Financial liabilities:					
Deposits	$ 1,787,340	$ 1,793,511	$ 1,409,618	$ -	$ 383,893
Short-term borrowings	26,379	26,379	26,379	-	-
Other borrowed funds	222,181	222,581	-	-	222,581
Accrued interest payable	4,293	4,293	4,293	-	-

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.

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, 2023 and 2024.

(in thousands)	Net Unrealized Gain (Loss) on Securities (a)	Net Unrecognized Pension Costs (a)	Total (a)
Accumulated other comprehensive income (loss), January 1, 2023	$ (48,271)	$ (3,563)	$ (51,834)
Other comprehensive income (loss) before reclassification	16,425	2,510	18,935
Amounts reclassified from accumulated other comprehensive income	200	166	366
Accumulated other comprehensive income (loss), December 31, 2023	(31,646)	(887)	(32,533)
Other comprehensive income (loss) before reclassification	(13,669)	887	(12,782)
Amounts reclassified from accumulated other comprehensive income	-	-	-
Accumulated other comprehensive income (loss), December 31, 2024	$ (45,315)	$ -	$ (45,315)

(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, 2024 and 2023.

	Amount Reclassified From Accumulated Other Comprehensive Income (Loss) (a)		Affected Line on on the Consolidated Statement of Income
(in thousands)	2024	2023	
Realized gain (loss) on sale of securities	$ -	$ (253)	Investment security gains (losses), net
	-	53	Income tax expense
	$ -	$ (200)	
Net unrecognized pension costs	$ -	$ (210)	Other expense
	-	44	Income tax expense
	$ -	$ (166)	

(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 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, 2024	2023
Non-Interest Income		
In-scope of Topic 606:		
Trust and investment services income		
Trust department income	$ 5,124	$ 4,321
Investment services income	521	533
	5,645	4,854
Service charges on deposit accounts		
Service charges	314	309
Overdraft fees	1,959	1,681
Other	60	50
	2,333	2,040
Fees and other services		
Credit card income	114	312
Debit card income	5,314	5,439
ATM fees	506	452
Other	57	21
	5,991	6,224
Other	676	732
Non-interest income (in-scope of Topic 606)	14,645	13,850
Non-interest income (out-of-scope of Topic 606)	3,024	2,536
Total Non-Interest Income	$ 17,669	$ 16,386

19. RELATED-PARTY TRANSACTIONS

The Company maintains loan and deposit relationships with related parties. All related-party transactions are consummated on terms equivalent to those that prevail in arm's-length transactions.

Loans to executive officers, directors, and their related interests as of December 31, 2024 and 2023 were $5.8 million and $7.9 million, respectively.

Deposits from executive officers, directors, and their related interests as of December 31, 2024 and 2023 were $4.5 million and $6.1 million, respectively.

20. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 18, 2025, the date the financial statements were available to be issued and no additional subsequent events occurred requiring accrual or disclosure.

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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 the Company has assessed its 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, 2024. 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, 2024. 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.

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 – Consolidated Statements for Holding Companies, as of December 31, 2024, 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, 2024, 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 – Consolidated Statements for Holding Companies, as of December 31, 2024, has been audited by FORVIS, LLP, an independent public accounting firm, as stated in their report dated March 18, 2025.

Sean M. Cook
Chief Executive Officer
March 18, 2025

Jennifer A. Sheeler
Chief Financial Officer
March 18, 2025

SOMERSET TRUST HOLDING COMPANY

FIVE YEAR SUMMARY OF FINANCIAL CONDITION

(unaudited)

(in thousands, except per share data)

	December 31, 2024	2023	2022	2021	2020
ASSETS					
Cash and due from banks	$ 45,003	$ 42,403	$ 39,937	$ 150,840	$ 68,618
Investment securities available for sale	598,652	599,067	604,014	514,492	353,770
Mortgage loans held for sale	20,783	11,124	2,506	499	2,703
Loans (net)	1,504,077	1,411,813	1,245,106	1,112,013	1,099,683
Bank premises & equipment	54,933	49,947	38,565	35,160	32,233
Accrued interest receivable	10,725	10,035	9,570	7,170	7,286
Other assets	81,419	74,950	77,779	47,252	46,235
TOTAL ASSETS	$ 2,315,592	$ 2,199,339	$ 2,017,477	$ 1,867,426	$ 1,610,528
LIABILITIES AND SHAREHOLDERS' EQUITY					
Non-interest bearing deposits	$ 399,543	$ 422,205	$ 440,418	$ 405,393	$ 321,979
Interest bearing deposits	1,481,863	1,365,135	1,217,404	1,181,457	1,006,130
Total Deposits	1,881,406	1,787,340	1,657,822	1,586,850	1,328,109
Other borrowed funds	258,596	248,560	237,889	120,943	131,030
Accrued interest payable	5,897	4,293	941	770	1,196
Other liabilities	18,444	16,624	17,956	18,870	19,291
TOTAL LIABILITIES	2,164,343	2,056,817	1,914,608	1,727,433	1,479,626
Common stock	3,583	3,583	3,583	3,448	3,442
Undivided profits	191,995	170,739	150,271	133,511	124,193
Unearned ESOP shares	-	-	-	(639)	(739)
Rabbi Trust	(2,089)	(2,342)	(2,226)	(2,368)	(3,164)
Surplus	3,075	3,075	3,075	3,075	3,075
Accumulated other comprehensive income (loss)	(45,315)	(32,533)	(51,834)	2,966	4,095
TOTAL SHAREHOLDERS' EQUITY	151,249	142,522	102,869	139,993	130,902
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,315,592	$ 2,199,339	$ 2,017,477	$ 1,867,426	$ 1,610,528
Outstanding Shares at December 31	2,522	2,522	2,522	2,506	2,503
BOOK VALUE PER SHARE	$ 59.97	$ 56.51	$ 40.79	$ 55.86	$ 52.30

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,				
	2024	**2023**	**2022**	**2021**	**2020**
INTEREST INCOME					
Interest and fees on loans	$ 99,860	$ 84,478	$ 63,130	$ 59,405	$ 56,807
Interest and dividends	23,386	21,108	15,906	9,975	9,511
Total interest income	123,246	105,586	79,036	69,380	66,318
INTEREST EXPENSE	42,715	25,569	8,547	7,263	10,285
NET INTEREST INCOME	80,531	80,017	70,489	62,117	56,033
Provision for loan losses	643	3,400	1,045	4,142	6,563
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	79,888	76,617	69,444	57,975	49,470
Other operating income	17,669	16,386	16,108	17,388	18,818
Other operating expense	68,077	65,654	61,415	59,807	55,511
INCOME BEFORE INCOME TAXES	29,480	27,349	24,137	15,556	12,777
Income tax expense	4,991	4,114	3,281	1,610	1,241
NET INCOME	$ 24,489	$ 23,235	$ 20,856	$ 13,946	$ 11,536
Weighted average shares outstanding	2,522	2,522	2,518	2,507	2,507
NET INCOME PER SHARE	$ 9.71	$ 9.21	$ 8.28	$ 5.56	$ 4.60
CASH DIVIDENDS PER SHARE	$ 1.65	$ 1.61	$ 1.57	$ 1.53	$ 1.49

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

Board of Directors

T. Jeffrey Cook, Esq.
Chairman
Somerset Trust Company

Sean M. Cook
Vice Chairman
Somerset Trust Company

Jeffrey P. Anzovino, CPA
Deluzio & Company LLP

Vickie L. Beer, CPA
Beer, Ream & Company

Gregory D. Glosser
M. Glosser & Sons Inc.

Sean C. Isgan
CME Management LLC

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

J. Scott Roberts
SunStorm LLC

Dale A. Gray
Gautier Steel Holdings Inc.

Directors Emeriti

G. Henry Cook
Chairman Emeritus

Jon C. Clapper

Andrew F. Cook

Barbara W. Davies

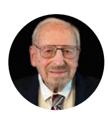
Dean M. Hottle

John M. Kriak

Troy A. Miller

Ann B. Persun

Fred S. Shaulis



Marlin C. Sherbine

Joan M. Wheeler

Richard C. Yeager

Holding Company Officers

Sean M. Cook
President

Christopher R. Robbins, Esq.
Secretary

Jennifer A. Sheeler
Treasurer

Bank Officers

Sean M. Cook
Chief Executive Officer
President

John C. Ash
Chief Information Officer
Senior Vice President

Angela K. Lucas
Chief Risk Officer
Senior Vice President

Jennifer A. Sheeler
Chief Financial Officer
Senior Vice President

Brandon J. Adams
Interim Chief Operations Officer
Vice President

Aaron R. Hoover
Senior Vice President
Facilities & Security Officer

Melissa S. Platt
Senior Vice President
Senior Human Resources Officer

Susan Powell
Senior Vice President
Senior Auditor

Christopher R. Robbins , Esq.
Senior Vice President
General Counsel

Michael B. Whipkey
Senior Vice President
Compliance & Privacy Officer

Paula G. Albert
Vice President
Information Technology Manager

Sara M. Baird
Vice President
BSA Officer

Daniel M. Honkus
Vice President
Controller

Cathy A. Lichty
Vice President
Core Application Systems & Support Officer

Renold M. Sossong, Esq.
Vice President
Assistant General Counsel

Janeen M. Cochran
Assistant Vice President
IRA Specialist

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

Trisha N. Hottle
Assistant Vice President
Training Officer

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

JoAlyce Kopinski
Assistant Vice President
Audit Officer

Scott D. Latuch
Assistant Vice President
Assistant Controller

Robert P. Luteri
Assistant Vice President
Security Officer

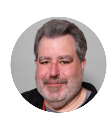
Christopher J. Mostoller
Assistant Vice President
Information Technology Officer

Beth A. Prinkey
Assistant Vice President
Operations Officer

Joshua C. Sechler
Assistant Vice President
Treasury Management Officer

Heather J. Smith
Assistant Vice President
Audit Officer

Brandi Whipkey
Assistant Vice President
Human Resources Officer



Brian P. Brant
Information Technology Officer

Bank Officers, Cont'd

Kara W. Brown
Card Services Operations Officer

Melissa K. Countryman
Branch Training Officer

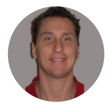
Tanya M. Heinbaugh
Fraud Officer

Christopher R. Kimmel
Treasury Management Officer

Adam D. Kopp
Facilities Officer

Mitzi R. Krause
Treasury Management Officer

Sean D. Kubasky
Security & Facilities Maintenance Officer



Phillip J. Marisa
Information Technology Officer

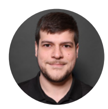
Donna M. Meinecke
Event & Project Administrator

Michael R. Petrosky
Information Technology Security Officer

Myles D. Ream
Accounting Officer

Bonnie L. Roberts
Assistant Security Officer

Shawn S. Sefick
Workplace Banking Officer



Travis E. Shaulis
Facilities Maintenance Officer

Michael M. Stibich
Treasury Management Officer

Nicole L. Zepp
Audit Officer

Branch Administration

Alan L. Brick
Senior Vice President
Senior Branch Administrator

Kamala A. Schmucker
Vice President
Lead Branch Administrator

Christopher D. Stoner
Vice President
Lead Branch Administrator

James P. Leahey
Vice President
Branch Manager

Angela S. Klotz
Assistant Vice President
Branch Operational Review Officer

Kurt E. Miller
Customer Care Center Officer

Michael D. Miller
Lead Branch Administrator

Danielle L. Alcorn
Branch Manager

Kathryn L. Billy
Branch Manager

Lisa A. Geary
Branch Manager

Jennifer A. Gross
Branch Manager

Heather L. Harding
Branch Manager

Branch Administration, Cont'd

Bonnie K. Henry
Branch Manager



Kimberly A. Hirko
Branch Manager

Mary Jo Hixson
Branch Manager



Cynthia Knaus
Branch Manager

JoAnn D. Mock
Branch Manager

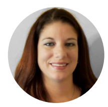


Pamela Moore
Branch Manager

Candy Myers
Branch Manager



Richard M. Ola
Branch Manager

Marla A. Olinzock
Branch Manager



AnaChina S. Pulido
Branch Manager

Daniel G. Spinelli
Branch Manager



Andrew T. Urban
Branch Manager

Carrie A. Waldron
Branch Manager



Jody M. Weaver
Branch Manager

Brandy M. Weimer
Branch Manager

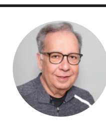


Antoinette L. Wilson
Branch Manager

Markus J. Yuko
Branch Manager


Commercial Lending

Eric M. Radcliffe
Chief Credit Officer
Senior Vice President



Robert A. Boscarino
Senior Vice President
Commercial Lending Team Lead

Tyson E. Cook
Senior Vice President
Commercial Lending Team Lead



John E. Kubinsky
Senior Vice President
Commercial Lending Team Lead

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



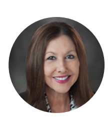
William J. Locher
Senior Vice President
Senior Commercial Loan Officer

John A. Malone
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



Lori N. Soles
Senior Vice President
Commercial Loan Officer

Commercial Lending, Cont'd


Robert A. Vernick
Senior Vice President
Commercial Loan Officer


Tamara L. Walker
Vice President
Commercial Lending Credit Administrator


Cheryl L. Campbell
Vice President
Commercial Loan Officer


Emaline L. Diehl
Vice President
Commercial Loan Officer


Wagner R. Garces
Vice President
Commercial Loan Officer


Daniel B. Harshberger
Vice President
Commercial Loan Officer


Marcia J. Karasek
Vice President
Commercial Loan Officer


Kimberly J. Riek
Vice President
Commercial Loan Officer


Megan L. Schaffer
Vice President
Commercial Loan Officer


Jerome M. Supko
Vice President
Commercial Loan Officer


Kevin M. Volk
Vice President
Commercial Construction Loan Manager


Joshua W. Miller
Assistant Vice President
Economic Development Officer


Rebecca R. Spoerlein
Assistant Vice President
Credit Analyst II


Tiffani M. Fisher
Commercial Loan Officer


Parke Kreinbrook
Vice President
Senior SBA Lender


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


Michael L. Carr
Vice President
Agriculture Loan Officer


Nicole R. Figura
Vice President
Commercial Loan Officer


Brook E. Gardner
Vice President
Commercial Loan Officer

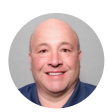

Kristen M. Kaib
Vice President
Commercial Loan Officer


Cassie J. Moon
Vice President
Commercial Loan Officer


Matthew C. Rigo
Vice President
Commercial Loan Officer


Kyle S. Shaffer
Vice President
Commercial Loan Officer


Chastity Thornton
Vice President
Commercial Loan Officer


William F. Wise
Vice President
Commercial Loan Officer


Kevin E. Siebert
Assistant Vice President
Commercial Loan Officer


Ryan M. Fisher
Commercial Loan Officer


Amanda E. Hersch
Credit Analyst

Commercial Lending, Cont'd

Heather L. Ream
Commercial Loan Officer

Jessica D. Schomer
Commercial Loan Officer

William J. B. Stasko
Commercial Loan Officer

Christine N. Hutzell
Assistant to Commercial Loan Officer

Melissa A. Pringle
Assistant to Commercial Loan Officer

Alisha J. Spangler
Lead Commercial Loan Processor

Lee A. Uptegraph
Assistant to Commercial Loan Officer

Jeremy K. Young
Credit Analyst

Consumer & Mortgage Lending

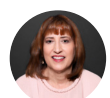
Suzanne L. Huls
Vice President
Senior Consumer Lending Officer

Adam C. Hamilton
Vice President
Systems/Reporting Senior Business Analyst

Kathleen L. Geary
Vice President
Consumer Lending Lead Officer

Sherry D. Desort
Assistant Vice President
Mortgage Sales Manager

Carol L. Tokar
Assistant Vice President
Consumer Real Estate Managerw

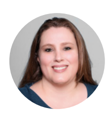


Catherine W. Zborovancik
Assistant Vice President
Loan Operations Succession Planning/Training

Cinthia K. Beeman
Consumer Loan Officer

Karen S. Carr
Mortgage Operations Manager

Mary L. Conn
Consumer Real Estate Originator



Heidi M. Cover
Consumer Real Estate Originator

Loretta L. Deal
Mortgage Originator

Scott M. Gilmore
Consumer Loan Adverse Action Officer

Kristi E. Japalucci
Appraisal & Collateral Processor

Brian K. Kauffman
Consumer Loan Officer

Lacee J. Landis
Lending Services Manager

Melissa A. Mickey
Mortgage Originator

Tammy S. Miner
Consumer Real Estate Originator

Trent B. Perry
Mortgage Originator

Sharon L. Schickel
Real Estate Closing Coordinator Supervisor

Karyn S. Sechler
Consumer Real Estate Originator

Consumer & Mortgage Lending, Cont'd


Lori A. Walker
CNS Underwriting/Processing Manager


Michelle M. Wilhelm
Mortgage Underwriting Officer


Elisha R. Zimmerman
Lending Systems Officer

Trust & Investment Services


Jason R. Yuhas
Senior Vice President
Senior Wealth Management Officer


Lisa M. Bittner
Vice President
Senior Trust Officer


Felicia A. DeVincentis
Vice President
Wealth Advisor & Trust Officer


Stacey L. Long
Vice President
Trust Officer & Assistant Secretary


Nancy L. Marley
Vice President
Trust Officer


Donna J. McAlister
Vice President
Trust Officer


Michelle R. McCombie
Vice President
Trust Operations Officer


Jordan C. Ochoa
Vice President
Trust Investment Officer


Sherry Gacka
Assistant Vice President
Trust Operations Systems Officer


Denise A. Gost
Assistant Vice President
Trust Officer


Ian R. Mapes
Assistant Vice President
Trust Investment Officer


Megan L. O'Brien
Assistant Vice President
Trust Officer

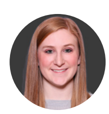

Diane L. Kerr
Trust Officer


Ashley R. Perez
Trust Officer


Matthew R. Stahl
Quality Control & Innovation Officer


Barry J. Testa
Investment Advisor


Kenneth G. Trimbath
Wealth Business Development Officer


Amanda M. Dively
Assistant Trust Officer


Jennie E. Reese
Assistant Trust Officer


Olivia N. Scouten
Assistant Trust Officer

Corporate Offices

Administrative Headquarters
151 West Main Street
Somerset, PA 15501

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

Operations Complex
139 East Patriot Street
Somerset, PA 15501

STC Settlements Office
226 Main Street
Irwin, PA 15642

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

Branches

Bedford Branch
8796 Lincoln Highway
Bedford, PA 15522

Berlin Branch
420 Main Street
Berlin, PA 15530

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

Champion Branch
1446 County Line Road
Champion, PA 15622

Confluence Branch
612 Logan Place
Confluence, PA 15424

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

Downtown Greensburg Branch
100 North Main Street
Greensburg, PA 15601

Fishertown Branch
2095 Quaker Valley Road
Fishertown, PA 15539

Frostburg Branch
351 East Main Street
Frostburg, MD 21532

Frostburg Broadway Branch
3 South Broadway
Frostburg, MD 21532

Glades Pike Branch
4185 Glades Pike
Somerset, PA 15501

Grantsville Branch
3245 Chestnut Ridge Road
Grantsville, MD 21536

Greensburg Branch
859 East Pittsburgh Street
Greensburg, PA 15601

Hooversville Branch
803 Barn Street
Hooversville, PA 15936

Hopwood Branch
1141 National Pike
Uniontown, PA 15401

Johnstown Branch
116 Market Street
Johnstown, PA 15901

Latrobe Branch
3857 State Route 30
Latrobe, PA 15650

Ligonier Branch
228 West Main Street
Ligonier, PA 15658

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

Lilly Branch
500 Main Street
Lilly, PA 15938

Main Office
151 West Main Street
Somerset, PA 15501

Meyersdale Branch
151 Center Street
Meyersdale, PA 15552

Meyersdale Southside Branch
7109 Mason Dixon Highway
Meyersdale, PA 15552

Mt. Pleasant Branch
632 West Main Street
Mount Pleasant, PA 15666

Mt. Pleasant Walmart Branch
2100 Summit Ridge Plaza
Mount Pleasant, PA 15666

National Pike Branch
4640 National Pike
Markleysburg, PA 15459

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

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

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

Perryopolis Branch
100 Quaker Church Road
Perryopolis, PA 15473

Richland Branch
1416 Scalp Avenue
Johnstown, PA 15904

Richland Giant Eagle Branch
1451 Scalp Avenue
Johnstown, PA 15904

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

Scottdale Branch
157 Pittsburgh Street
Scottdale, PA 15683

Somerset Plaza Branch
1614 North Center Avenue
Somerset, PA 15501

Somerset Walmart Branch
2028 North Center Avenue
Somerset, PA 15501

South Greensburg Branch
1301 South Main Street
Greensburg, PA 15601

Uniontown Branch
82 West Fayette Street
Uniontown, PA 15401

Uniontown Giant Eagle Branch
581 Pittsburgh Road
Uniontown, PA 15401

UPJ Student Union Branch
450 Schoolhouse Road
Johnstown, PA 15904

Vienna Branch
100 Maple Avenue East
Vienna, VA 22180

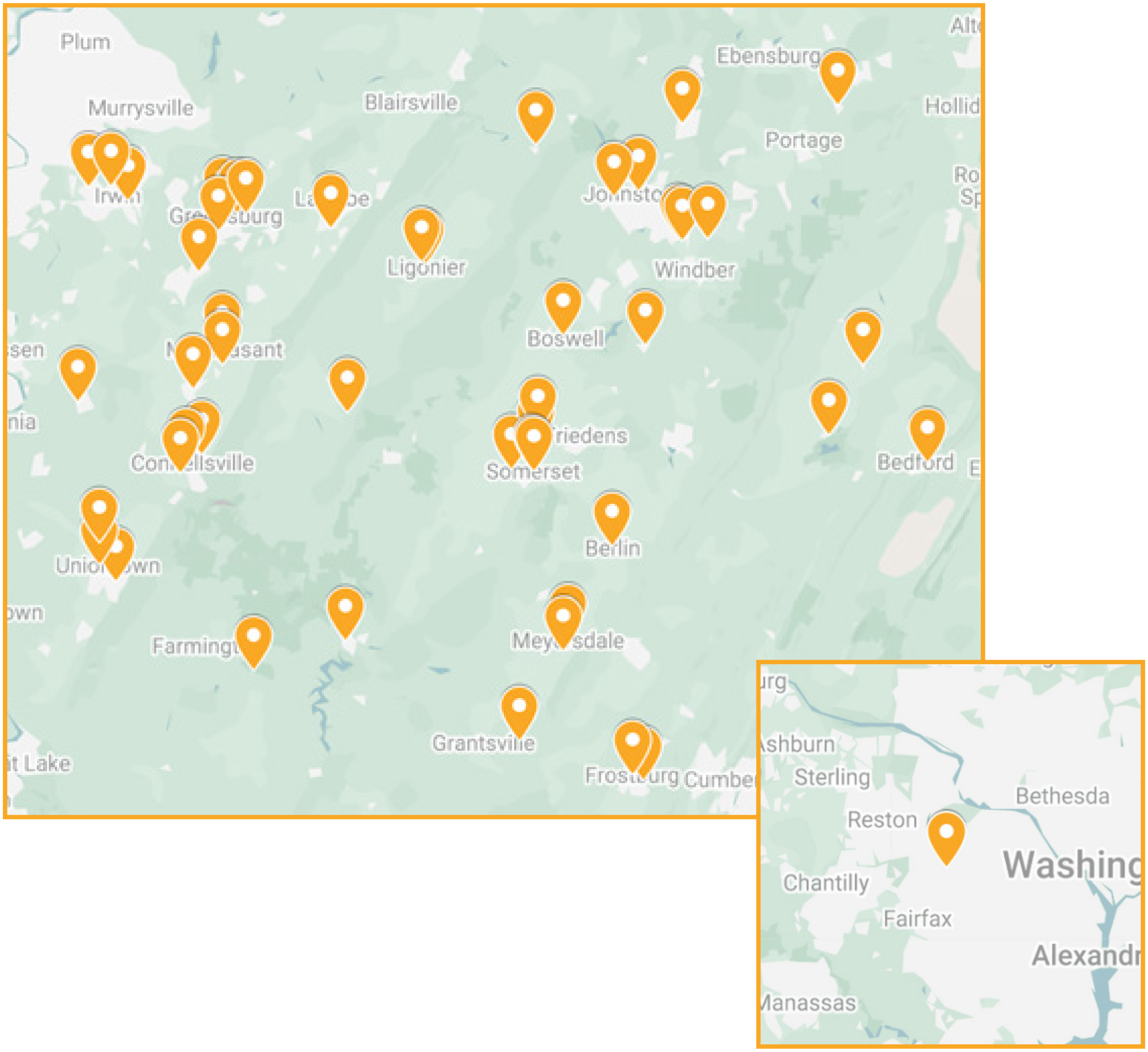
Vinco Branch
2690 William Penn Avenue, Suite 5
Johnstown, PA 15909

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

Westwood Branch
1739 Lyter Drive
Johnstown, PA 15905

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

Map of Offices & Branches



151 West Main Street
Somerset, Pennsylvania 15501
800-972-1651
somersettrust.com