

REFINITIV

DELTA REPORT

10-K

CBFV - CB FINANCIAL SERVICES, IN
10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2661
CHANGES	489
DELETIONS	1131
ADDITIONS	1041

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934


For the fiscal year ended **December 31, 2022** **December 31, 2023**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: **001-36706**

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CB FINANCIAL SERVICES, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

51-0534721

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification Number)

100 North Market Street, Carmichaels, Pennsylvania

15320

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(724) 966-5041**

Securities registered pursuant to Section 12(b) of the Act:

Common stock, par value \$0.4167 per share

CBFV

The Nasdaq Stock Market, LLC

(Title of each class)

(Trading symbol)

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated Filer ☐

Non-accelerated Filer ☒

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the last sale price on **June 30, 2022** **June 30, 2023**, as reported by the Nasdaq Global Market, was approximately **\$113.6 million**, **\$98.3 million**.

As of **March 7, 2023** **March 6, 2024**, the number of shares outstanding of the Registrant's Common Stock was **5,121,413**, **5,143,123**.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the **2023** **2024** Annual Meeting of Stockholders of the Registrant (Part III)

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PART I

This Annual Report on Form 10-K ("Report") contains forward-looking statements within the meaning of Sections 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "assume," "plan," "seek," "expect," "will," "may," "should," "indicate," "would," "contemplate," "continue," "target" and words of similar meaning. These forward-looking statements include, but are not limited to statements of our goals, intentions and expectations; statements regarding our business plans, prospects, growth and operating strategies; statements regarding the asset quality of our loan and investment portfolios; and estimates of our risks and future costs and benefits. These forward-looking statements are based on our current beliefs and expectations, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this Report. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- our ability to manage our operations under the current economic conditions nationally and in our market area, including the scope and duration of the COVID-19 pandemic ("COVID-19"), the outbreak of its variants, and its effects on the Company's business and that of the Company's customers;
- government action in response to COVID-19 and its effects on the Company's business and that of the Company's customers; area;
- adverse changes in the financial industry, securities, credit, and national and local real estate markets (including real estate values);
- changes in consumer spending, borrowing and savings habits;
- inflation and changes in interest rates generally, including changes in the relative differences between short-term and long-term interest rates and in deposit interest rates, that may affect our net interest margin and funding sources;
- declines in the yield on our interest-earning assets resulting from the current low interest rate environment;
- significant increases in our loan credit losses, including our inability to resolve classified and nonperforming assets or reduce risks associated with our loans, and management's assumptions in determining the adequacy of the allowance for loan credit losses;
- credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and in our allowance for loan losses and provision for loan losses;
- loan delinquencies and changes in the underlying cash flows of our borrowers;
- our success in increasing our commercial real estate and commercial business lending;
- our ability to maintain/improve our asset quality even as we increase our commercial real estate and commercial business lending;
- risks related to a high concentration of loans secured by real estate located in our market area;
- fluctuations in the demand for loans;
- competitive products and pricing among depository and other financial institutions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate the operations of businesses we have acquired;
- our ability to attract and maintain deposits and our success in introducing new financial products;
- changes in our compensation and benefit plans, and our ability to attract and retain key members of our senior management team and to address staffing needs in response to product demand or to implement our strategic plans;
- our ability to control costs and expenses, particularly those associated with operating as a publicly traded company;
- technological changes that may be more difficult or expensive than expected;
- the failure or security breaches of computer systems on which we depend;
- the ability of preventing or detecting cybersecurity attacks on customer credentials, developing multiple layers of security controls that defend against malicious use of customer internet-based products and services of Community Bank, and our business continuity plan to recover from a malware or other cybersecurity attack;
- the ability of key third-party service providers to perform their obligations to us; and

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- changes in laws or government regulations or policies affecting financial institutions, which could result in, among other things, increased deposit insurance premiums and assessments, capital requirements, regulatory fees and compliance costs, and the resources we have available to address such changes;

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- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- exploration and drilling of natural gas reserves in our market area may be affected by federal, state and local laws and regulations affecting production, permitting, environmental protection and other matters, which could materially and adversely affect our customers, loan and deposit volume, and asset quality;
- our customers who depend on the exploration and drilling of natural gas reserves may be materially and adversely affected by decreases in the market prices for natural gas;
- other economic, competitive, governmental, regulatory and operational factors affecting our operations, pricing, products and services described elsewhere in this Report.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the expected results indicated by these forward-looking statements.

In this Report, the terms “we,” “our,” and “us” refer to CB Financial Services, Inc., and Community Bank and Exchange Underwriters, Inc., unless the context indicates another meaning. In addition, we sometimes refer to CB Financial Services, Inc., as “CB,” or the “Company” and to Community Bank as the “Bank.”

ITEM 1. BUSINESS

CB Financial Services, Inc.

CB Financial Services, Inc. (the “Company”), a Pennsylvania corporation, is a bank holding company headquartered in Carmichaels, Pennsylvania. The Company’s common stock is traded on the Nasdaq Global Market under the symbol “CBFV.” The Company conducts its operations primarily through its wholly owned subsidiary, Community Bank, a Pennsylvania-chartered commercial bank. At December 31, 2022 December 31, 2023, the Company, on a consolidated basis, had total assets of \$1.41 billion \$1.46 billion, total liabilities of \$1.30 billion \$1.32 billion and stockholders’ equity of \$110.2 \$139.8 million.

Copies of the Company’s reports, proxy and information statements, and other information filed electronically with the Securities and Exchange Commission (the “SEC”) are available free of charge through the SEC’s website address at <https://www.sec.gov> and through the Bank’s website address at <https://www.communitybank.tv> www.cb.bank.

Community Bank

Community Bank is a Pennsylvania-chartered commercial bank headquartered in Carmichaels, Pennsylvania. After the consolidation of one branch in 2022 and the consolidation and sale of eight branches in 2021, the Bank reduced the total number of branches to 13 and operates from 10 offices in Greene, Allegheny, Washington, Fayette and Westmoreland Counties in southwestern Pennsylvania and three offices in Marshall and Ohio Counties in West Virginia. The Bank also has one a loan production office in Allegheny County, a loan production office and a corporate center in Washington County and an operations center in Greene County, in Pennsylvania. The Bank is a community-oriented institution offering residential and commercial real estate loans, commercial and industrial loans, and consumer loans as well as a variety of deposit products for individuals and businesses in its market area.

The Bank is the sole shareholder of Exchange Underwriters, Inc. (“Exchange Underwriters” or “EU”), a wholly-owned subsidiary located in Washington County that is was a full-service, independent insurance agency that offers offered property and casualty, commercial liability, surety and other insurance products. Exchange Underwriters’ independent insurance agents shop On December 1, 2023, the Company announced that the Bank and EU entered into an Asset Purchase Agreement with World Insurance Associates, LLC (“World”) pursuant to which EU sold substantially all of its assets to World for a purchase price of \$30.5 million cash plus possible additional earn-out payments. The sale of assets was completed on December 8, 2023 and resulted in a pre-tax gain of \$24.6 million. Assets remaining in the EU subsidiary at December 31, 2023 consisted primarily of cash received from over 50 the sale of assets. The EU subsidiary will be dissolved with the nation’s leading insurance providers remaining assets and liabilities being transferred to find the policy that fits their client’s needs. Bank during 2024.

The Bank was originally chartered in 1901 as The First National Bank of Carmichaels. In 1987, the Bank changed its name to Community Bank, National Association. In December 2006, the Bank completed a charter conversion from a national bank to a Pennsylvania-chartered commercial bank wholly-owned by the Company. The Bank is a member of the Federal Home Loan Bank (“FHLB”) System. Our Its deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”).

Our The principal executive office is located at 100 North Market Street, Carmichaels, Pennsylvania, and our the telephone number at that address is (724) 966-5041. Our The website address is <https://www.communitybank.tv> www.cb.bank. Information on this website is not and should not be considered to be a part of this Report.

Branch Optimization and Operational Efficiency Initiative

In 2021, the Company announced the implementation of branch optimization and operational efficiency strategic initiatives to improve the Bank’s financial performance and operations in order to position the Bank for continued profitable growth through the optimization of its branch network while expanding technology and infrastructure investments in its remaining locations. The decision was the result of a comprehensive internal study that measured branch performance by comparing financial and non-financial indicators to growth opportunities, while evolving changes in consumer preferences, largely driven by the global pandemic, led to an acceleration of branch optimization efforts. The Bank also completed a comprehensive review of its branch network and operating environment to identify solutions to improve operating performance. This review prioritized profitability, efficiency, infrastructure and client experience improvements, automation in operations, and digital marketing and technology investments and the Bank is in process of implementing operational efficiencies related to individualized processes within its branch network and operating environment.

The Bank has substantially completed these initiatives through the consolidation of six branches that was completed on June 30, 2021. In addition, CB Financial, Community Bank, and Citizens Bank of West Virginia, Inc. (“Citizens Bank”) executed a Purchase and Assumption Agreement (the “Agreement”) pursuant to which Citizens Bank agreed to purchase certain loans and other assets, and assume certain deposits and other liabilities, of the branch offices of Community Bank located in Buckhannon, West Virginia, and New Martinsville, West Virginia. The divestiture of two branches in December 2021 resulted in the sale of \$102.8 million of deposits, \$6.1 million of loans and \$795,000 of premises and equipment and the recognition of a \$5.2 million pre-tax gain on sale from a 5.0% premium paid by Citizens Bank on the assumed deposits. The branch optimization initiative reduced the Bank’s branch network to 14 branches.

Past Mergers

Effective October 31, 2014, the Company completed a merger with FedFirst Financial Corporation (“FedFirst”), the holding company for First Federal Savings Bank (“FFSB”), a federally chartered stock savings bank. As part of the merger, the

Company also acquired FFSB's subsidiary, Exchange Underwriters. The merger expanded the Company's reach into Fayette and Westmoreland counties in southwestern Pennsylvania.

Effective April 30, 2018, the Company completed its merger with First West Virginia Bancorp ("FWVB"), the holding company for Progressive Bank, N.A. ("PB"), a national association. The FWVB merger enhanced the Bank's exposure into the core of the Tri-State region with the addition of branches in West Virginia and Eastern Ohio.

Effective August 1, 2018, Exchange Underwriters merged with Beynon Insurance Agency to become one of the largest insurance agencies in the Pittsburgh region. The merger brought together two long-standing, locally owned and operated Southwestern Pennsylvania independent insurance agencies both built upon the same values and culture of serving their customers.

Business Strategy

We intend to operate as a well-capitalized and profitable community bank dedicated to providing exceptional personal service to our customers. We believe that we have a competitive advantage in the markets we serve because of our knowledge of the local marketplace and our long-standing history of providing superior, relationship-based customer service. We will continue to grow and create value for our stockholders. Our employees will be treated fairly and given opportunities for personal growth. We will be closely involved in improving our communities. Our business strategies emphasize building on core strengths and are discussed below.

- **Create a sales and service culture to build full relationships with our customers and utilize technology investments to enhance speed of process to improve our customer experience.** We have successfully grown valuable core deposits (demand deposits, NOW accounts, money market accounts and savings accounts) that represent longer-term customer relationships and provide a lower cost of funding compared to certificates of deposit and borrowings. Empowering our experienced, high quality employees to provide superior customer service in all aspects of our business which is further supported by the use of technology and a wide array of modern financial products can lead to stronger customer relationships, enhance fee revenue and allow the Bank to be the bank of choice across our footprint for residents and small and medium sized businesses.
- **Evolve toward more electronic/digital products and processes driving greater efficiency and expand our brand awareness in our market.** We intend to focus on building our mobile and online capabilities through an improved mobile banking platform and product offering, omnichannel experience that is consistent with quick results and interactive alerts.

- **Enhance profitability and efficiency while continuing to invest for future growth.** Margin compression continues to be a challenge. To combat this impact on core earnings, we view cost reduction as a key part of a company-wide efficiency effort. Short-term targeted cost reductions combined with long-term strategic initiatives will better position the Company for high performance. In addition, this strategy aligns with our efforts to simplify processes while utilizing technology to improve efficiency and build capabilities that supports future growth and high performance.
- **Continue our track record of opportunistic growth in the robust Pittsburgh metropolitan area and across our footprint.** We believe we have competed effectively by leveraging our branch network and a full assortment of banking products to facilitate deposit and loan growth in our core locations, including southwestern Pennsylvania, Ohio River Valley, and central West Virginia.
- **Leverage our credit culture and strong loan underwriting to uphold our asset quality metrics.** We have sought to maintain a high level of asset quality and moderate credit risk by using underwriting standards that we believe are conservative. Although we intend to continue our efforts to originate commercial real estate and commercial and industrial loans, we intend to continue our philosophy of managing loan exposures through our conservative, yet reasonable, approach to lending.
- **Increase fee and other non-interest income, primarily through our insurance operations, as well as mortgage banking and small business lending.** Fee income earned through our insurance agency, Exchange Underwriters, supplements our income from banking operations. We intend to pursue opportunities to grow this line of business, including hiring insurance producers with established books of business and through acquisitions.

Human Capital

The Bank's culture is defined by our mission to partner with individuals, businesses, and communities to realize their dreams, protect their financial futures and improve their lives. Our Motto and Cornerstone are "Client Experience First". To have a truly great client experience we must have a phenomenal employee experience. Our Team members need to have the tools, training, processes, and leadership to support their delivery of a truly exceptional client experience. Improving our operational efficiency empowers our employees to work smarter and enables us to be more responsive to our clients.

We value our employees by investing in a healthy work-life balance, competitive compensation and benefit packages and a vibrant, team-oriented environment centered on professional service and open communication. We strive to build and maintain a high-performing culture and be an "employer of choice" by creating a work environment that attracts and retains outstanding, engaged employees. The success of our business is highly dependent on our employees, who provide value to our clients and communities through their dedication to helping clients achieve the American dream of home ownership and financial security.

Demographics. As of December 31, 2022 December 31, 2023, we employed 184 159 full-time and 3 part-time employees in Pennsylvania and West Virginia. None of these employees are represented by a collective bargaining agreement. During 2022, 2023, we hired 55 49 employees and our voluntary turnover rate was 29% 19%.

Diversity and Inclusion. We strive toward having a powerful and diverse team of employees, knowing we are better together with our combined wisdom and intellect. With a commitment to equality, inclusion, and workplace diversity, we focus on understanding, accepting, and valuing the differences between people. We continued our commitment to equal employment opportunity through a robust affirmative action plan which includes annual compensation analyses and ongoing reviews of our selection and hiring practices alongside a continued focus on building and maintaining a diverse workforce.

Compensation and Benefits. We provide a competitive compensation and benefits program to help meet the needs of our employees. In addition to salaries, these programs include opportunity for annual bonuses, a 401(k) Plan with an employer matching contribution in addition to an employer annual contribution, an equity incentive plan, healthcare and insurance benefits, health savings accounts, paid time off, paid leave and an employee assistance program.

Learning and Development. We invest in the growth and development of our employees by providing a multi-dimensional approach to learning that empowers, intellectually grows, and professionally develops our colleagues. Our employees receive continuing education courses that are relevant to the banking industry and their job function within the Company. In addition, we have created learning paths for specific positions that are designed to encourage an employee's advancement and growth within our organization. We support and encourage managers to hire from within. We also offer a peer mentor program, leadership, and customer service training. These resources provide employees with the skills they need to achieve their career goals, build management skills, and become leaders within our Company.

The safety, health and wellness of our employees is a top priority. The COVID-19 pandemic continued to present a unique challenge with regard to maintaining employee safety while continuing successful operations. While management transitioned the majority of our staff back to our locations in early July 2021, some flexible work arrangements continue. Our staff continues to follow the safety protocol developed by management. We further promote the health and wellness of our employees by strongly encouraging work-life balance, offering flexible work schedules, keeping the employee portion of health care premiums to a minimum and sponsoring various wellness programs.

Market Area

The Company's southwestern Pennsylvania market area consists of Allegheny, Fayette, Greene, Washington and Westmoreland Counties. Greene County is a significantly more rural county compared to the counties in which we have our other branches. Our offices located in Allegheny, Washington, Fayette, and Westmoreland Counties are in the southern suburban area of metropolitan Pittsburgh. Our branches from the FWVB merger extend the Company's market area extends into West Virginia with three offices in Marshall and Ohio Counties.

The following table sets forth certain economic statistics for our market area.

		Population (1)	Unemployment Rate (%) (2)	Average Annual Wage (3)			
	Population (1)				Population (1)	Unemployment Rate (%) (2)	Average Annual Wage (3)
Pennsylvania	Pennsylvania	12,972,008	3.5	\$65,104			
Allegheny	Allegheny	1,238,090	3.4	71,552			
Fayette	Fayette	126,931	5.3	46,748			
Greene	Greene	35,369	4.2	59,852			
Washington	Washington	209,470	3.6	60,112			
Westmoreland	Westmoreland	353,057	3.7	52,052			
West Virginia	West Virginia	1,775,156	3.4	52,676			
West Virginia							
West Virginia							
Marshall	Marshall	30,115	4.4	62,712			
Ohio	Ohio	41,776	3.3	50,232			

(1) Based on the latest data published by the U.S. Census Bureau (State - July 2022; 2023; County - July 2021) 2022)

(2) Based on the latest data published by the U.S. Bureau of Labor Statistics (December 2022) 2023)

(3) Based on the latest data published by the U.S. Bureau of Labor Statistics (Second Quarter 2022 2023)

The market area has been impacted by the energy industry through the extraction of untapped natural gas reserves in the Marcellus Shale and Utica Shale Formation. The Utica Shale formation lies beneath most of Ohio, West Virginia, Pennsylvania and New York, as well as Kentucky, Maryland, Tennessee, Virginia and a part of Canada. The Marcellus Shale Formation extends throughout much of the Appalachian Basin and most of Pennsylvania, West Virginia and Eastern Ohio. Both formations are located near high-demand markets along the East Coast. The proximity to these markets makes it an attractive target for energy development and has resulted in significant job creation through the development of gas wells and transportation of gas.

Competition

We encounter significant competition both in attracting deposits and in originating real estate and other loans. Our most direct competition for deposits historically has come from other commercial banks, savings banks, savings associations and credit unions in our market area, and we expect continued strong competition from such financial institutions in the foreseeable future. The Company faces additional competition for deposits from online financial institutions and non-depository competitors, such as the mutual fund industry, securities and brokerage firms, and insurance companies. We compete for deposits by offering depositors a high level of personal service and expertise together with a wide range of financial services. Our deposit sources are primarily concentrated in the communities surrounding our branch offices. As of June 30, 2022 June 30, 2023, our FDIC-insured deposit market share in the counties we serve was 0.56% 0.60% out of 48 bank and thrift institutions. Our FDIC-insured deposit market share in the counties we serve, excluding Allegheny County, which is the second most populous county in Pennsylvania, but where the Bank's has limited presence with one branch, was 4.98% 5.15% out of 82 31 bank and thrift institutions. Such data does not reflect deposits held by credit unions.

The competition for real estate and other loans comes principally from other commercial banks, mortgage banking companies, government-sponsored entities, savings banks and savings associations. This competition for loans has increased substantially in recent years. We compete for loans primarily through the interest rates, prepayment penalties, and loan fees we charge and the efficiency and quality of services we provide to borrowers. Factors that affect competition include general and local economic conditions, current interest rate levels and the volatility of the mortgage markets.

Lending Activities

General. Our principal lending activity has been the origination in our local market area of residential one- to four-family, commercial real estate, construction, commercial and industrial, and consumer loans. At December 31, 2022 December 31, 2023, our total loans receivable, which excludes the allowance for loan credit losses, increased \$29.1 million \$60.5 million, or 2.8% 5.8%, to \$1.05 billion \$1.11 billion compared to \$1.02 billion \$1.05 billion at December 31, 2021 December 31, 2022.

Residential Real Estate Loans. Residential real estate loans are comprised of loans secured by one- to four-family residential properties. Included in residential real estate loans are traditional one- to four-family mortgage loans, home equity installment loans, and home equity lines of credit. We generate loans through our marketing efforts, existing customers and

referrals, real estate brokers, builders and local businesses. At December 31, 2022 December 31, 2023, \$330.7 million \$347.8 million, or 31.5% 31.3%, of our total loan portfolio was invested in residential loans.

One- to Four-Family Mortgage Loans. One of our primary lending activities is the origination of fixed-rate, one- to four-family, owner-occupied, residential mortgage loans with terms up to 30 years secured by property located in our market area. At December 31, 2022 December 31, 2023, one- to four-family mortgage loans totaled \$259.9 million \$278.2 million. Our one- to four-family residential mortgage loans are generally conforming loans, underwritten according to secondary market guidelines. We generally originate mortgage loans in amounts up to the maximum conforming loan limits established by the Federal Housing Finance Agency, which, for 2022, 2023, is typically \$647,200 \$726,200 for single-family homes, except in certain high-cost areas in the United States. Our mortgage loans amortize monthly with principal and interest due each month. These loans often remain outstanding for significantly shorter periods than their contractual terms because borrowers may refinance or prepay loans at their option without a prepayment penalty.

When underwriting one- to four-family mortgage loans, we review and verify each loan applicant's income and credit history. Management believes that stability of income and past credit history are integral parts in the underwriting process. Written appraisals are generally required on real estate property offered to secure an applicant's loan. We generally limit the loan-to-value ratios of one- to four-family residential mortgage loans to 80% of the purchase price or appraised value of the property, whichever is less. For one- to four-family real estate loans with loan-to-value ratios of over 80%, we generally require private mortgage insurance. We require fire and casualty insurance on all properties securing real estate loans. We require title insurance, or an attorney's title opinion, as circumstances warrant.

Our one- to four-family mortgage loans customarily include due-on-sale clauses, which give us the right to declare a loan immediately due and payable in the event, among other things, that the borrower sells or otherwise disposes of the underlying real property serving as collateral for the loan.

Fixed-rate one- to four-family residential mortgage loans with terms of 15 years or more are originated for resale to the secondary market. During the **years** ended **December 31, 2022 and 2021, December 31, 2023**, we originated **none and \$12.6 million \$2.4 million** of fixed-rate residential mortgage loans, respectively, which were subsequently sold in the secondary mortgage market.

The origination of fixed-rate mortgage loans versus adjustable-rate mortgage loans is monitored on an ongoing basis and is affected significantly by the level of market interest rates, customer preference, our interest rate risk position and our competitors' loan products. Adjustable-rate mortgage loans secured by one- to four-family residential real estate totaled **\$46.7 million \$56.1 million** at **December 31, 2022 December 31, 2023**. Adjustable-rate mortgage loans make our loan portfolio more interest rate sensitive. However, as the interest income earned on adjustable-rate mortgage loans varies with prevailing interest rates, such loans do not offer predictable cash flows in the same manner as long-term, fixed-rate loans. Adjustable-rate mortgage loans carry increased credit risk associated with potentially higher monthly payments by borrowers as general market interest rates increase. It is possible that during periods of rising interest rates that the risk of delinquencies and defaults on adjustable-rate mortgage loans may increase due to the upward adjustment of interest costs to the borrower, resulting in increased loan losses.

We do not offer an "interest only" mortgage loan product on one- to four-family residential properties (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan). We also do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not offer a "subprime loan" program (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (traditionally defined as loans having less than full documentation). We may originate loans to consumers with a credit score below 660. This may be defined as subprime loans, however there are typically mitigating circumstances that according to FDIC guidance and our opinion would not designate such loans as "subprime."

Home Equity Loans. At **December 31, 2022 December 31, 2023**, home equity loans totaled \$57.5 million. Our home equity loans and lines of credit are generally secured by the borrower's principal residence. The maximum amount of a home equity loan or line of credit is generally 85% of the appraised value of a borrower's real estate collateral less the amount of any prior mortgages or related liabilities. Home equity loans and lines of credit are approved with both fixed and adjustable interest rates, which we determine based upon market conditions. Such loans are fully amortized over the life of the loan. Generally, the maximum term for home equity loans is 20 years.

Our underwriting standards for home equity loans include a determination of the applicant's credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan. The stability of the applicant's monthly income may be determined by verification of gross monthly income from primary employment, and additionally from any verifiable secondary income. We also consider the length of employment with the borrower's present employer. Creditworthiness of the applicant is of primary consideration; however, the underwriting process also includes a comparison of the value of the collateral in relation to the proposed loan amount.

We primarily originate home equity loans secured by first lien mortgages. Home equity loans in a junior lien position totaled **\$2.6 million \$4.8 million** at **December 31, 2022 December 31, 2023** and entail greater risks than one- to four-family residential mortgage loans or home equity loans secured by first lien mortgages. In such cases, collateral repossessed after a default may not provide an adequate source of repayment of the outstanding loan balance because of damage or depreciation in the value of the property or loss of equity to the first lien position. Further, home equity loan payments are dependent on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Finally, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans in the event of a default.

Commercial Real Estate Loans. We originate commercial real estate loans that are secured primarily by improved properties, such as retail facilities, office buildings and other non-residential buildings as well as multifamily properties. At **December 31, 2022 December 31, 2023, \$436.8 million \$467.2 million**, or **41.6% 42.1%** of our total loan portfolio, consisted of commercial real estate loans.

Our commercial real estate loans generally have adjustable interest rates with terms of up to 15 years and amortization periods up to 25 years. The adjustable rate loans are typically fixed for the first five years and adjust every five years thereafter. The maximum loan-to-value ratio of our commercial real estate loans is generally 75% to 80% of the lower of cost or appraised value of the property securing the loan.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including project-level and global cash flows and debt service coverage, credit history and management expertise, as well as the value and condition of the property, securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with the Bank and other financial institutions. In evaluating the property securing the loan, the factors considered include the net operating income of the mortgaged property before debt service and depreciation, and the ratio of the loan amount to the appraised value of the property. We generally will not lend to high

volatility commercial real estate projects. All commercial real estate loans are appraised by outside independent state certified general appraisers. Personal guarantees are generally obtained from the principals of commercial real estate loan borrowers, although this requirement may be waived in limited circumstances depending upon the loan-to-value ratio and the debt-service ratio associated with the loan. The Bank requires property and casualty insurance and flood insurance if the property is in a flood zone area.

We underwrite commercial real estate loan participations to the same standards as loans originated by us. In addition, we consider the financial strength and reputation of the lead lender. We require the lead lender to provide a full closing package as well as annual financial statements for the borrower and related entities so that we can conduct an annual loan review for all loan participations. Loans secured by commercial real estate generally involve a greater degree of credit risk than residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the effects of general economic conditions on income producing properties and the successful operation or management of the properties securing the loans. Furthermore, the repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related business and real estate property. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

Commercial real estate loans generally have higher credit risks compared to one- to four-family residential mortgage loans, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, payment experience on loans secured by income-producing properties typically depends on the successful operation of the related real estate project, and this may be subject, to a greater extent, to adverse conditions in the real estate market and in the general economy.

Construction Loans. We originate construction loans to individuals to finance the construction of residential dwellings and also originate loans for the construction of commercial properties, including hotels, apartment buildings, housing developments, and owner-occupied properties used for businesses. At **December 31, 2022** **December 31, 2023**, **\$44.9 million** **\$43.1 million**, or **4.3%** **3.9%** of our total loan portfolio, consisted of construction loans. Our construction loans generally provide for the payment of interest only during the construction phase, which is usually 12 to 18 months. At the end of the construction phase, the loan generally converts to a permanent residential or commercial mortgage loan. Loans generally can be made with a maximum loan-to-value ratio of 80% on both residential and commercial construction. Before making a commitment to fund a construction loan, we require a pro forma appraisal of the property, as completed by an independent licensed appraiser. We also will require an inspection of the property before disbursement of funds during the term of the construction loan. We typically do not lend to developers unless they maintain a 15% cash equity position in the project.

Commercial and Industrial Loans. We originate commercial and industrial loans and lines of credit to borrowers located in our market area that are generally secured by collateral other than real estate, such as equipment, accounts receivable, inventory, and other business assets. At **December 31, 2022** **December 31, 2023**, **\$70.0 million** **\$111.3 million**, or **6.7%** **10.0%** of our total loan portfolio, consisted of commercial and industrial loans, of which **\$126,000** are SBA guaranteed Payroll Protection Program ("PPP") loans.

Exclusive of PPP loans, commercial

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Commercial and industrial loans generally have terms of maturity from five to seven years with adjustable interest rates tied to the prime rate, **LIBOR**, SOFR or the weekly average of the FHLB of Pittsburgh three- to ten-year fixed rates. We generally obtain personal guarantees from the borrower or a third party as a condition to originating the loan. On a limited basis, we will originate unsecured business loans in those instances where the applicant's financial strength and creditworthiness has been established. Commercial business loans generally bear higher interest rates than residential loans, but they also may involve a higher risk of default because their repayment is generally dependent on the successful operation of the borrower's business.

Our underwriting standards for commercial business loans include a determination of the applicant's ability to meet existing obligations and payments on the proposed loan from normal cash flows generated in the applicant's business. We assess the financial strength of each applicant through the review of financial statements and tax returns provided by the applicant. The creditworthiness of an applicant is derived from a review of credit reports as well as a search of public records. We periodically review business loans following origination. We request financial statements at least annually and review them for substantial deviations or changes that might affect repayment of the loan. Our loan officers may also visit the premises of borrowers to observe the business premises, facilities, and personnel and to inspect the pledged collateral. Lines of credit secured with accounts receivable and inventory typically require that the customer provide a monthly borrowing base certificate that is reviewed prior to each draw request. Underwriting standards for business loans are different for each type of loan depending on the financial strength of the applicant and the value of collateral offered as security. All commercial loans are assigned a risk rating, which is reviewed internally, as well as by independent loan review professionals, annually.

Commercial and industrial business loans involve a greater risk of default than one- to four-residential mortgage loans of like duration because their repayment generally depends on the successful operation of the borrower's business and the sufficiency of collateral, if any.

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Consumer Loans. We originate consumer loans that primarily consist of indirect auto loans and, to a lesser extent, secured and unsecured loans and lines of credit. As of **December 31, 2022** **December 31, 2023**, consumer loans totaled **\$146.9 million** **\$111.6 million**, or **14.0%** **10.1%**, of our total loan portfolio, of which **\$140.3 million** **\$103.9 million** were indirect auto loans. Consumer loans are generally offered on a fixed-rate basis. Our underwriting standards for consumer loans include a determination of the applicant's credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan. The stability of the applicant's monthly income may be determined by verification of gross monthly income from primary employment, and additionally from any verifiable secondary income. We also consider the length of employment with the borrower's present employer as well as the amount of time the borrower has lived in the local area. Creditworthiness of the applicant is of primary consideration; however, the underwriting process also includes a comparison of the value of the collateral in relation to the proposed loan amount.

Indirect auto loans are loans that are sold by auto dealerships to third parties, such as banks or other types of lenders. We work with various auto dealers throughout our lending area. The dealer collects information from the applicant and transmits it to us electronically for review, where we can either accept or reject the applicant without ever meeting the applicant. If the Bank approves the applicant's request for financing, the Bank purchases the dealership-originated installment sales contract and is known as the holder in due

course that is entitled to receive principal and interest payments from a borrower. As compensation for generating the loan, a portion of the rate is advanced to the dealer and accrued in a prepaid dealer reserve account. As a result, the Bank's yield is below the contractual interest rate because the Bank must wait for the stream of loan payments to be repaid. The Bank will receive a pro rata refund of the amount prepaid to the dealer only if the loan prepays within the first six months or if the collateral for the loan is repossessed. The Bank is responsible for pursuing repossession if the borrower defaults on payments. **The Bank discontinued this product offering as of June 30, 2023.**

Consumer loans entail greater risks than one- to four-family residential mortgage loans, particularly consumer loans secured by rapidly depreciating assets, such as automobiles, or loans that are unsecured. In such cases, collateral repossessed after a default may not provide an adequate source of repayment of the outstanding loan balance because of damage, loss or depreciation. Further, consumer loan payments are dependent on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Such events would increase our risk of loss on unsecured loans. Finally, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans in the event of a default.

Loan Approval Procedures and Authority

Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by the Board of Directors (the "Board"). In the approval process for residential loans, we assess the borrower's ability to repay the loan and the value of the property securing the loan. To assess the borrower's ability to repay, we review the borrower's income and expenses and employment and credit history. In the case of commercial loans, we also review projected income, expenses and the viability of the project being financed. We generally require appraisals of all real property securing loans. Appraisals are performed by independent licensed appraisers. The Bank's loan approval policies and limits are also established by its Board. All loans originated by the Bank are subject to its underwriting guidelines. Loan approval authorities vary based on loan size in the aggregate. Individual officer loan approval authority generally applies to loans of up to **\$1.0 million, \$1.0**

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million. Loans above that amount and up to 65% of the Bank's legal lending limit may be approved by the Loan Committee. Loans in the aggregate over 65% of the Bank's legal lending limit must be approved by the Board.

Delinquencies and Classified Assets

When a borrower fails to remit a required loan payment, a courtesy notice is sent to the borrower prior to the end of their appropriate grace period stressing the importance of paying the loan current. If a payment is not paid within the appropriate grace period, then a late notice is mailed. In addition, telephone calls are made and additional letters may be sent. Collection efforts continue until it is determined that the debt is uncollectible.

For loans secured by real estate, a Homeownership Counseling Notice is mailed when the loan is 45 days delinquent. In Pennsylvania, an Act 91 Notice is mailed to the borrower stating that they have 33 days to cure the default before foreclosure is initiated. In West Virginia, a Notice of Default is mailed and in Ohio, a demand letter is mailed when a loan is 60 days delinquent. When a loan becomes 90 or more days delinquent, it is forwarded to the Bank's attorney to pursue other remedies. An official mortgage foreclosure complaint typically occurs at 120 days delinquent. In the event collection efforts have not succeeded, the property will proceed to a Sheriff Sale to be sold.

For commercial loans, the borrower is contacted in an attempt to reestablish the loan to current payment status and ensure timely payments continue. Collection efforts continue until the loan is 60 days past due, at which time demand payment, default, and/or foreclosure procedures are initiated. We may consider loan workout arrangements with certain borrowers under certain circumstances.

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Investment Activities

General. The Company's investment policy is established by its Board. The policy emphasizes safety of the investment, liquidity requirements, potential returns, cash flow targets, and consistency with the Company's interest rate risk management strategy.

Our current investment policy permits us to invest in U.S. treasuries, U.S government agency securities, mortgage-backed securities (MBS's), **collateralized mortgage obligations (CMO's)**, investment grade corporate bonds, obligations of states and political subdivisions, short-term instruments, **collateralized loan obligations (CLO's)** and other securities. The investment policy also permits investments in certificates of deposit, securities purchased under an agreement to resell, banker's acceptances, commercial paper and federal funds. Our current investment policy generally does not permit investment in stripped mortgage-backed securities, short sales, derivatives, or other high-risk securities. Federal and Pennsylvania state laws generally limit our investment activities to those permissible for a national bank.

The accounting rules require that, at the time of purchase, we designate a debt security as held to maturity, available-for-sale, or trading, depending on our ability and intent. Securities available for sale are reported at fair value, while securities held to maturity are reported at amortized cost. Our entire debt securities portfolio is designated as available-for-sale.

The debt securities portfolio consists primarily of U.S. government agency securities, obligations of states and political subdivisions, **and** mortgage-backed securities and collateralized mortgage obligations of government sponsored **enterprises, enterprises, collateralized loan obligations and corporate bonds.** We expect the composition of our debt securities portfolio to continue to change based on liquidity needs associated with loan origination activities. During the year ended **December 31, 2022 December 31, 2023,** we had no debt securities that were deemed to be **other than temporarily** impaired.

We also invest in equity securities, which consist primarily of mutual funds and a portfolio of bank stocks. This portfolio is valued at fair value with changes in market price recognized through noninterest income.

We maintain a minimum amount of liquid assets that may be invested in specified short-term securities and certain other investments. Liquidity levels may be increased or decreased depending upon the yields on investment alternatives and upon management's judgment as to the attractiveness of the yields then available in relation to other opportunities and its expectation of the level of yield that will be available in the future, as well as management's projections as to the short-term demand for funds to be used in our loan originations and other activities.

U.S. Government Agency Securities. At **December 31, 2022** **December 31, 2023**, we held U.S. Government and agency securities with a fair value of **\$44.6 million** **\$3.9 million** compared to **\$52.6 million** **\$44.6 million** at **December 31, 2021** **December 31, 2022**. At **December 31, 2022** **December 31, 2023**, these securities had an average expected life of **6.1** **8.0** years. While these securities generally provide lower yields than other investments, such as mortgage-backed securities, our current investment strategy is to maintain investments in such instruments to the extent appropriate for liquidity and pledging purposes, as collateral for borrowings, and for prepayment protection.

Obligations of States and Political Subdivisions. At **December 31, 2022** **December 31, 2023**, we held available-for-sale municipal bonds with a fair value of **\$13.3 million** **\$3.4 million** compared to **\$19.0 million** **\$13.3 million** at **December 31, 2021** **December 31, 2022**. 100% of our municipal bonds are issued by local municipalities or school districts located in Pennsylvania. Municipal bonds may be general obligation of the issuer or secured by specific revenues. The majority of our municipal bonds are general obligation bonds, which are backed by the full faith and credit of the municipality, paid off with funds from taxes and other fees, and have ratings (when available) of A or above. We

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also invest in a limited amount of special revenue municipal bonds, which are used to fund projects that will eventually create revenue directly, such as a toll road or lease payments for a new building.

Mortgage-Backed Securities. We invest in mortgage-backed ("MBS") and collateralized mortgage obligation ("CMO") securities insured or guaranteed by the United States government or government-sponsored enterprises. These securities, which consist of MBS's issued by Ginnie Mae, Fannie Mae and Freddie Mac, had an amortized cost of **\$178.0 million** and **\$143.3 million** at **December 31, 2023** and **\$143.9 million** at **December 31, 2022** **2022, respectively**, and **2021, respectively**. The a fair value of our MBS portfolio was **\$159.7 million** and **\$121.1 million** at **December 31, 2023** and **\$143.1 million** at **December 31, 2022** and **2021, 2022, respectively**. At **December 31, 2022** **December 31, 2023**, all MBS's had fixed rates of interest.

MBS's are created by pooling mortgages and issuing a security with an interest rate that is less than the interest rate on the underlying mortgages. CMO's generally are a specific class of MBS's that are divided based on risk assessments and maturity dates. These mortgage classes are pooled into a special purpose entity, where tranches are created and sold to investors. Investors in a CMO are purchasing bonds issued by the entity, and then receive payments based on the income derived from the pooled mortgages. The various pools are divided into tranches are then securitized and sold to the investor. MBS's typically represent a participation interest in a pool of one- to four-family or multifamily mortgages, although we invest primarily in MBS's backed by one- to four-family mortgages. The issuers of such securities pool and resell the participation interests in the form of securities to investors. Some security pools are guaranteed as to payment of principal and interest to investors. MBS's generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. However, MBS's are more liquid than individual mortgage loans because there is an active trading market for such securities. In addition, MBS's may be used to collateralize our specific liabilities and obligations. Finally, MBS's are assigned lower risk-weightings for purposes of calculating our risk-based capital level.

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Investments in MBS's involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may result in adjustments to the amortization of any premium or acceleration of any discount relating to such interests, thereby affecting the net yield on our securities.

Collateralized Loan Obligation Securities. We invest in collateralized loan obligation ("CLO") securities issued by specialized financial institutions or investment banks. These floating-rate securities are backed by pools of high-quality commercial and industrial and commercial real estate loans, typically first-lien bank loans to corporations. Our CLO portfolio had an amortized cost of **\$29.9 million** and a fair value of **\$29.8 million** at **December 31, 2023**. The Bank held no CLO's as of **December 31, 2022**.

Corporate Debt. At **December 31, 2022** **December 31, 2023**, we held corporate debt securities with a fair value of **\$8.3 million** **\$7.7 million**. We invest in corporate debt issued by financial institutions which have fixed to floating-rate terms. Corporate debt are unsecured, medium or long term, interest-bearing bonds issued by financial institutions that are backed only by the general credit of the issuer. As such, investments in corporate debt involve default risk that the company may fail to make timely payments of interest or principal. We perform a credit analysis to verify the creditworthiness of the financial institution prior to purchase.

Sources of Funds

General. Deposits have traditionally been the Company's primary source of funds for use in lending and investment activities. The Company also uses borrowings, primarily FHLB of Pittsburgh advances, to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk purposes and manage the cost of funds. In addition, funds are derived from scheduled loan payments, investment maturities, loan prepayments, loan sales, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Deposits are generated primarily from residents within the Company's market area. The Company offers a variety of deposit accounts. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts offered allows the Company to be competitive in obtaining funds and responding to changes in consumer demand. Based on experience, the Company believes that its deposits are relatively stable. However, the ability to attract and maintain deposits and the rates paid on these deposits has been and will continue to be significantly affected by market conditions.

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Borrowings. Deposits are our primary source of funds for lending and investment activities. If the need arises, we may rely upon borrowings to supplement our supply of available funds and to fund deposit withdrawals. Our borrowings may consist of advances from the FHLB, subordinated debt, funds borrowed under repurchase agreements and federal funds purchased.

The FHLB functions as a central reserve bank providing credit for us and other member savings associations and financial institutions. As a member, we are required to own capital stock in the FHLB and are authorized to apply for advances on the security of such stock and certain of our home mortgages, provided certain standards related to creditworthiness have been met. We typically secure advances from the FHLB with one- to four-family residential mortgage and commercial real estate loans. Advances are made pursuant to several different programs. Each credit program has its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of a member institution's stockholders' equity or on the FHLB's assessment of the institution's creditworthiness. At **December 31, 2022** **December 31, 2023**, we had a maximum borrowing capacity with the FHLB of up to **\$435.3 million** **\$478.9 million** and available borrowing capacity of **\$407.4 million** **\$438.3 million**. At **December 31, 2022** **December 31, 2023**, we had **no** **\$20.0 million** FHLB advances outstanding. As an alternative to pledging securities, the facility is also used for standby letters of credit to collateralize public deposits in excess of the level insured by the FDIC. Commitments for standby letters of credit to secure public deposits were **\$26.2** **\$18.9** million and **\$69.0** **\$26.2** million as of **December 31, 2022** **December 31, 2023** and **2021, 2022**.

Securities sold under agreements to repurchase represent business deposit customers whose funds, above designated target balances, are transferred into an overnight interest-earning investment account by purchasing securities from the Bank's investment portfolio under an agreement to repurchase. We may be required to provide additional collateral based on the fair value of the underlying securities. Short-term borrowings may also consist of federal funds purchased.

At **December 31, 2022** **December 31, 2023**, the Bank maintained a Borrower-In-Custody of Collateral line of credit agreement with the FRB for **\$119.0 million** **\$103.8 million** that requires monthly certification of collateral, is subject to annual renewal, incurs no service charge and is secured by commercial and consumer indirect auto loans. The Bank also maintains multiple line of credit arrangements with various unaffiliated banks totaling \$50.0 million. At **December 31, 2022** **December 31, 2023**, we did not have any outstanding balances under any of these borrowing relationships.

In December 2021, the Company entered into a term loan in the principal amount of \$15.0 million, evidenced by a term note which matures on December 15, 2031 ("2031 Note"). The 2031 Note is an unsecured subordinated obligation of the Company and may be repaid in whole or in part, without penalty, on any interest payment date on or after December 15, 2026 and at any time upon the occurrence of certain events. The 2031 Note initially bears a fixed interest rate of 3.875% per year to,

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but excluding, December 15, 2026 and thereafter at a floating rate equal to the then-current three-month term SOFR plus 280 basis points. The 2031 Note qualifies as Tier 2 capital under regulatory guidelines. At **December 31, 2022** **December 31, 2023**, the principal balance and unamortized debt issuance costs for the 2031 Note were \$15.0 million and **\$362,000** **\$322,000**, respectively.

Subsidiary Activities

Community Bank is the only subsidiary of the Company. The Bank wholly-owns Exchange Underwriters, Inc., a **former** full-service, independent insurance agency.

REGULATION AND SUPERVISION

General

CB Financial Services, Inc. is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended. As such, it is registered with, subject to examination and supervision by, and otherwise required to comply with the rules and regulations of the Federal Reserve Board.

Community Bank is a Pennsylvania-chartered commercial bank subject to extensive regulation by the Pennsylvania Department of Banking and Securities and the FDIC. The Bank's deposit accounts are insured up to applicable limits by the FDIC. The Bank must file reports with the Pennsylvania Department of Banking and Securities and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions, such as mergers or acquisitions with other depository institutions. There are periodic examinations of the Bank by the Pennsylvania Department of Banking and Securities and the FDIC to review the Bank's compliance with various regulatory requirements. The Bank is also subject to certain reserve requirements established by the Federal Reserve Board. This regulation and supervision establishes a comprehensive framework of activities in which a commercial bank can engage and is intended primarily for the protection of the FDIC and depositors. The regulatory structure also

gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulation, whether by the Pennsylvania Department of Banking and Securities, the FDIC, the Federal Reserve Board or Congress could have a material impact on the operations of the Bank.

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Set forth below is a brief description of material regulatory requirements that are or will be applicable to CB Financial Services, Inc., and Community Bank. The description is limited to certain material aspects of the statutes and regulations addressed, is not intended to be a complete description of such statutes and regulations and their effects on CB Financial Services, Inc. and Community Bank, and is qualified in its entirety by reference to the actual statutes and regulations involved.

Federal Legislation

The Dodd-Frank Act made significant changes to the regulatory structure for depository institutions and their holding companies. However, the Dodd-Frank Act's changes go well beyond that and affect the lending, investments and other operations of all depository institutions. The Dodd-Frank Act requires the Federal Reserve to set minimum capital levels for bank holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital for holding companies are restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. The legislation also establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect upon passage, and directs the federal banking regulators to implement new leverage and capital requirements that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks, such as the Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks with more than \$10 billion in assets. Banks with \$10 billion or less in assets are still examined for compliance by their applicable bank regulators. The new legislation also gave state attorney generals the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The legislation also increased the maximum amount of deposit insurance for banks to \$250,000 per depositor. The Dodd-Frank Act increased shareholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so called "golden parachute" payments. The legislation also directs the Federal Reserve to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not. Further, the legislation requires that originators of securitized loans retain a percentage of the risk for transferred loans, directs the

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Federal Reserve to regulate pricing of certain debit card interchange fees and contains a number of reforms related to mortgage origination.

The Dodd Frank Act has resulted in an increased regulatory burden and compliance, operating and interest expense for the Company and the Bank.

Bank Regulation

Business Activities. The Bank derives its lending and investment powers from the applicable Pennsylvania law, federal law and applicable state and federal regulations. Under these laws and regulations, The Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits.

Capital Requirements. Federal regulations require state banks to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% core capital to assets leverage ratio (3% for savings associations receiving the highest rating on the composite, or "CAMELS," rating system for capital adequacy, asset quality, management, earnings, liquidity and sensitivity to market risk), and an 8% risk-based capital ratio.

The risk-based capital standard for state banks requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 1250%, assigned by the regulations, based on the risks believed inherent in the type of asset. Core capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan losses limited to a maximum of 1.25% of risk-weighted assets and up to 45% of net unrealized gains on available-for-sale securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital. Additionally, an institution that retains credit risk in connection with an asset sale is required to maintain additional regulatory capital because of the purchaser's recourse against the institution. In assessing

an institution's capital adequacy, the FDIC takes into consideration not only these numeric factors, but qualitative factors as well and has the authority to establish higher capital requirements for individual associations where necessary.

At **December 31, 2022** **December 31, 2023**, the Bank's capital exceeded all applicable requirements.

The risk-based capital rule and the method for calculating risk-weighted assets by the FDIC and the other federal bank regulators are consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The rule applies to all depository institutions (such as the Bank) and top-tier bank holding companies with total consolidated assets of \$3.0 billion or more. Among other things, the rule established a common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4.0% to 6.0% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The rule also requires unrealized gains and losses on certain available-for-sale securities to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The Bank elected the one-time opt-out election for accumulated other comprehensive loss ("AOCL") to be excluded from the regulatory capital calculation. The rule limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement was phased in at 0.625% per year beginning January 1, 2016 and ended January 1, 2019, when the full 2.5% capital conservation buffer requirement became effective.

Loans-to-One Borrower. Generally, a Pennsylvania-chartered commercial bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of capital. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of **December 31, 2022** **December 31, 2023**, the Bank was in compliance with the loans-to-one borrower limitations.

Capital Distributions. The Pennsylvania Banking Code states, in part, that dividends may be declared and paid only out of accumulated net earnings and may not be declared or paid unless surplus is at least equal to capital. Dividends may not reduce surplus without the prior consent of the Pennsylvania Department of Banking and Securities. In addition, the Federal Deposit Insurance Act provides that an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement.

Community Reinvestment Act and Fair Lending Laws. All insured institutions have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-

income moderate-income borrowers. The FDIC is required to assess the Bank's record of compliance with the Community Reinvestment Act. Failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications, such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the FDIC, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. The Bank received a "satisfactory" rating in its most recent federal examination.

Transactions with Related Parties. A state-chartered bank's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls or is under common control with an insured depository institution, such as the Bank. The Company is an affiliate of the Bank because of its control of the Bank. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a state-chartered bank from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

The Bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve. Among other things, these provisions generally require that extensions of credit to insiders be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital. In addition, extensions of credit in excess of certain limits must be approved by the Bank's Board. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Prompt Corrective Action Regulations. Under the Federal Prompt Corrective Action statute, the FDIC is required to take supervisory actions against undercapitalized state-chartered banks under its jurisdiction, the severity of which depends upon the institution's level of capital. An institution that has total risk-based capital of less than 8% or a leverage ratio or a Tier 1 risk-based capital ratio that generally is less than 4% is considered to be "undercapitalized". An institution that has total risk-based capital less than 6%, a Tier 1 core risk-based capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized." An institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized."

Generally, the Pennsylvania Department of Banking and Securities (the "Pennsylvania Department of Banking" or "PDBS") is required to appoint a receiver or conservator for a state-chartered bank that is "critically undercapitalized" within specific time frames. The regulations also provide that a capital restoration plan must be filed with the FDIC within 45 days of the date that an institution is deemed to have received notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Any bank holding company of an institution that is required to submit a capital restoration plan must guarantee performance under the plan in an amount of up to the lesser of 5% of the institution's assets at the time it was deemed to be undercapitalized by the FDIC or the amount necessary to restore the institution to adequately capitalized status. This guarantee remains in place until the FDIC notifies the institution that it has maintained adequately capitalized status for each of four consecutive calendar quarters. Institutions that are undercapitalized become subject to certain mandatory measures, such as restrictions on capital distributions and asset growth. The PDBS may also take any one of a number of discretionary supervisory actions against undercapitalized institutions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At **December 31, 2022** **December 31, 2023**, the Bank met the criteria for being considered "well capitalized."

In addition, the final capital rule adopted in July 2013 revises the prompt corrective action categories to incorporate the revised minimum capital requirements of that rule.

Enforcement. The Pennsylvania Department of Banking maintains enforcement authority over the Bank, including the power to issue cease and desist orders and civil money penalties and to remove directors, officers or employees. It also has the power to appoint a conservator or receiver for a bank upon insolvency, imminent insolvency, unsafe or unsound condition or certain other situations. The FDIC has primary federal enforcement responsibility over non-Federal Reserve Bank ("FRB")-member state banks and has authority to bring actions against the institution and all institution-affiliated parties, including stockholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful actions likely to have an adverse effect on the bank. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors. Civil penalties cover a wide range of violations and can amount to \$25,000 per day, or even \$1 million per day in especially egregious cases. In general, regulatory enforcement actions occur with respect to situations involving unsafe or unsound practices or conditions, violations of law or regulation or breaches of fiduciary duty. Federal and Pennsylvania laws also establish criminal penalties for certain violations.

Insurance of Deposit Accounts. The Deposit Insurance Fund ("DIF") of the FDIC insures deposits at FDIC-insured financial institutions, such as the Bank. Deposit accounts in the Bank are insured by the FDIC generally up to a maximum of \$250,000 per separately insured depositor and up to a maximum of \$250,000 for self-directed retirement accounts. The FDIC charges insured depository institutions premiums to maintain the DIF.

The Dodd-Frank Act increased the minimum target DIF ratio from 1.15% to 1.35% of estimated insured deposits. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC to establish a maximum fund ratio. The FDIC has exercised that discretion by establishing a long-range fund ratio of 2%. The FDIC adopted a plan to restore the fund to the 1.35% ratio by September 30, 2028.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The Bank does not currently know of any practice, condition or violation that may lead to termination of its deposit insurance.

Prohibitions Against Tying Arrangements. State-chartered banks are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

FHLB System. The Bank is a member of the FHLB System, which consists of 11 regional FHLBs. The FHLB System provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. As a member of the FHLB of Pittsburgh, The Bank is required to acquire and hold shares of capital stock in the FHLB. As of **December 31, 2022** **December 31, 2023**, the Bank was in compliance with this requirement. The Bank also is able to borrow from the FHLB of Pittsburgh, which provides an additional source of liquidity for the Bank.

Federal Reserve System. The FRB regulations historically required banks to maintain reserves against their transaction accounts (primarily Negotiable Order of Withdrawal, or NOW and regular checking accounts). The regulations generally provide that reserves be maintained against aggregate transaction accounts as follows for **2022**; **2024**: a 3% reserve ratio is assessed on net transaction accounts up to and including **\$640.6 million** **\$644.0 million**; a 10% reserve ratio is applied above **\$640.6 million** **\$644.0 million**. The first **\$32.4 million** **\$36.1 million** of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) are exempted from the reserve requirements. The Bank complies with the foregoing requirements. However, effective March 26, 2020, the FRB reduced reserve requirement ratios on all net transaction accounts to 0%, eliminating reserve requirements for all depository institutions, in response to the COVID-19 pandemic.

Other Regulations

Interest and other charges collected or contracted by the Bank are subject to state usury laws and federal laws concerning interest rates. The Bank's operations are also subject to federal and state laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

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- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Truth in Savings Act; and
- Rules and regulations of the various federal and state agencies charged with the responsibility of implementing such laws.

The operations of the Bank also are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;
- The USA PATRIOT Act, which requires banks operating to, among other things, establish broadened anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and
- The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's

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privacy policy and provide such customers the opportunity to “opt out” of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

General. The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended. As such, the Company is registered with the Federal Reserve and is subject to regulations, examinations, supervision and reporting requirements applicable to bank holding companies. In addition, the Federal Reserve has enforcement authority over the Company and its non-bank subsidiaries. Among other things, this authority permits the Federal Reserve to restrict or prohibit activities that are determined to be a serious risk to the subsidiary banking institution.

Capital. The Dodd-Frank Act requires the Federal Reserve to establish for all depository institution holding companies minimum consolidated capital requirements that are as stringent as those required for the insured depository subsidiaries.

Source of Strength. The Dodd-Frank Act requires that all bank holding companies serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

Dividends. The Federal Reserve has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances, such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate or earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary depository institution becomes undercapitalized. The policy statement also states that a holding company should inform the Federal Reserve supervisory staff before redeeming or repurchasing common stock or perpetual preferred stock if the holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, as of the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the Company's ability to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Acquisition. Under the Change in Bank Control Act, a federal statute, a notice must be submitted to the Federal Reserve if any person (including a company), or group acting in concert, seeks to acquire direct or indirect “control” of a bank holding company. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10%

or more of the company's outstanding voting stock, unless the Federal Reserve has found that the acquisition will not result in control of the company. A change in control definitively occurs upon the acquisition of 25% or more of the company's outstanding voting stock.

Under the Change in Bank Control Act, the Federal Reserve generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition.

Federal Securities Laws. The Company's common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. As a result, the Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the federal securities laws. The Company has policies, procedures and systems designed to comply with these regulations, and the Company reviews and documents these policies, procedures and systems to ensure continued compliance with these regulations.

TAXATION

General. The Company and the Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize certain pertinent federal income tax matters and is not a comprehensive description of the tax rules applicable to the Company and the Bank.

Method of Accounting. For federal income tax purposes, the Company currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal and state income tax returns.

Federal Taxation. The federal income tax laws apply to the Company in the same manner as to other corporations with some exceptions. The Company may exclude from income 100% of dividends received from the Bank as members of the same affiliated group of corporations. For federal income tax purposes, corporations may carryforward net operating losses

indefinitely, but the deduction is limited to 80% of taxable income. For its 2022 2023 and 2021 2022 fiscal year, the Company's maximum federal income tax rate was 21%.

State Taxation. The Bank is subject to the Pennsylvania Bank and Trust Company Shares Tax ("Shares Tax") rate of 0.95%. The tax is imposed on the Bank's adjusted equity. The Company and Exchange Underwriters are subject to the Pennsylvania Corporate Net Income Tax, otherwise known as "CNI tax." The CNI tax rate in 2022 2023 was 8.99% and 2021 in 2022 was 9.99%. The tax is imposed on income or loss from the federal income tax return on a separate-company basis for the Company and Exchange Underwriters. The federal return income or loss is adjusted for various items treated differently by the Pennsylvania Department of Revenue.

The FWVB merger has exposed the Company is subject to additional state tax filing requirements in West Virginia and Ohio. The West Virginia Corporation Net Income Tax imposes a state income tax at the rate 6.5% based on the Company's consolidated taxable federal net income or loss on the Company's federal tax return, adjusted for various items treated differently by the West Virginia State Tax Department. The State of Ohio imposes an equity-based tax similar to the PA Shares Tax called Financial Institutions Tax ("FIT") at a minimum tax of \$1,000 or a rate of 0.8% for the first \$200 million of Ohio based-equity, and then a declining rate thereafter. All state taxation is apportioned to states where nexus exists based on different metrics of the Company's Consolidated Statements of Financial Condition and Consolidated Statements of Income.

ITEM 1A. RISK FACTORS

In addition to risks disclosed elsewhere in this Report, the following discussion sets forth the material risk factors that could affect the Company's consolidated financial condition and results of operations. Readers should not consider any descriptions of these factors to be a complete set of all potential risks that could affect the Company. Any risk factor discussed below could by itself, or combined with other factors, materially and adversely affect the Company's business, results of operations, financial condition, capital position, liquidity, competitive position or reputation, including by materially increasing expenses or decreasing revenues, which could result in material losses or a decrease in earnings.

Risks Related to COVID-19 Pandemic

The economic impact of the COVID-19 pandemic could adversely affect our financial condition and results of operations.

The COVID-19 pandemic has caused significant economic dislocation in the United States. Although the domestic and global economies have begun to recover from the COVID-19 pandemic as many health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic continue to impact the macroeconomic

environment and may persist for some time, including labor shortages and disruptions of global supply chains. The growth in economic activity and in the demand for goods and services, coupled with labor shortages and supply chain disruptions, has also contributed to rising inflationary pressures. As a result of the COVID-19 pandemic and the related adverse economic consequences, we could be subject to the following risks, among others, any of which individually or in combination with others could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline, making it difficult to grow assets and income;
- if high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- limitations may be placed on our ability to foreclose on properties we hold as collateral;
- our allowance for loan losses may have to be increased if borrowers experience financial difficulties, which will adversely affect our net income;
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us;
- our cybersecurity risks are increased as the result of an increase in the number of employees working remotely;
- we rely on third-party vendors for certain services and the unavailability of a critical service due to the COVID-19 pandemic could have an adverse effect on us; and
- Federal Deposit Insurance Corporation premiums may increase if the agency experiences additional resolution costs.

Risks Related to Our Lending Activities

A large percentage of the Company's loans are collateralized by real estate, and further disruptions in the real estate market may result in losses and reduce the Company's earnings.

A substantial portion of the Company's loan portfolio consists of loans collateralized by real estate. Improving economic conditions have shifted to an increase in demand for real estate, which has resulted in stabilization of some real estate values in the Company's markets. Further disruptions in the real estate market could significantly impair the value of the Company's collateral and its ability to sell the collateral upon foreclosure. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. If real estate values decline further, it is likely that the Company would be required to increase its allowance for loan losses. If, during a period of lower real estate values, the Company is required to liquidate the collateral securing a loan to satisfy debts or to increase its allowance for loan losses, it could materially reduce its profitability and adversely affect its financial condition.

Because the Company emphasizes commercial real estate and commercial loan originations, its credit risk may increase, and continued downturns in the local real estate market or economy could adversely affect its earnings.

Commercial real estate and commercial loans generally have more inherent risk than the residential real estate loans. Because the repayment of commercial real estate and commercial loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse

conditions in the local real estate market or economy. Commercial real estate and commercial loans also may involve relatively large loan balances to individual borrowers or groups of related borrowers. A downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower's business, thereby increasing the risk of nonperforming loans. As the Company's commercial real estate and commercial loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase. Furthermore, it may be difficult to assess the future performance of newly originated commercial loans, as such loans may have delinquency or charge-off levels above the Company's historical experience, which could adversely affect the Company's future performance.

If our nonperforming assets increase, our earnings will suffer.

Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on **non-accrual nonaccrual** loans or real estate owned. We must reserve for probable losses, which results in additional provisions for loan losses. As circumstances warrant, we must write down the value of properties in our other real estate owned portfolio to reflect changing market values. Additionally, we have legal fees associated with the resolution of problem assets as well as additional costs, such as taxes, insurance and maintenance related to our other real estate owned. The resolution of nonperforming assets also requires the active involvement of management, which can adversely affect the amount of time we devote to the income-producing

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activities of the Bank. If our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance accordingly.

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If the Company's allowance for **loan credit losses is not sufficient to cover actual **loan credit** losses, the Company's results of operations would be negatively affected.**

In determining We maintain an allowance for credit losses which represents management's best estimate of credit losses within the **adequacy** existing portfolio of loans. The allowance, in the judgement of management, is appropriate to reserve for estimated credit losses and risks inherent in the loan portfolio. The level of the allowance for credit losses reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic conditions and unidentified losses in the Company analyzes its loss and delinquency experience by current loan categories and considers the effect of existing economic conditions. In addition, the Company makes various assumptions and judgments about the collectability portfolio. The determination of the loan portfolio, including the creditworthiness appropriate level of its borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of the loans. If the results of these analyses are incorrect, the allowance for **loan credit** losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may **not be sufficient to cover losses inherent** undergo material changes. Changes in economic conditions or forecasts, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the **portfolio, which would require additions to the allowance and would reduce net income, for credit losses.**

In addition, bank regulators periodically review the Company's allowance for **loan credit** losses and may require it to increase the allowance for **loan credit** losses or recognize further loan charge-offs. Any increase in the allowance for **loan credit** losses or loan charge-offs as required by these regulatory authorities may have a material adverse effect on the Company's financial condition and results of operations.

The Financial Accounting Standard Board ("FASB") has issued an accounting standard update that will result in a significant change in how we recognize credit losses and may have a material impact on our financial condition or results of operations.

In 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current accounting principles generally accepted in the United States of America ("GAAP") and instead requires an entity to reflect its estimate of all current expected credit losses ("CECL"). Under the CECL model, we will be required to present certain financial assets carried at amortized cost, such as loans held for investment and debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the Statements of Financial Condition and periodically thereafter. This differs significantly from the incurred loss model required under current GAAP, which delays recognition until it is probable a loss has been incurred. Accordingly, we expect that the adoption of the CECL model will materially affect how we determine our allowance for loan losses. Moreover, the CECL model may create more volatility in the level of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations.

In November 2019, the FASB approved a delay of the required implementation date of ASU 2016-13 for smaller reporting companies resulting in a required implementation date for the Company as of January 1, 2023. Upon adoption, the Company expects to record a cumulative effect adjustment to retained earnings that will increase stockholders' equity by \$2.1 million, net of tax. See Note 1 of the consolidated financial statements for additional detail.

Risk Related to Changes in Market Interest Rates

Changes in interest rates may reduce the Company's profits and impair asset values.

The Company's earnings and cash flows depend primarily on its net interest income. Interest rates are highly sensitive to many factors that are beyond the Company's control, including general economic conditions and the policies of various governmental and regulatory agencies, particularly the Federal Reserve. Changes in market interest rates could have an adverse effect on the Company's financial condition and results of operations. If rates increase rapidly, the Company may have to increase the rates paid on deposits,

particularly higher cost time deposits and borrowed funds, more quickly than any changes in interest rates earned on loans and investments, resulting in a negative effect on interest rate spreads and net interest income. Increases in interest rates may also make it more difficult for borrowers to repay adjustable rate loans. Conversely, should market interest rates fall below current levels, the Company's net interest margin also could be negatively affected if competitive pressures keep it from further reducing rates on deposits, while the yields on the Company's interest-earning assets decrease more rapidly through loan prepayments and interest rate adjustments. Decreases in interest rates often result in increased prepayments of loans and mortgage-related securities, as borrowers refinance their loans to reduce borrowings costs. Under these circumstances, the Company is subject to reinvestment risk to the extent it is unable to reinvest the cash received from such prepayments in loans or other investments that have interest rates that are comparable to the interest rates on existing loans and securities. Changes in interest rates also affect the value of the Company's interest-earning assets, and in particular its securities portfolio. Generally, the value of fixed-rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale determined to be temporary in nature are reported as a separate component of equity. Decreases in the fair value of securities available for sale resulting from increases in interest rates therefore could have an adverse effect on the Company's stockholders' equity.

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Risks Related to Our Acquisition Activity

Impairment in the carrying value of goodwill could negatively affect our results of operations.

We have recorded goodwill in connection with our recently completed mergers. At **December 31, 2022** **December 31, 2023**, we had \$9.7 million of goodwill on our Consolidated Statements of Financial Condition after incurring goodwill impairment of \$18.7 million in 2020. Any further impairment to goodwill could have a material adverse impact on the Company's consolidated financial conditions and results of operations. 100% of the goodwill is assigned to the Community Banking reporting unit. Under GAAP, goodwill must be evaluated for impairment annually or on an interim basis when a triggering event occurs. If the carrying value of our reporting unit exceeds its current fair value as determined based on the value of the business, the goodwill is considered impaired and is reduced to fair value by a non-cash, non-tax-deductible charge to earnings. The impairment testing required by GAAP involves estimates and significant judgments by management. Although we believe our assumptions and estimates are reasonable and appropriate, any changes in key assumptions or other unanticipated events and circumstances may affect the accuracy or validity of such estimates. Events and conditions that could result in impairment in the value of our goodwill include worsening business conditions and economic factors, particularly those that may result from the impact of a downturn in the economy as a result of COVID-19, changes in the industries in which we operate, adverse changes in the regulatory environment, or other factors leading to reduction in expected long-term profitability and cash flows.

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Risk Related to Our Liquidity Position

If we are unable to borrow funds, we may not be able to meet the cash flow requirements of our depositors, creditors, and borrowers, or the operating cash needed to fund corporate expansion and other corporate activities.

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. Our liquidity is used to make loans and to repay deposit liabilities as they become due or are demanded by customers. Liquidity policies and procedures are established by the board, with operating limits set based upon the ratio of loans to deposits and percentage of assets funded with non-core or wholesale funding. We regularly monitor our overall liquidity position to ensure various alternative strategies exist to cover unanticipated events that could affect liquidity. We also establish policies and monitor guidelines to diversify our wholesale funding sources to avoid concentrations in any one market source. Wholesale funding sources include federal funds purchased, securities sold under repurchase agreements, non-core deposits, and debt. The Bank is a member of the FHLB of Pittsburgh, which provides funding through advances to members that are collateralized with mortgage-related assets.

We maintain a portfolio of available-for-sale securities that can be used as a secondary source of liquidity. There are other sources of liquidity available to us should they be needed. These sources include the sale of loans, the ability to acquire national market, non-core deposits, issuance of additional collateralized borrowings such as FHLB advances and federal funds purchased, and the issuance of preferred or common securities.

Risks Related to Our Ability to Pay Dividends

The Company's ability to pay dividends is subject to the ability of Community Bank to make capital distributions to the Company, and also may be limited by Federal Reserve policy.

The Company's long-term ability to pay dividends to its stockholders depends primarily on the ability of the Bank to make capital distributions to the Company and on the availability of cash at the holding company level if the Bank's earnings are not sufficient to pay dividends. In addition, the Federal Reserve has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances, such as where the holding company's net income for the past four quarters, net of dividends paid over that period, is insufficient to fully fund the dividend or the holding company's overall rate or earnings retention is inconsistent with its capital needs and overall financial condition. These regulatory policies may adversely affect the Company's ability to pay dividends or otherwise engage in capital distributions.

Risks Related to Our Operations

Because the nature of the financial services business involves a high volume of transactions, the Company faces significant operational risks.

The Company operates in diverse markets and relies on the ability of its employees and systems to process a significant number of transactions. Operational risk is the risk of loss resulting from operations, including the risk of fraud by employees or persons outside a company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition

due to potential negative publicity. If a breakdown occurs in the internal controls system, improper operation of systems or improper employee actions, the Company could incur financial loss, face regulatory action and suffer damage to its reputation.

Risks associated with system failures, interruptions, breaches of security or cyber security could negatively affect the Company's earnings.

Information technology systems are critical to the Company's business. The Company uses various technology systems to manage customer relationships, general ledger, securities, deposits and loans. The Company has established policies and procedures to prevent or limit the effect of system failures, interruptions and security breaches, but such events may still occur or may not be adequately addressed if they do occur. In addition, any compromise of the Company's systems could deter customers from using its products and services. Security systems may not protect systems from security breaches.

In addition, the Company outsources some of its data processing to certain third-party providers. If these third-party providers encounter difficulties, or if the Company has difficulty communicating with them, the Company's ability to adequately process and account for transactions could be affected, and business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption or breach of security could damage the Company's reputation and result in a loss of customers and business thereby, subjecting it to additional regulatory scrutiny, or could expose it to litigation

and possible financial liability. Although the Company has not experienced any system failures, interruption or breach of security to date, any of these events could have a material adverse effect on its financial condition and results of operations.

The Company is constantly relying upon the availability of technology, the Internet and telecommunication systems to enable financial transactions by clients, to record and monitor transactions and transmit and receive data to and from clients and third parties. Information security risks have increased significantly due to the use of online, telephone and mobile banking channels by clients and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. Our technologies, systems, networks and our clients' devices have been subject to, and are likely to continue to be the target of, cyberattacks, computer viruses, malware, phishing attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our clients' confidential, proprietary and other information, the theft of client assets through fraudulent transactions or disruption of our or our clients' or other third parties' business operations. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's risk management framework may not be effective in mitigating risk and reducing the potential for significant losses.

The Company's risk management framework is designed to minimize risk and loss to the company. The Company seeks to identify, measure, monitor, report and control exposure to risk, including strategic, market, liquidity, compliance and operational risks. While the Company uses a broad and diversified set of risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased the Company's level of risk. Accordingly, the Company could suffer losses if it fails to properly anticipate and manage these risks.

Reforms to and uncertainty regarding LIBOR may adversely affect our business.

In 2017, the Chief Executive of the United Kingdom Financial Conduct Authority ("FCA"), which regulates the London Inter-bank Offered Rate ("LIBOR"), announced in July 2017 that the sustainability of LIBOR cannot be guaranteed. The administrator for LIBOR announced on March 5, 2021 that it will permanently cease to publish most LIBOR settings beginning on January 1, 2022 and cease to publish the overnight, one-month, three-month, six-month and 12-month USD LIBOR settings on July 1, 2023. Accordingly, the FCA has stated that it does not intend to persuade or compel banks to submit to LIBOR after such respective dates. Until such time, however, FCA panel banks have agreed to continue to support LIBOR. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. A committee of private-market derivative participants and their regulators convened by the Federal Reserve, the Alternative Reference Rates Committee ("ARRC"), was created to identify an alternative reference interest rate to replace LIBOR. The ARRC announced Secured Overnight Financing Rate ("SOFR"), a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, as its preferred alternative to LIBOR. Subsequently, the Federal Reserve announced final plans for the production of SOFR, which resulted in the commencement of its published rates by the FRB of New York on April 2, 2018. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question and the future of LIBOR at this time is uncertain. The uncertainty as to the nature and effect of

such reforms and actions and the political discontinuance of LIBOR may adversely affect the value of and return on our financial assets and liabilities that are based on or are linked to LIBOR, our results of operations or financial condition. In addition, these reforms may also require extensive changes to the contracts that

govern these LIBOR based products, as well as our systems and processes. The implementation of a substitute index or indices for the calculation of interest rates under our loan agreements with our borrowers may result in our incurring significant expenses in effecting the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations. Currently, the manner and impact of this transition and related developments, as well as the effect of these developments on our funding costs, securities portfolio and business, is uncertain.

Risks Related to Accounting Matters

Changes in the Company's accounting policies or in accounting standards could materially affect how the Company reports its financial condition and results of operations.

The Company's accounting policies are essential to understanding its financial condition and results of operations. Some of these policies require the use of estimates and assumptions that may affect the value of the Company's assets, liabilities, and financial results. Some of the Company's accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain, and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying the Company's financial statements are incorrect, it may experience material losses.

From time to time, the FASB and the Securities and Exchange Commission change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of the Company's financial statements. These changes are beyond the Company's control, can be difficult to predict, and could materially affect how the Company reports its financial condition and results of operations. The Company could also be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements in material amounts.

The need to account for certain assets at estimated fair value, such as securities, may adversely affect the Company's financial condition and results of operations.

The Company reports certain assets, such as securities, at estimated fair value. Generally, for assets that are reported at fair value, the Company uses quoted market prices or valuation models that utilize observable market inputs to estimate fair value. Because the Company carries these assets on its books at their estimated fair value, it may incur losses even if the asset in question presents minimal credit risk.

Risks Related to Competitive Matters

Strong competition within the Company's market area could adversely affect the Company's earnings and slow growth.

The Company faces intense competition both in making loans and attracting deposits. Price competition for loans and deposits might result in the Company earning less on its loans and paying more on its deposits, which reduces net interest income. Some of the Company's competitors have substantially greater resources than the Company has and may offer services that it does not provide. The Company expects competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing consolidation in the financial services industry. The Company's profitability will depend upon its continued ability to compete successfully in its market areas.

General Risk Factors

A worsening of economic conditions could adversely affect the Company's financial condition and results of operations.

A worsening of economic conditions could significantly affect the markets in which the Company operates, the value of loans and investments, ongoing operations, costs and profitability. Further declines in real estate values and sales volumes and continued elevated unemployment levels may result in higher than expected loan delinquencies, increases in nonperforming and criticized classified assets, and a decline in demand for the Company's products and services. In addition, the volatility in natural gas prices, or if prices decline, may depress natural gas exploration and drilling activities in the Marcellus Shale Formation. Furthermore, exploration and drilling of natural gas reserves in our market area may be affected by federal, state and local laws and regulations affecting production, permitting, environmental protection and other matters. Any of these events may negatively affect our customers, and may cause the Company to incur losses, and may adversely affect its financial condition and results of operations.

Inflation can have an adverse impact on our business and on our customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Recently, there have been market indicators of a pronounced rise in inflation and the FRB has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our noninterest expenses. Furthermore, our customers are also affected by inflation and the

rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us.

Climate change and related legislative and regulatory initiatives may materially affect the Company's financial condition and results of operations.

The effects of climate change continue to create a rising level of concern for the state of the global environment. As a result, businesses have increased their political and social awareness surrounding the issue, and the U.S. has entered into international agreements in an attempt to reduce global temperatures. In addition, the U.S. government, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives to combat climate change. Other expansive initiatives are expected, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. The lack of empirical data surrounding the credit and other financial risks posed by climate change render it difficult to predict how climate change may impact our financial condition and results of operations; however, the physical effects of climate change may also directly impact us. Specifically, unpredictable and more frequent weather disasters may adversely impact the value of real property securing the loans in our portfolios. Additionally, if insurance obtained by our borrowers is insufficient to cover any losses sustained to the collateral, or if insurance coverage is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted by climate change, which could impact our financial condition and results of operations. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact the communities in which we operate. Overall, the effects and resulting, unknown impact of climate change could have a material adverse effect on our financial condition and results of operations.

We could be adversely affected by failure in our internal controls.

A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of us. We devote a significant amount of effort, time and resources to continually strengthening our controls and ensuring compliance with complex accounting standards and banking regulations. Compliance with increased or new standards and regulations applicable to our Company may entail management spending increased time addressing such standards and regulations. Further, the Company may be required to expend additional capital resources on professional advisors, which could increase operational expenses and therefore negatively impact our net income.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 1C CYBERSECURITY

Our risk management program is designed to identify, assess and mitigate risks across our company. When considering financial, operational, regulatory, reputational and legal risk, our program is well matched for our size and complexity. Our Chief Technology Officer, in conjunction with the Chief Operating Officer, is currently responsible for managing our information security program. Given the increasing risk involving cybersecurity and the Bank's evolving needs and reliance on technology, our strategy involves the addition of a Chief Information Security Officer. The Chief Information Security Officer will be primarily responsible for the cybersecurity component of our risk program. These responsibilities include performing and maintaining a cyber risk assessment, defense operations, incident response, vulnerability assessment, threat intelligence, access levels, third party risk and vendor management and business continuity planning. This key role will be developed as we expand our overall risk management program.

Our objectives for managing cybersecurity risk is to greatly minimize the impacts of external threats. This includes, but is not limited to, efforts to penetrate, disrupt or misuse our systems or information. Our information security program is designed to comply with industry standards, such as the National Institute of Technology Cybersecurity Framework. We successfully leverage several associations, industry groups, audits and enhanced monitoring to promote the effectiveness of our program. Our Chief Technology Officer, who reports to our Chief Operating Officer, collaborates regularly with peer banks and other industry groups to identify and implement best practices. Our program is regularly reviewed in an effort to address emerging trends and threats.

We maintain multiple controls in an effort to manage cybersecurity threats. We employ various preventative and detective controls to monitor, block and prevent suspicious activity including those that provide real-time alerts and response. We have systems designed to mitigate cyber risk, which includes ongoing training for employees, preparedness and tabletop exercises, and recovery testing. We maintain a robust vendor management program that identifies, assesses and documents risk associated with external service providers. We proactively monitor email servers for malicious activity and limit remote work only to qualified positions. We leverage internal and external auditors to review processes, systems and controls related to our information security program to ensure they are operating effectively. Management proactively responds to all recommendations designed to strengthen or improve our operating environment.

We maintain a detailed Incident Response Plan which outlines the steps we would implement in the event of an actual or potential cybersecurity event. The Incident Response Plan includes timely notification of an escalation to the appropriate levels of management and Board of Directors. The Incident Response Plan is reviewed and updated at least annually and mandates coordination and collaboration across all levels of management and all areas of the Bank.

The Board of Directors reviews components of the information security program on annual basis including policies, procedures, risk assessments, table top testing results, attestations, budgets and strategies. These components are presented by Executive Management as part of the regular board meeting schedule and strategic planning process.

ITEM 2. PROPERTIES

At December 31, 2022 December 31, 2023, our premises and equipment had an aggregate net book value of approximately \$17.8 million \$19.7 million. We conduct our business through 13 branch offices. The branch offices are utilized by the community banking segment. In addition, the community banking segment has a corporate office, an operations center and two loan production office. The insurance brokerage services segment, Exchange Underwriters, operates from one office, offices. We believe that our office facilities are adequate to meet our present and immediately foreseeable needs.

The following table sets forth certain information concerning the main and each branch office at December 31, 2022 December 31, 2023.

Location	Owned or Leased
PENNSYLVANIA	
Main Office (Greene County):	
100 North Market Street, Carmichaels, PA 15320	Owned
Barron P. "Pat" McCune, Jr. Corporate Center (Washington County):	
2111 North Franklin Drive, Washington, PA 15301	Owned
Ralph J. Sommers, Jr. Operations Center (Greene County):	
600 Evergreene Drive, Waynesburg, PA 15370	Owned
Branch Offices (Greene County):	
30 West Greene Street, Waynesburg, PA 15370	Owned
100 Miller Lane, Waynesburg, PA 15370	Building Owned, Ground Lease
1993 South Eighty Eight Road, Greensboro, PA 15338	Owned
Branch Offices (Washington County):	
65 West Chestnut Street, Washington, PA 15301	Building Owned, Ground Lease
4139 Washington Road, McMurray, PA 15317	Leased
200 Main Street, Claysville, PA 15232	Owned
Branch Offices (Fayette County):	
545 West Main Street, Uniontown, PA 15401	Building Owned, Ground Lease
Branch Office (Westmoreland County):	
1670 Broad Avenue, Belle Vernon, PA 15012	Owned
Branch Office (Allegheny County):	
714 Brookline Boulevard, Pittsburgh, PA 15226	Owned
Northern Business Center: Loan Production Office:	
100 Pinewood Lane, Suite 101, Warrendale, PA 15086	Leased
Exchange Underwriters Southpointe Loan Production Office:	
2111 North Franklin Drive, Washington, 325 Southpointe Boulevard, Canonsburg, PA 15301 15317	Owned Leased

WEST VIRGINIA

Branch Offices (Ohio County):

1701 Warwood Avenue, Wheeling, WV 26003	Owned
875 National Road, Wheeling, WV 26003	Owned

Branch Office (Marshall County):

809 Lafayette Avenue, Moundsville, WV 26041	Owned
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ITEM 3. LEGAL PROCEEDINGS

At December 31, 2022 December 31, 2023, we were not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business which, in the aggregate, involve amounts that management believes are immaterial to our financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the NASDAQ Global Market under the symbol "CBFV." The approximate number of holders of record of the Company's common stock as of March 7, 2023 March 6, 2024, was 625,606. Certain shares of Company common stock are held in "nominee" or "street" name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

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Equity Compensation Plans

The following table provides information at December 31, 2022 December 31, 2023, for compensation plans under which equity securities may be issued.

Plan Category	Plan Category	Number of securities remaining available for future issuance			Plan Category	Number of securities to be issued upon exercise of outstanding options			Plan Category	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))		
		Number of securities to be issued upon exercise of outstanding options warrants and rights	Weighted- average exercise price of outstanding options warrants and rights	Number of securities under equity compensation plans (excluding securities reflected in column (A))		Number of securities to be issued upon exercise of outstanding options warrants and rights	Weighted-average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))				
		(A)	(B)	(C)								
		(A)										
Equity compensation plans:	Equity compensation plans:											
Equity compensation plans:												
Equity compensation plans:												

Approved by stockholders									
Approved by stockholders									
Approved by stockholders	Approved by stockholders	(1)	(1)	(2)		(1)		(1)	(2) (2)
		283,748	\$ 24.52	333,335	337,444	\$	24.11		161,464
Not approved by stockholders	Not approved by stockholders	—	—	—					
Total	Total	283,748	\$ 24.52	333,335					
Total									
Total									

- (1) Represents stock options available to be exercised from Treasury Stock under the 2015 Equity Incentive Plan (the "2015 Plan"), and stock options granted under the 2021 Equity Incentive Plan (the "2021 Plan") that can be issued from a reserve upon exercise. The 2015 Plan shall remain in effect as long as any awards are outstanding, but as a result of the approval of the 2021 Equity Incentive Plan, (the "2021 Plan"), no more awards can be granted under the 2015 Plan.
- (2) Represents 333,335 161,464 shares available under the 2021 Plan (the "Share Limit") that can be issued of which a maximum of 333,335 161,464 shares may be issued as stock options and 166,667 or 64,586 shares may be issued as restricted stock awards or units based on the terms of the Plan whereby the Share Limit is reduced, on a one-for-one basis, for each share of common stock subject to a stock option grant, and on a two and one-half-for-one basis for each share of common stock issued pursuant to restricted stock awards or units. At December 31, 2022 December 31, 2023, 104,465 183,440 stock options, and 27,765 67,990 restricted shares have been granted under the 2021 Plan.

Issuer Purchases of Equity Securities

The following table provides information relating to our purchase Company did not repurchase any of shares of our common stock its equity securities during the three months ended December 31, 2022 December 31, 2023.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program
October 1-31, 2022	4,620	\$ 21.88	4,620	\$ 8,603,128
November 1-30, 2022	0	—	0	8,603,128
December 1-31, 2022	0	—	0	8,603,128
Total	4,620	\$ 21.88	4,620	

- (1) On April 21, 2022, the Company announced that the Board had approved a program commencing on May 2, 2022 to repurchase up to \$10.0 million of the Company's outstanding common stock. This repurchase is set to expire on May 1, 2023. In connection with the program, as of December 31, 2022, the Company purchased a total of 62,178 shares of the Company's common stock at an average price of \$22.46 per share.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis reflects our consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the audited consolidated financial statements, which appear in this Report. You should read the information in this section in conjunction with the business and financial information the Company provided in this Report.

Cautionary Statement Concerning Forward-Looking Statements

See the first page of this Report for information regarding forward-looking statements.

Selected Financial Data

The following tables set forth selected historical financial and other data of the Company at and for the years ended December 31, 2022, December 31, 2023, 2021, 2022 and 2020, 2021. The information at December 31, 2022, December 31, 2023 and 2021, 2022, and for the years ended December 31, 2022, December 31, 2023 and 2021, 2022 is derived in part from, and should be read together with, the Company's audited consolidated financial statements and notes included in this Report and should be read together therewith. The information at December 31, 2020, December 31, 2021 and for the year ended December 31, 2020, December 31, 2021 is derived in part from audited financial statements that are not included in this Report.

December 31,	December 31,	2022	2021	2020
December 31,				
December 31,				
(Dollars in Thousands)				
(Dollars in Thousands)				
(Dollars in Thousands)	(Dollars in Thousands)			
Selected Financial	Selected Financial			
Condition Data:	Condition Data:			
Selected Financial Condition Data:				
Selected Financial Condition Data:				
Assets				
Assets				
Assets	Assets	\$ 1,408,938	\$ 1,425,479	\$ 1,416,720
Cash and Due From Banks	Cash and Due From Banks	103,700	119,674	160,911
Cash and Due From Banks				
Cash and Due From Banks				
Securities				
Securities				
Securities	Securities	190,058	224,974	145,400
Loans, Net	Loans, Net	1,037,054	1,009,214	1,031,982
Loans, Net				
Loans, Net				
Deposits				
Deposits				
Deposits	Deposits	1,268,503	1,226,613	1,224,569
Short-Term Borrowings	Short-Term Borrowings	8,060	39,266	41,055
Other Borrowings		14,638	17,601	8,000
Short-Term Borrowings				
Short-Term Borrowings				
Other Borrowed Funds				
Other Borrowed Funds				
Other Borrowed Funds				
Stockholders' Equity	Stockholders' Equity	110,155	133,124	134,530
Stockholders' Equity				
Stockholders' Equity				
Year Ended December 31,		2022	2021	2020
(Dollars in Thousands)				
Selected Operating Data:				
Interest and Dividend Income		\$ 47,716	\$ 43,557	\$ 47,467
Interest Expense		4,781	3,405	5,563
Net Interest and Dividend Income		42,935	40,152	41,904
Provision (Recovery) for Loan Losses		3,784	(1,125)	4,000
Net Interest and Dividend Income After Provision (Recovery) for Loan Losses		39,151	41,277	37,904

Noninterest Income	9,820	16,280	9,471
Noninterest Expense	34,891	42,862	56,767
Income (Loss) Before Income Tax Expense	14,080	14,695	(9,392)
Income Tax Expense	2,833	3,125	1,248
Net Income (Loss)	\$ 11,247	\$ 11,570	\$ (10,640)

At or For the Year Ended December 31,	2022	2021	2020
Per Common Share Data:			
Earnings (Loss) Per Common Share - Basic	\$ 2.19	\$ 2.15	\$ (1.97)
Earnings (Loss) Per Common Share - Diluted	2.18	2.15	(1.97)
Dividends Per Common Share	0.96	0.96	0.96
Dividend Payout Ratio ⁽¹⁾	44.04 %	44.65 %	(48.73)%
Book Value Per Common Share	\$ 21.60	\$ 25.31	\$ 24.76
Common Shares Outstanding	5,100,189	5,260,672	5,434,374

Year Ended December 31,	2023	2022	2021
<i>(Dollars in Thousands)</i>			
Selected Operating Data:			
Interest and Dividend Income	\$ 62,225	\$ 47,716	\$ 43,557
Interest Expense	17,672	4,781	3,405
Net Interest and Dividend Income	44,553	42,935	40,152
(Recovery) Provision for Credit Losses - Loans	(284)	3,784	(1,125)
Recovery for Credit Losses - Unfunded Commitments	(218)	—	—
Net Interest and Dividend Income After (Recovery) Provision for Credit Losses	45,055	39,151	41,277
Noninterest Income	24,012	9,820	16,280
Noninterest Expense	38,782	34,891	42,862
Income Before Income Tax Expense	30,285	14,080	14,695
Income Tax Expense	7,735	2,833	3,125
Net Income	\$ 22,550	\$ 11,247	\$ 11,570

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At or For the Year Ended December 31,	2022	2021	2020
Selected Financial Ratios:			
Return on Average Assets	0.80 %	0.79 %	(0.77)%
Return on Average Equity	9.56	8.66	(7.18)
Average Interest-Earning Assets to Average Interest-Bearing Liabilities	148.00	145.44	139.89
Average Equity to Average Assets	8.36	9.12	10.75
Net Interest Rate Spread ⁽²⁾	3.07	2.81	3.13
Net Interest Rate Spread (Non-GAAP) ⁽²⁾⁽⁴⁾	3.08	2.82	3.15
Net Interest Margin ⁽³⁾	3.24	2.92	3.30
Net Interest Margin (Non-GAAP) ⁽³⁾⁽⁴⁾	3.25	2.94	3.32
Net Charge-Offs to Average Loans	0.25	0.01	0.11
Noninterest Expense to Average Assets	2.48	2.93	4.12

Efficiency Ratio ⁽⁵⁾	66.14	75.95	110.50
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At or For the Year Ended December 31,	2023	2022	2021
Per Common Share Data:			
Earnings Per Common Share - Basic	\$ 4.41	\$ 2.19	\$ 2.15
Earnings Per Common Share - Diluted	4.40	2.18	2.15
Dividends Per Common Share	1.00	0.96	0.96
Dividend Payout Ratio ⁽¹⁾	22.73 %	44.04 %	44.65 %
Book Value Per Common Share	\$ 27.31	\$ 21.60	\$ 25.31
Common Shares Outstanding	5,119,543	5,100,189	5,260,672

Asset Quality Ratios:			
Allowance for Loan Losses to Total Loans	1.22 %	1.13 %	1.22 %
Allowance for Loan Losses to Nonperforming Loans	221.06	159.40	88.15
Allowance for Loan Losses to Nonaccrual Loans	320.64	233.37	117.28
Delinquent and Nonaccrual Loans to Total Loans	0.81	0.78	1.50
Nonperforming Loans to Total Loans	0.55	0.71	1.39
Nonperforming Loans to Total Assets	0.41	0.51	1.02
Nonperforming Assets to Total Assets	0.41	0.51	1.04

At or For the Year Ended December 31,	2023	2022	2021
Selected Financial Ratios:			
Return on Average Assets	1.60 %	0.80 %	0.79 %
Return on Average Equity	19.42	9.56	8.66
Average Interest-Earning Assets to Average Interest-Bearing Liabilities	141.85	148.00	145.44
Average Equity to Average Assets	8.25	8.36	9.12
Net Interest Rate Spread ⁽²⁾	2.73	3.07	2.81
Net Interest Rate Spread (Non-GAAP) ⁽²⁾⁽⁴⁾	2.74	3.08	2.82
Net Interest Margin ⁽³⁾	3.28	3.24	2.92
Net Interest Margin (Non-GAAP) ⁽³⁾⁽⁴⁾	3.29	3.25	2.94
Net (Recoveries) Charge-offs to Average Loans	(0.05)	0.25	0.01
Noninterest Expense to Average Assets	2.76	2.48	2.93
Efficiency Ratio ⁽⁵⁾	56.56	66.14	75.95

Capital Ratios:			
Common Equity Tier 1 Capital to Risk-Weighted Assets ⁽⁶⁾	12.33 %	11.95 %	11.79 %
Tier 1 Capital to Risk-Weighted Assets ⁽⁶⁾	12.33	11.95	11.79
Total Capital to Risk-Weighted Assets ⁽⁶⁾	13.58	13.18	13.04
Tier 1 Leverage Capital to Adjusted Total Assets ⁽⁶⁾	8.66	7.76	7.81

Asset Quality Ratios:			
Allowance for Credit Losses to Total Loans	0.87 %	1.22 %	1.13 %
Allowance for Credit Losses to Nonperforming Loans	433.35	221.06	159.40
Allowance for Credit Losses to Nonaccrual Loans	433.35	320.64	233.37
Delinquent and Nonaccrual Loans to Total Loans	0.62	0.81	0.78
Nonperforming Loans to Total Loans	0.20	0.55	0.71
Nonperforming Loans to Total Assets	0.15	0.41	0.51
Nonperforming Assets to Total Assets	0.16	0.41	0.51

Other:			
Number of Branch Offices	13	14	22
Number of Full-Time Equivalent Employees	197	200	257

Capital Ratios:			
Common Equity Tier 1 Capital to Risk-Weighted Assets ⁽⁶⁾	13.64 %	12.33 %	11.95 %
Tier 1 Capital to Risk-Weighted Assets ⁽⁶⁾	13.64	12.33	11.95
Total Capital to Risk-Weighted Assets ⁽⁶⁾	14.61	13.58	13.18
Tier 1 Leverage Capital to Adjusted Total Assets ⁽⁶⁾	10.19	8.66	7.76

Other:			
Number of Branch Offices	13	13	14
Number of Full-Time Equivalent Employees	161	197	200

(1) Represents dividends per share divided by net income per share.

(2) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.

(3) Represents net interest income as a percentage of average interest-earning assets.

(4) Fully taxable-equivalent (FTE) yield adjustments have been made for tax exempt loan and securities income utilizing a marginal federal income tax rate of 21% for the years ended December 31, 2022, 2021 and 2020. Refer to Explanation of Use of Non-GAAP Financial Measures in Item 7 of this Report for the calculation of the measure and reconciliation to the most comparable GAAP measure.

(5) Represents noninterest expense divided by the sum of net interest income and noninterest income.

(6) Capital ratios are for Community Bank only.

Critical Accounting Policies and Use of Critical Accounting Estimates

Critical accounting policies are those that involve significant judgments, estimates and assumptions by management and that have, or could have, a material impact on the Company's income or the carrying value of its assets.

Allowance for Credit Losses (ACL). On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology. The Company adopted ASU 2016-13 using a modified retrospective approach. Results for reporting periods beginning after January 1, 2023 are presented under Topic 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption resulted in a decrease of \$3.4 million to the Company's ACL related to loans receivable (ACL - Loans) and an increase of \$718,000 in ACL for unfunded commitments (ACL - Unfunded Commitments). The net impact resulted in a \$2.1 million increase to retained earnings, net of deferred taxes.

The ACL represents the estimated amount considered necessary to cover lifetime expected credit losses inherent in financial assets at the balance sheet date. The measurement of expected credit losses is applicable to loans receivable and securities measured at amortized cost. It also applies to off-balance sheet credit exposures such as loan commitments and unused lines of credit. The allowance is established through a provision for credit losses that is charged against income. The methodology for determining the allowance for credit losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the forecasted economic environment that could result in changes to the amount of the recorded ACL. The ACL is reported separately as a contra-asset on the Consolidated Statement of Financial Condition. The expected credit loss for unfunded loan commitments is reported on the Consolidated Statement of Financial Condition in other liabilities while the provision for credit losses related to unfunded commitments is reported in provision for credit losses - unfunded commitments in the Consolidated Statements of Income.

ACL on Loans Receivable

The ACL on loans is deducted from the amortized cost basis of the loan to present the net amount expected to be collected. Expected losses are evaluated and calculated on a collective, or pooled, basis for those loans which share similar risk characteristics. At each reporting period, the Company evaluates whether loans within a pool continue to exhibit similar risk characteristics. If the risk characteristics of a loan change, such that they are no longer similar to other loans in the pool, the Company will evaluate the loan with a different pool of loans that share similar risk characteristics. If the loan does not share risk characteristics with other loans, the Company will evaluate the loan on an individual basis. The Company evaluates the pooling methodology at least annually. Loans are charged off against the ACL when the Company believes the balances to be uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off or expected to be charged off.

The Company has chosen to segment its portfolio consistent with the manner in which it manages credit risk. Such segments include residential mortgage, commercial real estate mortgages, construction, commercial business, consumer and other. For most segments, the Company calculates estimated credit losses using a probability of default and loss

given default methodology, the results of which are applied to the aggregated discounted cash flow of each individual loan within the segment. The point in time probability of default and loss given default are then conditioned by macroeconomic scenarios to incorporate reasonable and supportable forecasts that affect the collectability of the reported amount.

The Company estimates the ACL on loans via a quantitative analysis which considers relevant available information from internal and external sources related to past events and current conditions, as well as the incorporation of reasonable and supportable forecasts. The Company evaluates a variety of factors including third party economic forecasts, industry trends and other available published economic information in arriving at its forecasts. After the reasonable and supportable forecast period, the Company reverts, on a straight-line basis, to average historical losses. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a restructuring will be executed with an individual borrower or the renewal option is included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Also included in the ACL on loans are qualitative reserves to cover losses that are expected but, in the Company's assessment, may not be adequately represented in the quantitative analysis or the forecasts described above. Factors that the Company considers include changes in lending policies and procedures, business conditions, the nature and size of the portfolio, portfolio concentrations, the volume and severity of past due loans and nonaccrual loans, and the effect of external factors such as competition, legal and regulatory requirements, among others. Furthermore, the Company considers the inherent uncertainty in quantitative models that are built upon historical data.

Individually Evaluated Loans

On a case-by-case basis, the Company may conclude that a loan should be evaluated on an individual basis based on its disparate risk characteristics. When the Company determines that a loan no longer shares similar risk characteristics with other loans in the portfolio, the allowance will be determined on an individual basis using the present value of expected cash flows or, for collateral-dependent loans, the fair value of the collateral as of the reporting date, less estimated selling costs, as applicable. If the fair value of the collateral is less than the amortized cost basis of the loan, the Company will charge off the difference between the fair value of the collateral, less estimated costs to sell at the reporting date, and the amortized cost basis of the loan.

ACL on Off-Balance Sheet Commitments

The Company is required to include unfunded commitments that are expected to be funded in the future within the allowance calculation, other than those that are unconditionally cancellable. To arrive at that reserve, the reserve percentage for each applicable segment is applied to the unused portion of the expected commitment balance and is multiplied by the expected funding rate. To determine the expected funding rate, the Company uses a historical utilization rate for each segment. As noted above, the ACL on unfunded loan commitments is included in other liabilities on the Consolidated Statement of Financial Condition and the related credit expense is recorded in provision for credit losses - unfunded commitments in the Consolidated Statements of Income.

ACL on Available-for-Sale Securities

For available-for-sale 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 securities available-for-sale that do not meet the above criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating by a rating agency, and adverse conditions 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 the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income (loss), net of tax. The Company elected the practical expedient of zero loss estimates for securities issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major agencies and have a long history of no credit losses.

Changes in the ACL are recorded as provision for, or reversal of, credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued Interest Receivable

The Company made an accounting policy election to exclude accrued interest receivable from the amortized cost basis of loans and available for sale securities. Accrued interest receivable on loans is reported as a component of accrued interest receivable and other assets on the Consolidated Statement of Financial Condition, totaled \$4.1 million at December 31, 2023 and is excluded from the estimate of credit losses. Accrued interest receivable on available of sale securities, also a component of accrued interest receivable and other assets on the Consolidated Statement of Financial Condition, totaled \$947,000, at December 31, 2023 and is excluded from the estimate of credit losses.

Allowance for Loan Losses. Prior to the adoption of ASU 2016-13, the Company calculated the allowance for loan losses ("allowance"), using an incurred loan loss methodology. The following policy related to the allowance in prior periods.

The allowance for loan losses ("allowance") is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance based on potential losses in the current loan portfolio, which includes an assessment of economic conditions, changes in the nature and volume of the loan portfolio, loan loss experience, volume and severity of past due, classified and nonaccrual loans as well as other loan modifications, quality of the

Company's loan review system, the degree of oversight by the Company's Board, existence and effect of any concentrations of credit and changes in the level of such concentrations, effect of external factors, such as competition and legal and regulatory requirements, and other relevant factors. While management uses

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the best information available to make such evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making evaluations. Additions are made to the allowance through periodic provisions charged to income and recovery of principal and interest on loans previously charged-off. Losses of principal are charged directly to the allowance when a loss occurs or when a determination is made that the specific loss is probable. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. A loan is considered impaired when, based upon current information and events, it is probable that the Company will

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be unable to collect all amounts due for principal and interest according to the original contractual terms of the loan agreement. Generally, management considers all substandard, doubtful, and loss-rated loans, nonaccrual loans, and TDRs for impairment. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. The maximum period without payment that typically can occur before a loan is considered for impairment is 90 days. Impairment is measured based on the present value of expected future cash flows discounted at a loan's effective interest rate, or as a practical expedient, the observable market price, or, if the loan is collateral dependent, the fair value of the underlying collateral. When the measurement of an impaired loan is less than the recorded investment in the loan, the impairment is recorded in a specific valuation allowance. This specific valuation allowance is periodically adjusted for significant changes in the amount or timing of expected future cash flows, observable market price or fair value of the collateral. The specific valuation allowance, or allowance for impaired loans, is part of the total allowance for loan losses. Cash payments received on impaired loans that are considered nonaccrual are recorded as a direct reduction of the recorded investment in the loan. When the recorded investment has been fully collected, receipts are recorded as recoveries to the allowance for loan losses until the previously charged-off principal is fully recovered. Subsequent amounts collected are recognized as interest income. If no charge-off exists, then once the recorded investment has been fully collected, any future amounts collected would be recognized as interest income. Impaired loans are not returned to accrual status until all amounts due, both principal and interest, are current and a sustained payment history has been demonstrated.

The general allowance component covers pools of homogeneous loans by loan class. Management determines historical loss experience for each segment of loans using the five-year rolling average of the net charge-off data within each segment. Qualitative and environmental factors are also considered that are likely to cause estimated credit losses associated with the Bank's existing portfolio to differ from historical loss experience, and include levels and trends in delinquency and impaired loans; levels and trends in net charge-offs, trends in volume and terms of loans; change in underwriting, policies, procedures, practices and key personnel; national and local economic trends; industry conditions, and effects of changes in high-risk credit circumstances. The qualitative and environmental factors are reviewed on a quarterly basis to ensure they are reflective of current conditions in the portfolio and economy. An unallocated component, which is a part of the general allowance component, is maintained to cover uncertainties that could affect the Company's estimate of probable losses.

Our allowance is sensitive to a number of inputs, most notably the qualitative factors and historical loss experience by loan segment. Given the dynamic relationship between the inputs, it is difficult to estimate the impact of a change in any one individual variable on the allowance. Although management believes that it uses the best information available to establish the allowance, future adjustments to the allowance may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Because future events affecting borrowers and collateral value cannot be predicted with certainty, there can be no assurance that the existing allowance is adequate or that increases will not be necessary should the quality of assets deteriorate as a result of the factors discussed previously. Any increase in the allowance may adversely affect our financial condition and results of operations. Changes in factors underlying the assessment could have a material impact on the amount of the allowance that is necessary and the amount of provision to be charged against earnings.

Fair Value Measurements. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the transaction date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A three-level of fair value hierarchy prioritizes the inputs used to measure fair value:

- Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.
- Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level

2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

This hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The Company attempts to maximize observable inputs and limit the use of unobservable inputs when developing fair value measurements. Fair value measurements for assets where there exists limited or no observable market data and that are based primarily upon the Company's or other third-party's estimates, are often calculated based on the characteristics of the asset, the

economic and competitive environment and other such factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset. Additionally, there may be inherent weaknesses in any calculation technique where changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future valuations.

Goodwill. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Deemed to have an indefinite life and not subject to amortization, goodwill is instead tested for impairment at the reporting unit level at least annually on October 31 or more frequently if triggering events occur or impairment indicators exist. The Company operates two reporting units – Community Banking segment and Insurance Brokerage Services segment. The Company has assigned 100% of the goodwill to the Community Banking reporting unit.

Determining the fair value of a reporting unit under the goodwill impairment test is judgmental and often involves the use of significant estimates and assumptions. The Company applies a one-step quantitative test and records the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a step one impairment test is unnecessary. An entity also has the option to bypass the qualitative assessment for any reporting unit and proceed directly to the first step of impairment testing.

Two basic approaches to determine the fair value of an entity are the income approach and market approach or a combination of the two. The income approach uses valuation techniques to convert future earnings or cash flows to present value to arrive at a value that is indicated by market expectations about future amounts. The market approach uses observable prices and other relevant information that is generated by market transactions involving identical or comparable assets or liabilities. The fair value measure is based on the value that those transactions indicate. These approaches involve significant estimates and assumptions.

In the application of the income approach, fair value of a reporting unit is determined using a discounted cash flow ("DCF") analysis. The income approach relies on Level 3 inputs along with a market-derived cost of capital when measuring fair value. Fair value is determined by converting anticipated benefits into a present single value. Once the benefit or benefits are selected, an appropriate discount or capitalization rate is applied to each benefit. These rates are calculated using the appropriate measure for the size and type of company, using financial models and market data as required. A discount rate may be derived based on a modified capital asset pricing model, which is comprised of a risk-free rate of return, an equity risk premium, a size premium and a factor covering the systemic market risk and a company specific risk premium. The values for the factors applied are determined primarily using external sources of information. The DCF discounted cash flow model also uses prospective financial information. Estimating future earnings and capital requirements involves judgment and the consideration of past and current performance and overall macroeconomic and regulatory environments.

Under the market approach, Level 1 and 2 inputs are used when measuring fair value. In the application of the market approach, the Guideline Public Company ("GPC") method of appraisal is based on the premise that pricing multiples of publicly traded companies can be used as a tool to be applied in valuing a closely held entity. A value multiple or ratio relates a stock's market price to the reported accounting data such as revenue, earnings, and book value. These ratios provide an objective basis for measuring the market's perception of a stock's fair value. Value ratios generally reflect the trends in growth, performance and stability of the financial results of operations. In this way, the business and financial risks exhibited by an industry or group of companies can be viewed in relation to market values. Value ratios also reflect the market's outlook for the economy as a whole. Guideline companies provide a reasonable basis for comparison to the relative investment characteristics of the company being valued. The Company analyzes the relationships between the guideline companies' asset size, profitability, asset quality and capital ratios and applies a control premium to the selected guideline company multiples. The control premium is management's estimate of how much a market participant would be willing to pay over the fair market value in consideration of synergies and other benefits that flow from control of the entity. The GPC Guideline Public Company method using trading activity of

publicly traded companies that are most similar to the Company may also be considered when the banking industry has a sufficient level of mergers and acquisitions activity

The results of the income and market approaches may be weighted to determine the concluded fair value of the reporting unit. The weighting is judgmental and is based on the perceived level of appropriateness of the valuation methodology. Estimating the fair value involves the use of estimates and significant judgments that are based on a number of factors including actual operating results. If current conditions change from those expected, it is reasonably possible that the judgments and estimates described above could change in future periods and require management to further evaluate goodwill for impairment.

If the Company determines a triggering event occurs in the future, changes in the judgments, assumptions and inputs noted above could result in additional goodwill impairment.

Other-Than-Temporary Impairment. In estimating other-than-temporary impairment of securities, securities are evaluated on at least a quarterly basis to determine whether a decline in their value is other-than-temporary. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) whether or not the Company intends to sell or expect that it is more likely than not that it will be required to sell the security before an anticipated recovery in fair value. Once a decline in value for a debt security is determined to be other than temporary, the other-than-temporary impairment is separated in (a) the amount of total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to credit loss is recognized in earnings. The amount of other-than-temporary impairment related to other factors is recognized in other comprehensive loss.

Deferred Tax Assets. Taxes. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. A tax position is recognized as a benefit only if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon in a tax examination, the term more likely than not means with a likelihood of more than 50%; the terms examined and upon tax examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold being presumed to occur. The amount recognized is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether a tax position has met positions not meeting the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date, and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company did not have a deferred tax asset valuation allowance as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022.

Recent Accounting Pronouncements and Developments

New accounting pronouncements that were adopted in the current period or will be adopted in a future period are discussed in Note 1 – Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements, which is included in Part IV, Item 15 of this Report.

Branch Optimization and Operational Efficiency Initiative

In 2021, the Company announced the implementation of branch optimization and operational efficiency strategic initiatives to improve the Bank's financial performance and operations in order to position the Bank for continued profitable growth through the optimization of its branch network while expanding technology and infrastructure investments in its remaining locations. The decision was the result of a comprehensive internal study that measured branch performance by comparing financial and non-financial indicators to growth opportunities, while evolving changes in consumer preferences, largely driven by the global pandemic, led to an acceleration of branch optimization efforts. The Bank also completed a comprehensive review of its branch network and operating environment to identify solutions to improve operating performance. This review prioritized profitability, efficiency, infrastructure and client experience improvements, automation in operations, and digital marketing and technology investments and the Bank is in process of implementing operational efficiencies related to individualized processes within its branch network and operating environment.

The Bank has substantially completed these initiatives through the consolidation of six branches that was completed on June 30, 2021. In addition, CB Financial, Community Bank, and Citizens Bank of West Virginia, Inc. ("Citizens Bank") executed a Purchase and Assumption Agreement (the "Agreement") pursuant to which Citizens Bank agreed to purchase certain loans and other assets, and assume certain deposits and other liabilities, of the branch offices of Community Bank located in Buckhannon, West Virginia, and New Martinsville, West Virginia. The divestiture of two branches in December 2021 resulted in the sale of \$102.8 million of deposits, \$6.1 million of loans and \$795,000 of premises and equipment and the recognition of a \$5.2 million pre-tax gain on sale from a 5.0% premium paid by Citizens Bank on the assumed deposits. The branch optimization initiative reduced the Bank's branch network to 14 branches. The Company anticipates \$3.0 million of ongoing pre-tax cost savings as a result of the branch optimization initiatives.

COVID-19 Pandemic

Although many health and safety restrictions have been lifted and vaccine distribution has increased, the ongoing COVID-19 pandemic has negatively impacted local, national and global economies and financial markets since March 2020. Economic activity and demand for goods and services, alongside labor shortages and supply chain complications, has also contributed to rising inflationary pressures. The extent to which the COVID-19 pandemic continues to impact our business, financial condition, liquidity, and results of operations will depend on future developments, which are highly uncertain and are difficult to predict

In response to the anticipated economic effects of COVID-19, the Board of Governors of the Federal Reserve took a number of actions that significantly affected the financial markets, including actions intended to result in substantial decreases in market interest rates. On March 15, 2020, the FRB reduced the target federal funds range by 100 basis points to 0% to 0.25% and have held the target federal funds rate in that range for the remainder of 2020 and throughout 2021. These reductions in interest rates, among other actions of the FRB and the Federal government generally, adversely affected our net interest income, compressed our margins and impacted our overall profitability. The reduction of interest rates to near zero in response to the effects of the COVID-19 pandemic were gradually reversed over the course of 2022 with increases totaling 425 bps due to FRB concerns with respect to inflation. The FRB has indicated it is committed to reducing inflation to its 2% objective. The magnitude and timing of further interest rate action is unknown.

Explanation of Use of Non-GAAP Financial Measures

In addition to traditional measures presented in accordance with generally accepted accounting principles ("GAAP"), we use, and this Report contains or references, certain non-GAAP Non-GAAP financial measures. We believe these non-GAAP Non-GAAP financial measures provide useful information in understanding our underlying results of operations or financial position and our business and performance trends as they facilitate comparisons with the performance of other companies in the financial services industry. Although we believe that these non-GAAP Non-GAAP financial measures enhance the understanding of our business and performance, these non-GAAP Non-GAAP financial measures should not be considered an alternative to GAAP or considered to be more important than financial results determined in accordance with GAAP, nor are they necessarily comparable with non-GAAP Non-GAAP measures which may be presented by other companies. Where non-GAAP Non-GAAP financial measures are used, the comparable GAAP financial measure, as well as the reconciliation to the comparable GAAP financial measure, can be found herein. Refer to the "Reconciliations of Non-GAAP Financial Measures to GAAP" within this Item 7 for further information.

Comparison of Financial Condition at December 31, 2022 December 31, 2023 and 2021 2022

Assets. Total assets decreased \$16.5 million increased \$47.2 million, or 1.2% 3.4%, to \$1.46 billion at December 31, 2023, compared to \$1.41 billion at December 31, 2022, compared to \$1.43 billion at December 31, 2021.

Cash and Due From Banks. Cash and due from banks decreased \$16.0 million \$35.5 million, or 13.3% 34.2%, to \$68.2 million at December 31, 2023, compared to \$103.7 million at December 31, 2022, compared to \$119.7 million at December 31, 2021. The change is primarily related to net funding of loans.

Securities. Securities decreased \$34.9 million increased \$17.0 million, or 15.5% 8.9%, to \$207.1 million at December 31, 2023, compared to \$190.1 million at December 31, 2022, compared to \$225.0 million at December 31, 2021. The securities balance was negatively primarily impacted by the purchase of \$29.9 million of collateralized loan obligation securities, partially offset by \$15.8 million of repayments on mortgage-backed and collateralized mortgage obligation securities and a \$32.3 million \$110,000 decrease in market value of the debt securities portfolio, primarily due to the increase in market interest rates. The current period activity included \$26.8 million of purchases, \$29.2 million of paydowns, and no sales. The purchases were made to improve yield on excess cash. In addition there was a \$168,000 loss in market value in the equity securities portfolio, which is primarily comprised of bank stocks. During the period, the Bank implemented a balance sheet repositioning strategy of its portfolio of available-for-sale securities. The Bank sold \$69.3 million in market value of its lower-yielding U.S government agency, mortgage-backed and municipal securities with an average yield of 1.89% and purchased \$69.3 million of higher-yielding mortgage-backed and collateralized mortgage obligation securities with an average yield of 5.49%.

Securities Portfolio. The following table sets forth the composition of our securities portfolio at the dates indicated.

2022						2021				
2023						2023				
December 31,	December 31,	Amortized Cost	Fair Value	Amortized Cost	Fair Value	December 31,	Amortized Cost	Fair Value	Amortized Cost	Fair Value
(Dollars in Thousands)										
Available-for-Sale Debt Securities:	Available-for-Sale Debt Securities:									
Available-for-Sale Debt Securities:										
U.S. Government Agencies										
U.S. Government Agencies										
U.S. Government Agencies	U.S. Government Agencies	\$ 53,993	\$ 44,634	\$ 53,992	\$ 52,561					

Obligations of States and Political Subdivisions	Obligations of States and Political Subdivisions	14,053	13,342	17,951	18,955
Mortgage-Backed Securities - Government-Sponsored Enterprises	Mortgage-Backed Securities - Government-Sponsored Enterprises	46,345	41,427	55,373	56,559
Collateralized Mortgage Obligations - Government Sponsored Enterprises	Collateralized Mortgage Obligations - Government Sponsored Enterprises	96,930	79,642	88,493	86,583
Collateralized Loan Obligations					
Corporate Debt	Corporate Debt	9,487	8,315	7,481	7,450
Total Available-for-Sale Debt Securities	Total Available-for-Sale Debt Securities	\$ 220,808	187,360	\$ 223,290	222,108
Equity Securities:	Equity Securities:				
Equity Securities:					
Mutual Funds					
Mutual Funds	Mutual Funds		875		990
Other	Other		1,823		1,876
Total Equity Securities	Total Equity Securities		2,698		2,866
Total Securities	Total Securities		\$190,058		\$224,974

Securities Portfolio Maturities and Yields. The composition and maturities of the debt securities portfolio at **December 31, 2022** **December 31, 2023**, are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. The weighted average yield for each security category is determined by the security's book yield and calculating the interest earned divided by the carrying value. For tax free obligations of states and political subdivision, the book yield is the tax free yield.

	One Year or Less		More than One Year Through Five Years		More than Five Years Through Ten Years		More than Ten Years		Total	
	Weighted Average		Weighted Average		Weighted Average		Weighted Average		Weighted Average	
	Fair Value	Yield	Fair Value	Yield	Fair Value	Yield	Fair Value	Yield	Fair Value	Yield
(Dollars in Thousands)										
U.S. Government										
Agencies	\$ —	— %	\$ 7,849	0.96 %	\$ 36,785	1.24 %	\$ —	— %	\$ 44,634	1.19 %
Obligations of States and Political Subdivisions	244	2.61	739	3.09	11,501	3.28	858	3.18	13,342	3.25

Mortgage Backed															
Securities -															
Government-															
Sponsored Enterprises	—	—	2,971	2.80	9,282	1.96	29,174	2.11	41,427	2.12					
Collateralized Mortgage															
Obligations -															
Government-															
Sponsored Enterprises	—	—	—	—	—	—	79,642	1.52	79,642	1.52					
Corporate Debt															
Securities	—	—	—	—	3,815	3.31	4,500	6.92	8,315	5.20					
Total Debt Securities	\$	244	2.61 %	\$	11,559	1.53 %	\$	61,383	1.81 %	\$	114,174	1.87 %	\$	187,360	1.83 %

Loans. Total loans increased \$29.1 million, or 2.8%, to \$1.05 billion at December 31, 2022 compared to \$1.02 billion at December 31, 2021. Excluding the net decline of \$24.4 million in PPP loans in the current period, loans increased \$53.5 million. 2022 loan growth was experienced through net funding of \$44.7 million in commercial real estate loans and \$24.8

	One Year or Less		More than One Year Through Five Years		More than Five Years Through Ten Years		More than Ten Years		Total						
	Weighted Average		Weighted Average		Weighted Average		Weighted Average		Weighted Average						
	Fair Value	Yield	Fair Value	Yield	Fair Value	Yield	Fair Value	Yield	Fair Value	Yield					
(Dollars in Thousands)															
U.S. Government Agencies	\$	—	— %	\$	—	— %	\$	3,949	1.26 %	\$	—	— %	\$	3,949	1.26 %
Obligations of States and Political Subdivisions		—		—	573	3.58	2,800	3.94	—	—	3,373	3.88			
Mortgage Backed Securities - Government-Sponsored Enterprises		—		—	217	2.00	9,791	5.09	44,524	3.66	54,532	3.90			
Collateralized Mortgage Obligations - Government-Sponsored Enterprises		—		—	—	—	—	—	105,130	2.79	105,130	2.79			
Collateralized Loan Obligations		—		—	—	—	21,895	7.29	7,909	7.68	29,804	7.39			
Corporate Debt Securities		—		—	—	—	3,594	3.31	4,125	7.76	7,719	5.64			
Total Debt Securities	\$	—	— %	\$	790	3.14 %	\$	42,029	5.49 %	\$	161,688	3.37 %	\$	204,507	3.78 %

Loans. Total loans increased \$60.5 million, or 5.8%, to \$1.11 billion at December 31, 2023 compared to \$1.05 billion at December 31, 2022. Loan growth was driven by increases in commercial and industrial loans, commercial real estate loans, residential mortgage loans and other loans of \$41.2 million, \$30.3 million, \$17.1 million, and \$8.9 million, respectively, partially offset by a decrease in consumer loans partially offset by of \$35.3 million. The decrease in consumer loans resulted from a reduction in indirect automobile loan production due to rising market interest rates and the completion discontinuation of \$40.1 million this product offering as of June 30, 2023. This portfolio is expected to continue to decline as resources are allocated and production efforts are focused on more profitable commercial products. Excluding the \$34.9 million decrease in construction indirect automobile loans, total loans increased \$95.4 million, or 9.1%. Average loans, net for the year ended December 31, 2022 December 31, 2023 increased \$4.7 million \$57.8 million compared to the year ended December 31, 2021 December 31, 2022.

Loan Portfolio Composition. The following table sets forth the composition of the Company's loan portfolio by type of loan at the dates indicated. The Company did not have loans held for sale at the dates indicated below.

2022 2021

2023						2023						2022	
December 31,	December 31,	Amount	Percent	Amount	Percent	December 31,	Amount	Percent		Amount		Percent	
(Dollars in Thousands)	(Dollars in Thousands)												
Real Estate:	Real Estate:												
Real Estate:													
Real Estate:													
Residential													
Residential													
Residential	Residential	\$ 330,725	31.5 %	\$ 320,798	31.4 %	\$ 347,808	31.3	31.3	%	\$330,725	31.5	31.5	%
Commercial	Commercial	436,805	41.6	392,124	38.5								
Construction	Construction	44,923	4.3	85,028	8.3								
Commercial and Industrial	Commercial and Industrial	70,044	6.7	89,010	8.7								
Consumer	Consumer	146,927	14.0	122,152	12.0								
Other	Other	20,449	1.9	11,684	1.1								
Total Loans	Total Loans	1,049,873	100.0 %	1,020,796	100.0 %	Total Loans	1,110,396	100.0	100.0	%	1,049,873	100.0	100.0 %
Allowance for Loan Losses		(12,819)		(11,582)									
Allowance for Credit Losses													
Loans, Net	Loans, Net	\$1,037,054		\$1,009,214									
Loans, Net													
Loans, Net													

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Loan Portfolio Maturities and Yields. The following table summarizes the scheduled repayments of our loan portfolio at **December 31, 2022** **December 31, 2023**. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. For construction-to-permanent loans in the construction category, the maturity date is the date the loan matures once it is in permanent repayment status. Consumer loans consist primarily of indirect automobile loans whereby a portion of the rate is prepaid to the dealer and accrued in a prepaid dealer reserve account. Therefore, the true yield for the consumer loan portfolio is significantly less than the note rate disclosed below.

Real Estate					
Residential					
Residential					
Residential				Commercial	
				Weighted Average Rate	
Amount				Amount	
(Dollars in Thousands)					
Real Estate					
One Year or Less					
				Commercial and Industrial	
Residential					
Commercial					
Construction					

		Weighted Average		Weighted Average		Weighted Average		Weighted Average							
		Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate						
(Dollars in Thousands)															
One Year or Less															
One Year or Less	One Year or Less	\$ 16,317	7.40 %	\$ 19,485	6.40 %	\$ 4,177	7.85 %	\$14,118	7.02 %	\$15,033	8.50	8.50	%	\$20,475	
After One Year Through Five Years	After One Year Through Five Years	7,410	4.32	60,700	5.62	17,772	6.75	33,240	4.92						
After Five Years Through 15 Years	After Five Years Through 15 Years	112,609	4.07	345,811	4.85	13,437	4.13	22,684	4.03						
After 15 Years	After 15 Years	194,389	3.84	10,809	3.90	9,537	3.82	2	7.50						
Total	Total	\$330,725	4.10 %	\$436,805	5.00 %	\$44,923	5.44 %	\$70,044	5.05 %	Total	\$347,808	4.41	4.41 %	\$46	
						Consumer		Other		Total					
						Weighted Average Rate		Weighted Average Rate		Weighted Average Rate					
						Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount		
(Dollars in Thousands)															
One Year or Less						\$ 5,734	8.15 %	\$ 952	6.98 %	\$ 60,783	7.09 %				
After One Year Through Five Years						84,765	4.37	418	3.08	204,305	5.05				
After Five Years Through 15 Years						54,958	5.00	16,645	3.48	566,144	4.62				
After 15 Years						1,470	9.54	2,434	2.56	218,641	3.82				
Total						\$ 146,927	4.77 %	\$ 20,449	3.53 %	\$ 1,049,873	4.68 %				

		Consumer		Other		Total	
		Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
(Dollars in Thousands)							
One Year or Less		\$ 6,848	8.71 %	\$ 863	7.95 %	\$ 95,855	7.82 %
After One Year Through Five Years		84,275	4.65	424	4.57	252,521	5.62
After Five Years Through 15 Years		19,302	6.43	23,165	3.98	543,269	5.29
After 15 Years		1,218	10.50	4,945	3.31	218,751	3.99
Total		\$ 111,643	5.23 %	\$ 29,397	4.00 %	\$ 1,110,396	5.33 %

The following table sets forth at **December 31, 2022** December 31, 2023, the dollar amount of all fixed-rate and adjustable-rate loans due after **December 31, 2023** December 31, 2024.

Due After December 31, 2023		Fixed	Adjustable	Total
Due After December 31, 2024				
Due After December 31, 2024		Due After December 31, 2024		
		Fixed	Adjustable	Total
(Dollars in Thousands)	(Dollars in Thousands)			

Real Estate:	Real Estate:			
Real Estate:				
Real Estate:				
Residential				
Residential				
Residential	Residential	\$267,046	\$ 47,362	\$314,408
Commercial	Commercial	238,933	178,387	417,320
Construction	Construction	30,720	10,026	40,746
Commercial and Industrial	Commercial and Industrial	47,021	8,905	55,926
Consumer	Consumer	141,157	36	141,193
Other	Other	16,381	3,116	19,497
Total Loans	Total Loans	\$741,258	\$ 247,832	\$989,090

Liabilities. Total liabilities increased \$6.4 million \$17.5 million, or 0.5% 1.3%, to \$1.32 billion at December 31, 2023 compared to \$1.30 billion at December 31, 2022 compared to \$1.29 billion at December 31, 2021.

Deposits. Total deposits increased \$41.9 million decreased \$1.3 million to \$1.27 billion \$1.267 billion as of December 31, 2022 December 31, 2023 compared to \$1.23 billion \$1.269 billion at December 31, 2021 December 31, 2022. Noninterest bearing Non interest-bearing demand deposits NOW accounts decreased \$112.7 million, savings deposits decreased \$53.3 million, and savings accounts money market deposits decreased \$8.1 million, while interest-bearing demand deposits increased \$4.6 million, \$39.3 million \$51.2 million and \$8.5 million, respectively, partially offset by a decrease of \$27.6 million in time deposits, deposits increased \$121.5 million. The increase in interest-bearing demand deposits is was primarily the result of the transition of customer higher interest

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rates attracting more customers and additional deposits from securities sold under agreements to repurchase product, which are related to business deposit existing customers whose funds, above designated target balances, are transferred into an overnight interest-earning investment account by purchasing securities while higher time deposits resulted from the Bank's offering of a higher-rate certificate of deposit product and the addition of \$29.0 million of brokered certificates of deposit. The brokered certificates of deposits all mature within three months and were utilized to fund the purchase of floating rate collateralized loan obligation securities. FDIC insured deposits totaled approximately 59.4% of total deposits while an additional 16.0% of deposits were collateralized with investment portfolio under an agreement to repurchase securities.

The following table sets forth the distribution of our average deposit accounts, by account type, for the years indicated.

2022								2021							
2023								2023							
Year Ended December 31,	Year Ended December 31,	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Year Ended December 31,	Average Balance	Percent	Weighted Average Rate	Average Balance			Pe
(Dollars in Thousands)	(Dollars in Thousands)														
Non-Interest Bearing															
Demand Deposits		\$ 389,553	31.4 %	— %	\$ 378,374	29.8 %	— %								
NOW Accounts		282,850	22.8	0.48	272,256	21.4	0.09								
Noninterest-Bearing Demand Accounts															
Noninterest-Bearing Demand Accounts															
Noninterest-Bearing Demand Accounts															
									\$ 326,408	26.0 %	— %	\$389,553			31.4

Interest-Bearing Demand Accounts																	
Money Market Accounts																	
Savings Accounts	Savings Accounts	248,334	20.0	0.04	247,864	19.5	0.04										
Money Market Accounts		194,223	15.7	0.50	201,222	15.8	0.14										
Time Deposits	Time Deposits	124,817	10.1	1.28	171,805	13.5	1.46										
Total Deposits	Total Deposits	\$1,239,777	100.0 %	0.32 %	\$1,271,521	100.0 %	0.25 %	Total Deposits	\$1,256,886	100.0		100.0 %		1.31 %	\$	1,239,777	100.0

5.00% or Greater				
Total Time Deposits	Total Time Deposits	\$	109,126	\$ 136,713
Total Time Deposits				
Total Time Deposits				

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The following table sets forth, by interest rate ranges and scheduled maturity, information concerning our time deposits at the date indicated.

Period to Maturity														
										Less Than Or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three to Four Years	More Than Four Years
December 31, 2023										December 31, 2023				
(Dollars in Thousands)														
Period to Maturity														
December 31, 2022	Less Than Or Equal to One Year	More Than One to Two Years	More Than Two to Three Years	More Than Three to Four Years	More Than Four to Five Years	More Than Five to Six Years	More Than Six to Seven Years	Total	Percent of Total					
(Dollars in Thousands)														
Less than 0.25%														
Less than 0.25%														
Less than 0.25%	Less than 0.25%	\$30,789	\$ 9,926	\$1,185	\$1,535	\$ 81	\$ —	\$ 43,516	39.9 %	\$ 6,309	\$ —	\$ \$928	\$ \$711	\$ \$61
0.25% to 0.49%	0.25% to 0.49%	1,071	760	785	4,686	3,430	—	10,732	9.8					
0.50% to 0.99%	0.50% to 0.99%	514	669	3,844	138	195	2,361	7,721	7.1					
1.00% to 1.49%	1.00% to 1.49%	2,748	1,275	1,430	202	—	274	5,929	5.4					
1.50% to 1.99%	1.50% to 1.99%	1,281	836	788	1,579	129	104	4,717	4.3					
2.00% to 2.49%	2.00% to 2.49%	4,659	1,753	166	31	234	536	7,379	6.8					
2.49% to 2.99%	2.49% to 2.99%	12,298	95	386	—	—	—	12,779	11.7					
3.00% to 3.99%	3.00% to 3.99%	15,852	285	73	—	—	—	16,210	14.9					
4.00% or Greater	4.00% or Greater	143	—	—	—	—	—	143	0.1					

- **Recurring Fed interest rate increases during 2022** On December 1, 2023, the Company announced that the Bank and EU entered into an Asset Purchase Agreement with World Insurance Associates, LLC ("World") pursuant to which EU sold substantially all of its assets to World for a purchase price of \$30.5 million cash plus possible additional earn-out payments. The sale of assets was completed on December 8, 2023 and resulted in an increase in net interest income a pre-tax gain of \$2.8 million \$24.6 million.
- **There was** During the fourth quarter of 2023, the Bank executed a commercial loan charge off balance sheet repositioning strategy of its portfolio of available-for-sale securities. The Bank sold \$69.3 million in the second quarter market value of its lower-yielding U.S government agency, mortgage-backed and resulted municipal securities with an average yield of 1.89% and purchased \$69.3 million of higher-yielding mortgage-backed and collateralized mortgage obligation securities with an average yield of 5.49%, resulting in a \$3.8 million provision.

2021 Annual Results were impacted by the following significant non-recurring items: pre-tax loss of \$10.1 million.

- **The branch optimization and operational efficiency initiatives** resulted in \$7.5 million of restructuring-related and other expenses Recovery for credit losses totaled \$502,000 for 2023 as the Bank experienced net recoveries for the year ended December 31, 2021. The non-recurring expenses include a \$2.3 million writedown on premises and equipment and \$1.2 million impairment December 31, 2023 of intangible assets associated with the branch sales. The Company also incurred \$4.1 million of expenses related \$557,000 primarily due to contracted services, employee severance costs, branch lease impairment, professional fees, data processing fees, charitable donations, legal and other expenses for the year ended December 31, 2021 related to these initiatives.
- **The Company recognized a \$5.2 million pre-tax gain on sale of branches recoveries** totaling \$750,000 related to the 5.0% premium paid by Citizens Bank on the assumed deposits. prior year \$2.7 million charged-off commercial and industrial loan.

Net Interest Income. Net interest income increased \$2.8 million \$1.6 million, or 6.9% 3.8%, to \$44.6 million for the year ended December 31, 2023 compared to \$42.9 million for the year ended December 31, 2022 compared. Net interest margin (Non-GAAP) increased 4 bps to \$40.2 million 3.29% for the year ended December 31, 2021. Net interest margin (Non-GAAP FTE) increased 31 bps December 31, 2023 compared to 3.25% for the year ended December 31, 2022 compared to 2.94% the year ended December 31, 2021. Net interest margin (GAAP) increased to 3.28% for the year ended December 31, 2023 compared to 3.24% for the year ended December 31, 2022 compared to 2.92% for the year ended December 31, 2021. The net interest margin increased primarily due to the higher interest rate environment increasing yields on loans more than the yield on interest-bearing deposits.

Interest and dividend income increased \$4.2 million \$14.5 million, or 9.5% 30.4%, to \$62.2 million for the year ended December 31, 2023 compared to \$47.7 million for the year ended December 31, 2022 compared. This increase was largely due to \$43.6 million a 98 basis point increase in the yield on interest-earning assets to 4.59% for the year ended December 31, 2021. December 31, 2023 compared to 3.61% for the year ended December 31, 2022, contributing an additional \$12.7 million to interest income.

- Interest income on loans increased \$2.2 million \$12.7 million, or 5.6% 30.3%, to \$54.7 million for the year ended December 31, 2023 compared to \$41.9 million for the year ended December 31, 2022 compared. Average loans increased \$57.8 million while the loan yield increased 97 bps to \$39.7 million 5.09% for the year ended December 31, 2021. Average loans increased \$4.7 million while the loan yield for the year ended December 31, 2022 increased 20 bps December 31, 2023 compared to 4.12% for the year ended December 31, 2022 compared to 3.92% for the year ended December 31, 2021 due to the increases of market interest rates this year compared to a full year impact of the COVID-19 pandemic-related declines in market interest rates beginning in March 2020. Interest and fee income on PPP loans was \$734,000 for the year ended December 31, 2022 and contributed 5 bps to loan yield, compared to \$2.2 million for the year ended December 31, 2021, which contributed loan yield 4 bps in the prior period. The impact of the accretion of the credit mark on acquired loan portfolios was \$239,000 for the year ended December 31, 2022 compared to \$468,000 for the year ended December 31, 2021, or 2 bps in the current period compared to 4 bps in the prior period.
- Interest income on taxable investment securities increased \$862,000, \$165,000, or 28.8% 4.3%, to \$4.0 million for the year ended December 31, 2023 compared to \$3.9 million for the year ended December 31, 2022 compared to \$3.0 million for the year ended December 31, 2021. While average investment securities increased \$57.8 million decreased \$12.3 million, there was a 919 bps decrease increase in average yield. There were sales of securities in 2021 that were higher-interest securities, which were replaced by lower-interest securities that decreased the yield year over year.
- Interest income on tax-exempt investment securities decreased \$76,000, \$56,000, or 26.3%, to \$157,000 for the year ended December 31, 2023 compared to \$213,000 for the year ended December 31, 2022 compared to \$289,000 for the year ended December 31, 2021 primarily driven by a decrease of \$3.4 million \$2.6 million in average balance from balances of municipal securities calls. securities.
- Interest from other interest-earning assets, which primarily consists of interest-earning cash, increased \$1.1 million \$1.7 million, or 232.0% 102.5%, to \$3.3 million for the year ended December 31, 2022 December 31, 2023 compared to \$1.6 million for the year ended December 31, 2021 December 31, 2022. Interest and dividend income earned on other interest-earning assets, which is primarily composed of restricted stock, decreased \$32,000. Average While average interest bearing deposits at other banks decreased \$107.0 million \$9.1 million, primarily related to funds received from deposit changes in deposits and loan activity, loans, there was however a \$1.1 million 292 bps increase in interest income average yield due to an increase in Fed interest rates that resulted in a 191 bps increase in average yield. rates.

Interest expense increased \$1.4 million \$12.9 million, or 40.4% 269.6%, to \$17.7 million for the year ended December 31, 2023 compared to \$4.8 million for the year ended December 31, 2022 compared. This increase was largely due to \$3.4 million a 132 basis point increase in the cost of interest-bearing liabilities to 1.38% for the year ended December 31, 2021. December 31, 2023 compared to 0.53% for the year ended December 31, 2022, adding an additional \$12.3 million to interest expense.

- Interest expense on deposits increased \$900,000, \$12.4 million, or 28.8% 308.3%, to \$16.4 million for the year ended December 31, 2023 compared to \$4.0 million for the year ended December 31, 2022 compared. Rising market interest rates led to \$3.1 million for the year ended December 31, 2021. While average repricing of interest-

- (Recovery) Provision for Credit Losses.** The recovery for credit losses was \$502,000 for the year ended December 31, 2021 primarily due December 31, 2023, compared to the issuance of \$15.0 million in subordinated debt, partially offset by a \$3.0 million payoff of an FHLB borrowing, which resulted in a \$10.4 million increase in average balances.

Noninterest Income. The breakdown of noninterest income for the year ended December 31, 2022 December 31, 2023 compared to year ended December 31, 2021 December 31, 2022 is as follows:

(Dollars in
Thousands)

Net Gain on Purchased Tax Credits	Net Gain on Purchased Tax Credits	57	70	(13)	(18.6)%	Net Gain on Purchased Tax Credits	29	57	57	(28)	(28)	(49.1)	(49.1)%
Gain on Sale of Branches		—	5,203	(5,203)	(100.0)%								
Net Gain (Loss) on Disposal of Fixed Assets		431	(3)	434	14466.7 %								
Gain on Sale of Subsidiary	Gain on Sale of Subsidiary					Gain on Sale of Subsidiary	24,578	—	24,578				— %
Net Gain on Disposal of Premises and Equipment	Net Gain on Disposal of Premises and Equipment					Net Gain on Disposal of Premises and Equipment	11	431	(420)				(97.4)%
Income from Bank-Owned Life Insurance	Income from Bank-Owned Life Insurance	561	553	8	1.4 %	Income from Bank-Owned Life Insurance	576	561	15	15		2.7	2.7 %
Net Gain from Bank-Owned Life Insurance Claims	Net Gain from Bank-Owned Life Insurance Claims					Net Gain from Bank-Owned Life Insurance Claims	303	—	303				— %
Other Income	Other Income	176	320	(144)	(45.0)%	Other Income	535	176	176	359	359	204.0	204.0 %
Total Noninterest Income	Total Noninterest Income	\$9,820	\$16,280	\$(6,460)	(39.7)%	Total Noninterest Income	\$24,012	\$9,820	\$14,192			144.5	144.5 %

Noninterest income decreased \$6.5 million increased \$14.2 million, or 39.7% 144.5%, to \$24.0 million for the year ended December 31, 2023, compared to \$9.8 million for the year ended December 31, 2022, compared to \$16.3 million for .

- The Company recorded a \$24.6 million pre-tax gain on the sale of EU assets during the year ended December 31, 2021 December 31, 2023.
- Insurance commissions increased \$318,000, or 5.7% On December 1, 2023, the Company announced that the Bank and EU entered into an Asset Purchase Agreement with World pursuant to \$5.9 million which EU sold substantially all of its assets to World for the year ended December 31, 2022, compared to \$5.6 million for the year ended December 31, 2021 due to an increase in core business, including both personal and commercial lines.
- There a purchase price of \$30.5 million cash plus possible additional earn-out payments. The sale of assets was no net gain completed on sales of loans for the year ended December 31, 2022 compared to \$1.1 million for the year ended December 31, 2021 due to a change in strategy to keep all loans made in 2022. There were no gains from sales of mortgage loans for the year ended December 31, 2022 compared to \$1.1 million for the year ended December 31, 2021 December 8, 2023.
- Net loss on securities was \$10.2 million for the year ended December 31, 2023, compared to a loss of \$168,000 for the year ended December 31, 2022. During 2023, the Company sold \$79.4 million in book value of its lower-yielding U.S government agency, mortgage-backed and municipal securities with an average yield of 1.89% and purchased \$69.3 million of higher-yielding mortgage-backed and collateralized mortgage obligation securities with an average yield of 5.49%, compared to a gain of \$526,000 for the year ended December 31, 2021. There were no sales of securities in the current period compared to sales that resulted resulting in a gain pre-tax loss of \$231,000 in the prior period. \$10.1 million. The Company's Company's equity securities, which are primarily comprised of bank

stocks, reflected a decline loss in value of \$168,000 \$110,000 for the current period compared to a gain loss of \$295,000 \$168,000 in value in the prior period primarily from a change in market value of these securities as a result of changes in interest rates. securities.

- The Company recorded a \$431,000 \$11,000 net gain on disposal of fixed assets in the current year, compared to a \$431,000 gain in the prior year resulting from the sale of two former branch locations.
- The Company recognized a \$5.2 million pre-tax gain on sale of branches in the prior period related to the 5.0% premium paid by Citizens Bank on the assumed deposits.
- There was a \$144,000 decrease in other income primarily due to a \$99,000 valuation allowance adjustment on mortgage servicing rights in the current period as a result of a decrease in prepayment speeds resulting in an increase in the fair value of the serviced mortgage portfolio.

Noninterest Expense. The breakdown of noninterest expense for the year ended **December 31, 2022** December 31, 2023 compared to the year ended **December 31, 2021** December 31, 2022 is as follows:

Year Ended		December 31,		December 31,		December 31,		2023		2023		2022		Dollar Change		Percent Change	
		2022		2021		2022		2021		2022		2021		2022		2021	
(Dollars in Thousands)																	
Salaries and Employee Benefits																	
Salaries and Employee Benefits																	
Occupancy																	
Equipment																	
Data Processing																	
FDIC Assessment																	
PA Shares Tax																	
Federal Deposit Insurance Corporation Assessment																	
Pennsylvania Shares Tax																	
Contracted Services																	
Legal and Professional Fees																	
Advertising																	
Other Real Estate Owned (Income)																	
Amortization of Intangible Assets																	

Intangible Assets and Goodwill Impairment	—	1,178	(1,178)	(100.0)%																
Writedown of Premises and Equipment	—	2,293	(2,293)	(100.0)%																
Other																				
Other																				
Other	Other	3,844	3,899	(55)	(1.4)%	3,735	3,844	3,844	(109)	(109)	(2.8)	(2.8)	%							
Total Noninterest Expense	Total Noninterest Expense	\$34,891	\$42,862	\$(7,971)	(18.6)%	\$38,782	\$	34,891	\$	3,891	11.2	11.2	%							

Noninterest expense decreased \$8.0 million increased \$3.9 million, or 18.6% 11.2%, to \$38.8 million for the year ended December 31, 2023 compared to \$34.9 million for the year ended December 31, 2022 compared to \$42.9 million for the year ended December 31, 2021. This was primarily impacted by \$7.5 million of expenses associated with the branch optimization and operational efficiency initiatives in the prior year, which included writedown on premises and equipment of \$2.3 million and intangible asset impairment of \$1.2 million.

- Salaries and employee benefits decreased \$1.5 million increased \$3.4 million to \$21.9 million for the year ended December 31, 2023 compared to \$18.5 million for the year ended December 31, 2022 compared. The increase was primarily related to \$19.9 million merit increases, revenue producing staff additions and related recruiting costs, severance related to the discontinuation of indirect automobile lending and \$691,000 of one-time costs related to the sale of the insurance subsidiary.
- Data processing expense increased \$862,000 to \$3.0 million for the year ended December 31, 2021 December 31, 2023 compared to \$2.2 million for the year ended December 31, 2022. The decrease increase was primarily related to the branch optimization that included the consolidation of six branches and the divestiture of two in the prior year.
- Occupancy expense increased \$79,000 to remain constant at \$3.0 million for the years ended December 31, 2022 and 2021 respectively. The increase was related to building maintenance ongoing costs and utilities, partially offset by the prior year recognition of a \$227,000 lease impairment related to the branch optimization initiative. fourth quarter 2022 core conversion.
- Equipment expense decreased \$295,000 increased \$325,000 to \$1.1 million for the year ended December 31, 2023 compared to \$739,000 for the year ended December 31, 2022 compared due to \$1.0 million for costs associated with the year ended December 31, 2021 as the result implementation and operation of a decrease in repairs and maintenance, new interactive teller machines.
- FDIC assessment expense decreased \$376,000 increased \$116,000 to \$754,000 for the year ended December 31, 2023 compared to \$638,000 for the year ended December 31, 2022 compared to \$1.0 million for the year ended December 31, 2021. The decrease increase in assessment was due to an increase in nonperforming loans negatively the uniform amount of the FDIC assessment rate calculation impacting the quarterly assessment rates in the prior current period. The uniform amount is the contribution to the assessment rate that is constant across FDIC insured institutions and is adjusted by the FDIC.
- Contracted services decreased \$2.4 million \$462,000 to \$1.2 million for the year ended December 31, 2023 compared to \$1.6 million for the year ended December 31, 2022 compared due primarily to \$4.0 million for the year ended December 31, 2021. The prior period had activity costs associated with project management of \$2.8 million, and included expense

related to the engagement of a third-party expert to improve workflow as well as implement more effective sales management techniques designed to improve operational efficiencies in the near and long-term and engagement of other third party specialists to assist in core platform improvements and efficiencies.. This was partially offset by \$319,000 of employee recruiter fees and \$203,000 of core conversion consultant fees.

- Legal fees and professional fees increased \$243,000 to \$1.2 million for the year ended December 31, 2022 compared to \$994,000 for the year ended December 31, 2021 due to increases in consultant services related to regulatory reporting and validation of the CECL model, and the FDICIA control project to strengthen the Company's internal control structure.
- Advertising decreased \$222,000 to \$527,000 for the year ended December 31, 2022 compared to \$749,000 for the year ended December 31, 2021 due to a decrease in marketing strategic initiatives in the prior year during the pandemic.
- Other real estate owned income decreased \$32,000 to \$151,000 for the year ended December 31, 2022 compared to \$183,000 for the year ended December 31, 2021 primarily due to an \$80,000 gain on sale of a property sold in the prior period.
- Amortization of intangible assets decreased \$144,000 to \$1.8 million for the year ended December 31, 2022 compared to \$1.9 million for the year ended December 31, 2021 primarily due to current period impairment in core deposit intangible asset from the branch sales, which reduced the remaining amount of intangible assets to amortize.
- Within other noninterest expense, charitable contributions decreased \$150,000 due to the prior year donation of a former branch office location. Loan expenses increased \$148,000 primarily due to appraisal fees and credit reports related to an increase in indirect loan volume in the current period. 2022.

Income Tax Expense. Income tax expense decreased \$292,000 increased \$4.9 million to \$7.7 million for the year ended December 31, 2023, compared to \$2.8 million for the year ended December 31, 2022, compared to \$3.1 million for the year ended December 31, 2021 and is primarily attributed to a write down the increase in premises and equipment and intangible assets, pre-tax income.

Average Balances and Yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the years indicated. Tax-equivalent yield adjustments have been made for tax exempt loan and securities income utilizing a marginal federal income tax rate of 21% for 2022 and 2021. All average balances are daily average balances. Non-accrual Nonaccrual loans are included in the computation of average balances only. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

2022								2021																			
2023								2023												2022							
		Interest			Interest				Interest				Interest														
Year Ended December 31,	Year Ended December 31,	Average Balance	and Dividends	Yield/ Cost	Average Balance	and Dividends	Yield/ Cost	Year Ended December 31,	Average Balance	and Dividends	Yield/ Cost	Year Ended December 31,	Average Balance	and Dividends	Yield/ Cost												
(Dollars in Thousands)	(Dollars in Thousands)																										
Assets:	Assets:																										
Assets:																											
Assets:																											
Interest-Earning Assets:	Interest-Earning Assets:																										
Loans, Net ⁽¹⁾	Loans, Net ⁽¹⁾																										
Loans, Net ⁽¹⁾	Loans, Net ⁽¹⁾																										
Loans, Net ⁽¹⁾	Loans, Net ⁽¹⁾	\$ 1,019,124	\$ 42,010	4.12 %	\$ 1,014,405	\$ 39,799	3.92 %	\$ 1,076,928	\$ 54,763	5.09	5.09 %	\$ 1,019,124	\$ 42,010	4.12	4.12 %												
Securities	Securities																										
Taxable	Taxable	220,818	3,852	1.74	162,987	2,990	1.83																				
Taxable																											
Taxable																											
Tax Exempt	Tax Exempt	8,383	270	3.22	11,829	366	3.09																				
Equity Securities	Equity Securities	2,693	91	3.38	2,657	84	3.16																				
Interest Bearing Deposits at Other Banks	Interest Bearing Deposits at Other Banks	70,765	1,473	2.08	177,768	304	0.17																				
Interest-Earning Deposits at Other Banks	Interest-Earning Deposits at Other Banks																										
Other Interest- Earning Assets	Other Interest- Earning Assets	3,092	154	4.98	3,733	186	4.98																				
Total Interest- Earning Assets	Total Interest- Earning Assets	1,324,875	47,850	3.61	1,373,379	43,729	3.18																				
Noninterest- Earning Assets	Noninterest- Earning Assets	81,553			91,075																						
Total Assets	Total Assets	\$ 1,406,428			\$ 1,464,454																						
Total Assets																											
Total Assets																											
Liabilities and Stockholders' equity:																											

Liabilities and Stockholders' equity:									
Liabilities and Stockholders' equity:	Liabilities and Stockholders' equity:								
Interest-Bearing Liabilities:	Interest-Bearing Liabilities:								
Interest-Bearing Liabilities:									
Interest-Bearing Demand Deposits	Interest-Bearing Demand Deposits								
Deposits	Deposits	\$ 282,850	\$ 1,362	0.48 %	\$ 272,256	\$ 232	0.09 %		
Interest-Bearing Demand Deposits									
Interest-Bearing Demand Deposits									
Money Market									
Savings	Savings	248,334	88	0.04	247,864	98	0.04		
Money Market		194,223	976	0.50	201,222	281	0.14		
Time Deposits	Time Deposits	124,817	1,599	1.28	171,805	2,514	1.46		
Total Interest-Bearing Deposits	Total Interest-Bearing Deposits	850,224	4,025	0.47	893,147	3,125	0.35		
Short-term Borrowings:									
Securities Sold Under Agreement to Repurchase									
		27,360	63	0.23	43,988	98	0.22		
Short-term Borrowings									
Other Borrowed Funds	Other Borrowed Funds	17,609	693	3.94	7,172	182	2.54		
Total Interest-Bearing Liabilities	Total Interest-Bearing Liabilities	895,193	4,781	0.53	944,307	3,405	0.36		
Noninterest-Bearing Demand Deposits	Noninterest-Bearing Demand Deposits	389,553			378,374				
Total Funding and Cost of Funds									
Total Funding and Cost of Funds									
Total Funding and Cost of Funds									
Other Liabilities	Other Liabilities	4,072			8,168				
Total Liabilities	Total Liabilities	1,288,818			1,330,849				
Total Liabilities									
Total Liabilities									
Stockholders' Equity									
Stockholders' Equity									
Stockholders' Equity	Stockholders' Equity	117,610			133,605				
Total Liabilities and Stockholders' Equity	Total Liabilities and Stockholders' Equity	\$1,406,428			\$1,464,454				
Total Liabilities and Stockholders' Equity									
Total Liabilities and Stockholders' Equity									

Net Interest Income (FTE) (Non-GAAP) ⁽²⁾					\$ 43,069					\$ 40,324				
Net Interest Rate Spread (FTE) (Non-GAAP) ⁽²⁾⁽³⁾					3.08					2.82				
Net Interest Income (Non-GAAP) ⁽²⁾														
Net Interest Income (Non-GAAP) ⁽²⁾														
Net Interest Income (Non-GAAP) ⁽²⁾														
Net Interest Rate Spread (Non-GAAP) ⁽²⁾⁽³⁾														
Net Interest Rate Spread (Non-GAAP) ⁽²⁾⁽³⁾														
Net Interest Rate Spread (Non-GAAP) ⁽²⁾⁽³⁾														
Net Interest-Earning Assets ⁽⁴⁾					\$ 429,682					\$ 429,072				
Net Interest Margin (FTE) (Non-GAAP) ⁽²⁾⁽⁵⁾					3.25					2.94				
Net Interest Margin (Non-GAAP) ⁽²⁾⁽⁵⁾														
Net Interest Margin (Non-GAAP) ⁽²⁾⁽⁵⁾														
Net Interest Margin (Non-GAAP) ⁽²⁾⁽⁵⁾														
Return on Average Assets					0.80					0.79				
Return on Average Equity					9.56					8.66				
Average Equity to Average Assets					8.36					9.12				
Average Interest-Earning Assets to Average Interest-Bearing Liabilities					148.00					145.44				
PPP Loans					\$ 5,666 \$ 734 12.95					\$ 45,905 \$ 2,189 4.77				

- (1) Net of the allowance for **loan credit** losses and includes nonaccrual loans with a zero yield
- (2) Refer to Explanation of Use of Non-GAAP Financial Measures in this Report for the calculation of the measure and reconciliation to the most comparable GAAP measure.
- (3) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities. Net interest rate spread (GAAP) was **3.07%** **2.73%** and **2.81%** **3.07%** for the year ended **December 31, 2022** **December 31, 2023** and **2021, respectively** **2022, respectively**.
- (4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
- (5) Net interest margin represents net interest income divided by average total interest-earning assets. Net interest margin (GAAP) was **3.24%** **3.28%** and **2.92%** **3.24%** for the year ended **December 31, 2022** **December 31, 2023** and **2021, respectively** **2022, respectively**.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. **There were no out of period items that occurred this past year.**

Year Ended December 31, 2022

(Dollars in Thousands)

Interest and Dividend Income:

Loans, net

Securities:

Taxable

Tax-Exempt

Equity Securities

Interest Bearing Interest-Earning Deposits at Other Banks

Other Interest-Earning Assets

Total Interest-Earning Assets

Interest Expense:

Deposits

Short-Term **Borrowings:**

Securities Sold Under Agreements to Repurchase Borrowings

Other Borrowed Funds

Total Interest-Bearing Liabilities

Change in Net Interest Income

Asset Quality

Nonperforming Assets and Delinquent Loans. The Company reviews its loans on a regular basis and generally places loans on nonaccrual status when either principal or interest is not expected to receive full payment of interest, principal or both. Interest accrued and unpaid at the time a loan is placed on nonaccrual status is reversed from interest income. Loan collection. Payments received on nonaccrual loans are applied against principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are received.

Management monitors all past due loans and nonperforming assets. Such loans are placed under close supervision, with consideration given to the need for additions to the allowance for loan losses.

Management believes the volume of nonperforming assets can be partially attributed to unique borrower circumstances as well as the economy in general. We have an experienced management team that monitors asset quality.

Real estate acquired through foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until such time as it is sold. When real estate owned is acquired, estimated selling expenses. Any further write-down of real estate owned is charged against earnings.

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Nonaccrual Loans and Nonperforming Assets. The following table sets forth the amounts and categories of our nonperforming assets as of December 31, 2023.

Nonaccrual With No ACL

(Dollars in Thousands)

Nonaccrual Loans:

Real Estate:

Residential

\$

1,476 \$

Commercial

360

Commercial and Industrial

316

Consumer

88

Total Nonaccrual Loans

\$

2,240 \$

Other Real Estate Owned:

Residential

Commercial

Total Other Real Estate Owned

Total Nonperforming Assets

The following table sets forth the dates indicated, amounts and categories of nonperforming assets as of December 31, 2022, prior to adoption of ASU 2016-13. Included in n terms have been restructured in a manner that which grants a concession to a borrower experiencing financial difficulties. Nonaccrual TDRs are included in their specific loan categor

December 31,*(Dollars in Thousands)***Nonaccrual loans:**

Real Estate:

Residential

Commercial

Commercial and Industrial

Consumer

Total Nonaccrual Loans

Accruing Loans Past Due 90 Days or More:

Consumer

Total Accruing Loans 90 Days or More Past Due

Total Nonaccrual Loans and Accruing Loans 90 Days or More Past Due

Troubled Debt Restructurings, Accruing

Real Estate

Residential

Commercial

Commercial and Industrial

Total Troubled Debt Restructurings, Accruing

Total Nonperforming Loans

Real Estate Owned:

Residential

Commercial

Total Real Estate Owned

Total Nonperforming Assets

Nonaccrual Loans to Total Loans

Nonperforming Loans to Total Loans

Nonperforming Assets to Total Assets

Total				
<p>The total amount of special mention and classified loans decreased \$12.4 million increased \$10.7 million, or 17.5% 18.3%, to \$69.4 million at December 31, 2023, compared to \$80.1 million at December 31, 2022. The decrease of \$570,000 in the substandard category as of December 31, 2022 compared to December 31, 2021 was mainly from the full payoff in the current year of one of \$1 million in the special mention loan category is primarily due to commercial real estate and commercial and industrial construction loan upgrades and payoffs, and a \$2.7 million commercial and industrial loan upgrade.</p> <p>Allowance for Loan Credit Losses. The allowance for loan credit losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated based on the current loan portfolio, which includes an assessment of economic conditions, changes in the nature and volume of the loan portfolio, loan loss experience, volume and severity of delinquencies, the review system, the degree of oversight by the Company's Board, existence and effect of any concentrations of credit and changes in the level of such concentrations, effect of external factors, and management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the current estimates charged to income and recovery of principal and interest on loans previously charged-off. Losses of principal are charged directly to the allowance when a loss occurs or when a delinquent loan is reclassified to a category that estimates that are susceptible to significant revisions as more information becomes available.</p> <p>Although we maintain our allowance for loan credit losses at a level that we consider to be adequate to provide for potential losses, there can be no assurance that such losses will not exceed the allowance for loan credit losses in the future. Future additions to our allowance for loan credit losses and changes in the related ratio of the allowance for loan credit losses to nonperforming loans are dependent on regulatory authorities toward adequate loan credit loss reserve levels, and inflation. Management will continue to periodically review the entire loan portfolio to determine the extent, if any, of potential losses.</p>				
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<p>Analysis of the Allowance for Loan Credit Losses. The following table summarizes changes in the allowance for loan credit losses by loan categories for each year indicated. The allowance for loan credit losses in connection with mergers were recorded at their estimated fair value at the acquisition date and did not include a carryover of the pre-merger allowance for loan losses. indicated.</p>				
Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
(Dollars in Thousands)	(Dollars in Thousands)			
Balance at Beginning of Year	Balance at Beginning of Year	\$11,582	\$12,771	
Provision for Loan Losses		3,784	(1,125)	
Balance at Beginning of Year				
Balance at Beginning of Year				
Impact of ASC				
326 - Loans				
(Recovery)				
Provision for				
Loan Losses				
Charge-offs:	Charge-offs:			
Real Estate:	Real Estate:			
Real Estate:				
Real Estate:				
Residential	Residential	(32)	(13)	
Commercial		—	(40)	
Construction		—	—	
Residential				
Residential				
Commercial and Industrial				
Commercial and Industrial				
Commercial and Industrial	Commercial and Industrial	(2,712)	—	
Consumer	Consumer	(151)	(213)	
Other		—	—	
Total Charge-offs				

Total Charge-offs			
Total Charge-offs	Total Charge-offs	(2,895)	(266)
Recoveries:	Recoveries:		
Recoveries:			
Recoveries:			
Real estate:			
Real estate:			
Real estate:	Real estate:		
Residential	Residential	145	17
Residential			
Residential			
Commercial	Commercial	—	—
Construction		—	—
Commercial and Industrial			
Commercial and Industrial			
Commercial and Industrial	Commercial and Industrial	117	43
Consumer	Consumer	86	142
Other		—	—
Total Recoveries	Total Recoveries	348	202
Net Charge-offs		(2,547)	(64)
Total Recoveries			
Total Recoveries			
Net Recoveries (Charge-offs)			
Balance at End of Year	Balance at End of Year	\$12,819	\$11,582
Allowance for Loan Losses to Total Loans		1.22 %	1.13 %
Allowance for Loan Losses to Nonaccrual Loans		320.64	233.37
Allowance for Loan Losses to Nonperforming Loans		221.06	159.40
Net Charge-offs to Average Loans		0.25	0.01
Allowance for Credit Losses to Total Loans			
Allowance for Credit Losses to Total Loans			
Allowance for Credit Losses to Total Loans			
Allowance for Credit Losses to Nonaccrual Loans			
Allowance for Credit Losses to Nonperforming Loans			
Net (Recoveries) Charge-offs to Average Loans			

The allowance for loan credit losses increased \$1.2 decreased \$3.1 million, or 10.7% 24.3%, to \$12.8 \$9.7 million at December 31, 2022 December 31, 2023, compared to \$11 loans increased 9 decreased 35 basis points to 0.87% at December 31, 2023 compared to 1.22% at December 31, 2022. The change in the allowance for credit losses was pri allowance for credit losses by \$3.4 million. During the current year, the Company recorded a recovery of credit losses of \$284,000 due to improvements in qualitative factors couple million in provision for credit losses for the year ended December 31, 2022 due to a large \$2.7 million charge-off of one loan in the commercial and industrial pool that affected the los of provision for loan losses for the year ended December 31, 2022 compared to a \$1.1 million recovery for loan losses for the year ended December 31, 2021. pool.

The ratio of allowance for loan credit losses to nonaccrual loans ratio increased to 320.64% 433.35% at December 31, 2022 December 31, 2023, compared to 233.37% 320.64% December 31, 2023 compared to \$4.0 million at December 31, 2022 compared to \$5.0 million at December 31, 2021. Nonaccrual commercial real estate loans decreased \$244,000 to \$2.1 million at December 31, 2021 primarily related to the full payoff in the current year repayment of one of the Bank's nonperforming a \$1.6 million commercial and industrial real

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Net charge-offs recoveries for the year ended December 31, 2023 were \$2.5 million or 0.25% \$557,000 primarily due to average loans, during 2022 compared to \$64,000, or 0.1 \$2.9 million prior year \$2.7 million charged-off commercial and industrial loan charge-off in loan. Net charge-offs for the current year. year ended December 31, 2022 were \$2.5 million loans for the periods indicated.

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
Real Estate:	Real Estate:			
Real Estate:				
Real Estate:				
Residential				
Residential				
Residential	Residential	(0.03)%	— %	
Commercial	Commercial	—	0.01	
Construction	Construction	—	—	
Commercial and Industrial	Commercial and Industrial	3.90	(0.04)	
Consumer	Consumer	0.04	0.06	
Other	Other	—	—	
Total Loans	Total Loans	0.25 %	0.01 %	Total Loans

Allocation of Allowance for Loan Credit Losses. The following table sets forth the allocation of allowance for loan credit losses by loan category at the dates indicated. The believes that the allowance can be allocated by category only on an approximate basis. loans. The allocation of the allowance by category is not necessarily indicative of future losse

December 31,

(Dollars in Thousands)

Real Estate:
Residential
Commercial
Construction
Commercial and Industrial
Consumer
Other
Total Allocated Allowance
Unallocated
Total Allowance for Loan Losses

(1) Represents percentage of loans in each category to total loans

December 31,*(Dollars in Thousands)*

Real Estate:

Residential

Commercial

Construction

Commercial and Industrial

Consumer

Other

Total Allocated Allowance

Unallocated

Total Allowance for Credit Losses

Reconciliations of Non-GAAP Financial Measures to GAAP

Reconciliations of non-GAAP **Non-GAAP** financial measures discussed in this Report to the most directly comparable GAAP financial measures are included in the following table.

Interest income on interest-earning assets, net interest rate spread and net interest margin are presented on a FTE basis. The FTE basis adjusts for the tax rate of 21 percent. We believe the presentation of net interest income on a FTE basis ensures comparability of net interest income arising from both taxable and

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Interest income on interest-earning assets, net interest rate spread and net interest margin are presented on a fully tax-equivalent ("FTE") basis. The FTE basis adjusts for the tax rate of 21 percent. We believe the presentation of net interest income on a FTE basis ensures comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with the presentation of net interest margin on a FTE basis for the periods indicated:

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
----------------------------	----------------------------	------	------	-------------------------

(Dollars in Thousands) (Dollars in Thousands)

Interest Income	Interest Income
per	per
Consolidated	Consolidated
Statements	Statements
of Income	of Income
(GAAP)	(GAAP)

\$	47,716	\$	43,557
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Interest Income per
Consolidated Statements of
Income (GAAP)

Interest Income per
Consolidated Statements of
Income (GAAP)

Adjustment to FTE Basis	Adjustment to FTE Basis	134	172
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Interest Income (FTE) (Non- GAAP)	47,850	43,729
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Interest Income
(Non-GAAP)

Interest Expense per Consolidated Statements of Income (GAAP)	Interest Expense per Consolidated Statements of Income (GAAP)	4,781	3,405
Net Interest Income (FTE) (Non-GAAP)			
		\$ 43,069	\$ 40,324
Net Interest Income (Non-GAAP)			
Net Interest Income (GAAP)	Net Interest Income (GAAP)	\$ 42,935	\$ 40,152
Divided by : Average Interest Earning Assets			
		\$1,324,875	\$1,373,379
Divided by : Average Interest-Earning Assets			
Divided by : Average Interest-Earning Assets			
Divided by : Average Interest-Earning Assets			
Net Interest Margin (GAAP)	Net Interest Margin (GAAP)	3.24 %	2.92 %
Net Interest Margin (GAAP)			
Net Interest Margin (GAAP)			
Adjustment to FTE Basis	Adjustment to FTE Basis	0.01	0.02
Net Interest Margin (FTE) (Non-GAAP)			
		3.25 %	2.94 %
Net Interest Margin (Non-GAAP)			
Net Interest Margin (Non-GAAP)			
Net Interest Rate Spread (GAAP)	Net Interest Rate Spread (GAAP)	3.07 %	2.81 %
Net Interest Rate Spread (GAAP)			
Net Interest Rate Spread (GAAP)			
Adjustment to FTE Basis	Adjustment to FTE Basis	0.01	0.01
Net Interest Rate Spread (FTE) (Non-GAAP)			
		3.08 %	2.82 %
Net Interest Rate Spread (Non-GAAP)			
Net Interest Rate Spread (Non-GAAP)			
Tangible book value per common share is a non-GAAP Non-GAAP measure and is calculated based on tangible common equity divided by period-end common shares outstanding on tangible common equity divided by tangible assets. We believe these non-GAAP Non-GAAP measures serve as useful tools to help evaluate the strength and discipline of the Company's value.			
December 31,	December 31,	2022	2021
December 31,			
(Dollars in Thousands, Except Share and Per Share Data)	(Dollars in Thousands, Except Share and Per Share Data)	(Dollars in Thousands, Except Share and Per Share Data)	

Stockholders' Equity (GAAP)			
(Numerator)			
Stockholders' Equity (GAAP)			
(Numerator)			
Stockholders' Equity (GAAP) (Numerator)	Stockholders' Equity (GAAP) (Numerator)	\$ 110,155	\$ 133,124
Goodwill and Other Intangible Assets, Net	Goodwill and Other Intangible Assets, Net	(13,245)	(15,027)
Tangible Common Equity or Tangible Book Value (Non-GAAP) (Numerator)	Tangible Common Equity or Tangible Book Value (Non-GAAP) (Numerator)	\$ 96,910	\$ 118,097
Common Shares Outstanding (Denominator)	Common Shares Outstanding (Denominator)	5,100,189	5,260,672
Common Shares Outstanding (Denominator)			
Common Shares Outstanding (Denominator)			
Book Value per Common Share (GAAP)			
Book Value per Common Share (GAAP)			
Book Value per Common Share (GAAP)	Book Value per Common Share (GAAP)	\$ 21.60	\$ 25.31
Tangible Book Value per Common Share (Non-GAAP)	Tangible Book Value per Common Share (Non-GAAP)	\$ 19.00	\$ 22.45

Liquidity

Liquidity is the ability to meet current and future financial obligations of a short-term nature. The Bank's primary sources of funds consist of deposit inflows, loan repayments, and predictable sources of funds, deposit flows and mortgage loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

The Bank regularly adjusts its investments in liquid assets based upon its assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits invested generally in interest-earning deposits with other banks and short- and intermediate-term securities. The Bank believes that it had sufficient liquidity at December 31, 2022 and December 31, 2023.

The Bank's most liquid assets are cash and due from banks, which totaled \$103.7 million and \$68.2 million at December 31, 2022 and December 31, 2023. Unpledged securities, which provide for the payment of credit

credit arrangement with the FHLB with a maximum borrowing limit of approximately \$435.3 million and \$478.9 million and available borrowing capacity of \$407.4 million and \$438.3 million as of December 31, 2022 and December 31, 2023, respectively. Standby letters of credit were utilized to collateralize public deposits in excess of the level insured by the FDIC. This arrangement is subject to annual renewal, incurs no fee and does not affect the Bank's ability to obtain credit from other sources.

and commercial mortgage loans and the Bank's investment in FHLB stock. The Bank also maintains a Borrower-In-Custody of Collateral line of credit agreement with the FRB for which the Bank incurs no service charge and is secured by \$172.9 million \$142.9 million of commercial and consumer indirect auto loans. The Bank also maintains multiple line of credit arrangements with various financial institutions.

At December 31, 2022 December 31, 2023, the Bank had funding commitments totaling \$156.7 million \$146.1 million, consisting primarily of commitments to originate loans, under which the Bank is obligated to fund.

At December 31, 2022 December 31, 2023, certificates of deposit due within one year of that date totaled \$69.4 million \$136.0 million, or 63.6% 59.0% of total certificates of deposit. If all certificates of deposit do not remain with the Bank, the Bank may be required to seek other sources of funds. Depending on market conditions, the Bank may be required to pay higher rates than the Bank believes, however, based on past experience that a significant portion of its certificates of deposit will remain with it, either as certificates of deposit or as other deposit products.

The Bank's primary investing activities are the origination of loans. For the year ended December 31, 2022 December 31, 2023 the Bank had net loan originations of \$31.4 million \$31.4 million.

The Company is a separate legal entity from the Bank and must provide for its own liquidity to pay dividends to stockholders, to pay principal and interest on its subordinated debt (on an unconsolidated basis) had liquid assets of \$16.3 million \$16.0 million.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position daily and anticipate that we will have sufficient funds to meet our current funding needs. A significant portion of maturing time deposits will be retained.

Commitments. As a financial services provider, the Company routinely is a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit. Contractual obligations represent potential future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are not reflected in the balance sheet. In addition, the Company enters into commitments to sell mortgage loans.

Contractual Obligations. In the ordinary course of its operations, the Company enters into certain contractual obligations. Such obligations include operating leases for premises used in its operations, and commitments with respect to investments.

The following tables present certain of our contractual obligations at December 31, 2022 December 31, 2023.

Payment Total Due by Period	Less Than Or Equal to	
Payment Due by Period	Total	Less Than Or Equal to One Year
(Dollars in Thousands)		
Certificates of deposit	\$ 109,126 230,641	\$ 69,355 136,016
Other Borrowed Funds	14,638 34,678	—
Operating Lease Obligations	2,339 1,981	358 355
Total	\$ 126,103 267,300	\$ 69,713 136,371

Capital Resources

At December 31, 2022 December 31, 2023 and 2021, 2022, respectively, the Bank was considered "well capitalized" under the regulatory framework for prompt corrective action.

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The following table presents the Bank's regulatory capital amounts and ratios, as well as the minimum amounts and ratios required to be well capitalized at the end of the period.

2022		2021		2020	
December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Amount	Ratio	Amount	Ratio	Amount	Ratio
(Dollars in Thousands)		(Dollars in Thousands)		(Dollars in Thousands)	
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	Common Equity Tier 1 Capital (to Risk-Weighted Assets)	Common Equity Tier 1 Capital (to Risk-Weighted Assets)	Common Equity Tier 1 Capital (to Risk-Weighted Assets)	Common Equity Tier 1 Capital (to Risk-Weighted Assets)	Common Equity Tier 1 Capital (to Risk-Weighted Assets)
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Common Equity Tier 1									
Capital (to Risk-Weighted Assets)									
Actual									
Actual									
Actual	Actual	\$121,188	12.33 %	\$113,086	11.95 %	\$	143,654		13.64
For Capital Adequacy Purposes	For Capital Adequacy Purposes	44,221	4.50	42,571	4.50				
To Be Well Capitalized	To Be Well Capitalized	63,875	6.50	61,491	6.50				
Tier I Capital (to Risk-Weighted Assets)									
Tier I Capital (to Risk-Weighted Assets)									
Actual									
Actual									
Actual	Actual	121,188	12.33	113,086	11.95				
For Capital Adequacy Purposes	For Capital Adequacy Purposes	58,961	6.00	56,761	6.00				
To Be Well Capitalized	To Be Well Capitalized	78,615	8.00	75,682	8.00				
Total Capital (to Risk-Weighted Assets)									
Total Capital (to Risk-Weighted Assets)									
Actual									
Actual									
Actual	Actual	133,478	13.58	124,668	13.18				
For Capital Adequacy Purposes	For Capital Adequacy Purposes	78,615	8.00	75,682	8.00				
To Be Well Capitalized	To Be Well Capitalized	98,269	10.00	94,602	10.00				
Tier I Leverage Capital (to Adjusted Total Assets)									
Tier I Leverage Capital (to Adjusted Total Assets)									
Actual									
Actual									
Actual	Actual	133,478	13.58	124,668	13.18				
For Capital Adequacy Purposes	For Capital Adequacy Purposes	78,615	8.00	75,682	8.00				
To Be Well Capitalized	To Be Well Capitalized	98,269	10.00	94,602	10.00				

**Tier I Leverage Capital
(to Adjusted Total
Assets)**

Actual

Actual

Actual	Actual	121,188	8.66	113,086	7.76
--------	--------	---------	------	---------	------

For Capital	For Capital
-------------	-------------

Adequacy	Adequacy
----------	----------

Purposes	Purposes	55,969	4.00	58,307	4.00
----------	----------	--------	------	--------	------

To Be Well	To Be Well
------------	------------

Capitalized	Capitalized	69,962	5.00	72,884	5.00
-------------	-------------	--------	------	--------	------

Impact of Inflation and Changing Price

The consolidated financial statements and related notes of the Company have been prepared in accordance with GAAP. GAAP generally requires the measurement of changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. As a result, changes in market interest rates have a greater impact on performance than the effects of inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management of Interest Rate Risk. The majority of the Company's assets and liabilities are monetary in nature. Consequently, the Company's most significant market risk is interest rate risk. The Company manages its interest rate risk by reducing the exposure of net interest income to changes in market interest rates. Accordingly, the Company's Board has established an Asset/Liability Management Committee to monitor the Company's assets and liabilities, for determining the level of risk that is appropriate given the Company's business strategy, operating environment, capital, liquidity and other factors. Senior management monitors the level of interest rate risk and the Asset/Liability Management Committee meets on a quarterly basis to review its asset/liability management strategies.

The Company monitors interest rate risk through the use of a simulation model. The quarterly reports developed in the simulation model assist the Company in evaluating its policy guidelines. This quantitative analysis measures interest rate risk from both a capital and earnings perspective. With regard to earnings, movements in market interest rates significantly influence the spread between the interest earned on our interest-earning assets and the interest paid on our interest-bearing liabilities. The sensitivity of our projected net interest income over a one year period utilizing a static balance sheet assumption through which incoming and outgoing asset and liability cash flows are adjusted for each rate scenario.

With regard to capital, our internal interest rate risk analysis calculates the sensitivity of our economic value of equity ("EVE") ratio to movements in interest rates.

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the present value of the expected cash flows arising from our liabilities. EVE attempts to quantify our economic value using a discounted cash flow methodology. Changes in the present value of the expected cash flows for any hypothetical interest rate scenario from its base case measurement is a reflection of an institution's sensitivity to interest rate risk.

For both net interest income and capital at risk, our interest rate risk analysis calculates a base case scenario that assumes no change in interest rates. The model measures the impact of permanent, parallel shifts in the yield curve up and down 100, 200, 300 and 400 basis points with additional scenarios modeled where appropriate. The model may preclude the modeling of certain falling rate scenarios during periods of lower market interest rates such as that experienced in the current rate environment at the time of the analysis.

The table below sets forth, as of **December 31, 2022** and **December 31, 2023**, the estimated changes in EVE and net interest income at risk that would result from hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and other factors.

		EVE as a Percent of Portfolio Value of Assets				Net Interest Income at Risk							
		EVE				Risk							
		EVE											
Change in Interest Rates in Basis Points	Change in Interest Rates in Basis Points	Dollar Amount	Dollar Change	Percent Change	NPV Ratio	Point Change	Dollar Amount	Dollar Change	Percent Change	Change in Interest Rates in Basis Points	Dollar Amount	Dollar Change	Percent Change

+400															
+400															
+400	+400	\$ 96,022	\$(69,547)	(42.0)%	8.20 %	(427)	\$40,140	\$(7,122)	(15.1)%	\$146,021	\$	\$(39,715)	(21.4)	(21.4)	9
+300	+300	\$110,946	\$(54,623)	(33.0)%	9.20 %	(327)	\$42,149	\$(5,113)	(10.8)%	+300	\$154,756	\$	\$(30,980)	(16.7)	(16.7)
+200	+200	127,232	(38,337)	(23.2)	10.24	(223)	44,182	(3,080)	(6.5)						
+100	+100	146,058	(19,511)	(11.8)	11.38	(109)	46,149	(1,113)	(2.4)						
Flat	Flat	165,569	—	—	12.47	—	47,262	—	—						
-100	-100	184,213	18,644	11.3	13.39	92	47,491	229	0.5						
-200	-200	215,870	50,301	30.4	14.97	250	46,514	(748)	(1.6)						
-300	-300	249,488	83,919	50.7	16.49	402	44,756	(2,506)	(5.3)						
-400	-400	247,643	82,074	49.6	16.01	354	42,744	(4,518)	(9.6)						

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

ITEM 9A. CONTROLS AND PROCEDURES

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure control procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other

Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, controls required to be disclosed in the reports that the Company files or submits under the Exchange Act with the SEC

(b) Internal Control Over Financial Reporting

Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of **December 31, 2022** **December 31,** by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management's assessment, the Company concluded that the Co **2023**, based on that framework.

ITEM 9B. OTHER INFORMATION

REFINITIV 

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 2024 Annual Meeting.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 2024 Annual Meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 2024 Annual Meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 2024 Annual Meeting.

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm for 2022 2023 is FORVIS, LLP (formerly BKD, LLP), Pittsburgh, Pennsylvania, Auditor Firm ID 686.

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Our independent registered public accounting firm for 2021 was BKD, LLP, Pittsburgh, Pennsylvania, Auditor Firm ID 686.

Information required by this item is incorporated by reference in the Proxy Statement for the 2023 2024 Annual Meeting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1)

Financial Statements

The financial statements filed as a part of this Form 10-K are:

- (A) Report of Independent Registered Public Accounting Firm;
- (B) Consolidated Statements of Financial Condition at December 31, 2022 December 31, 2023 and 2021; 2022;
- (C) Consolidated Statements of Income for the Years Ended December 31, 2022 December 31, 2023 and 2021; 2022;
- (D) Consolidated Statements of Comprehensive Income (Loss) Income for the Years Ended December 31, 2022 December 31, 2023 and 2021; 2022;
- (E) Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2022 December 31, 2023 and 2021; 2022;
- (F) Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 December 31, 2023 and 2021; 2022; and
- (G) Notes to Consolidated Financial Statements.

(a)(2)

Financial Statement Schedules

All financial statement schedules have been omitted as the required information is inapplicable or has been included in the Notes to Consolidated Financial Statements.

(a)(3)

Exhibits

3.1	Amended and Restated Articles of Incorporation of CB Financial Services, Inc. ⁽¹⁾
3.2	Bylaws of CB Financial Services, Inc. ⁽²⁾
4.1	Form of Stock Certificate of CB Financial Services, Inc. ⁽³⁾
4.2	Description of Registrant's Securities ⁽³⁾
10.1	Employment Agreement by and between Community Bank and John H. Montgomery ⁽⁴⁾
10.2	Executive Consultant Agreement by and between Community Bank and Ralph Burchianti ⁽⁵⁾
10.3	Employment Agreement by and between Community Bank and Jamie L. Prah ⁽⁶⁾
10.4	Employment Agreement by and among Community Bank, Exchange Underwriters, Inc., and Richard B. Boyer dated April 14, 2014 ⁽¹⁾
10.8	Split Dollar Life Insurance Agreement by and between Community Bank and John H. Montgomery, dated November 2, 2020 ⁽⁷⁾
10.9	Split Dollar Life Insurance Agreement by and between Community Bank and Ralph Burchianti dated April 1, 2005 ⁽¹⁾
10.10	Split Dollar Life Insurance Agreement dated as of June 1, 2002, by and between First Federal Savings Bank and Richard B. Boyer ⁽⁸⁾
10.11	Amendment dated as of July 19, 2002, to the Life Insurance Endorsement Method Split Dollar Plan Agreement by and between First Federal Savings Bank and Richard B. Boyer ⁽⁹⁾
10.12	Amendment dated as of September 13, 2005, to the Life Insurance Endorsement Method Split Dollar Plan Agreement by and between First Federal Savings Bank and Richard B. Boyer ⁽¹⁰⁾
10.15	CB Financial Services, Inc., 2015 Equity Incentive Plan ⁽¹¹⁾
10.16	CB Financial Services, Inc., 2021 Equity Incentive Plan ⁽¹²⁾
10.17	Subordinated Note Purchase Agreement ⁽¹³⁾
10.18	Employment Agreement by and between Community Bank and Jennifer L. George ⁽¹⁴⁾
10.19	Asset Purchase Agreement among World Insurance Associates, LLC, Exchange Underwriters, Inc. and Community Bank ⁽¹⁵⁾
21	Subsidiaries
23.1	Consent of FORVIS, LLP
31.1	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	CB Financial Services, Inc., Clawback Policy
101.0	The following materials for the year ended December 31, 2022 December 31, 2023 , formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Comprehensive (Loss) Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows
104	Cover Page Interactive Data File (embedded in Inline XBRL contained in Exhibit 101)

(1) Incorporated herein by reference to the Exhibits to the Company's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on June 13, 2014 (File No. 333-196749).

(2) Incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 20, 2021.

(3) Incorporated herein by reference to Exhibit 4.2 to the Company's Form 10-K for the year ended December 31, 2020, filed on March 17, 2021.

(4) Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on August 14, 2020.

(5) Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on February 21, 2023.

- (6) Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on May 24, 2020.
- (7) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on November 6, 2020.
- (8) Incorporated herein by reference to Exhibit 10.11 to FedFirst Financial Corporation's Registration Statement on Form SB-2, as amended (File No. 333-121405), initially filed on December 17, 2004.
- (9) Incorporated herein by reference to Exhibit 10.2 to FedFirst Financial Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed on May 9, 2008.
- (10) Incorporated herein by reference to Exhibit 10.4 to FedFirst Financial Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, filed on May 9, 2008.
- (11) Incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement, filed on April 16, 2015.
- (12) Incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement, filed on April 9, 2021.
- (13) Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 10, 2021.
- (14) Incorporated by reference to Exhibit 10.18 to the Company's Form 10-K for the year ended December 31, 2022, filed on March 10, 2023.
- (15) Incorporated herein by reference to Exhibit 2 to the Company's Current Report on Form 8-K, filed on December 1, 2023.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, who is duly authorized to sign on its behalf.

CB FINANCIAL SERVICES

Date: March 10, 2023 March 13, 2024

By: /s/ John H. Mc
John H. Mc
President & Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in their capacities as indicated.

By: /s/ John H. Montgomery John H. Montgomery President and Chief Executive Officer and Director Date: March 10, 2023 March 13, 2024	By: /s/ Jamie L. Jamie L. Pr Executive V (Principal F Date: Marci
By: /s/ Mark E. Fox Mark E. Fox Director (Chairman of the Board) Date: March 10, 2023 March 13, 2024	By: /s/ Charles Charles R. Director (Vi Date: Marci
By: /s/ Karl G. Baily Karl G. Baily Director Date: March 10, 2023	By: /s/ Jonathan Jonathan A Director Date: Marci
By: /s/ Richard B. Boyer Richard B. Boyer Jonathan A. Bedway Director Date: March 10, 2023 March 13, 2024	By: /s/ Ralph Bi Ralph Burc Senior Exe Chief Credi Date: Marci
By: /s/ Joseph N. Headlee Joseph N. Headlee Director Date: March 10, 2023	By: /s/ John J. I John J. LaC Director Date: Marci
By: /s/ Roberta Robinson Olejasz John J. LaCarte Director Date: March 13, 2024	Roberta Ro Director Date: Marci
By: /s/ David F. Pollock Roberta Robinson Olejasz David F. Pollock Director Date: March 10, 2023 March 13, 2024	By: /s/ John M. John M. Sw Director Date: Marci
By: /s/ David F. Pollock David F. Pollock Director Date: March 10, 2023	

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Financial Condition at December 31, 2022 2023 and 2021 2022

Consolidated Statements of Income for the Years Ended December 31, 2022 2023 and 2021 2022

Consolidated Statements of Comprehensive Income (Loss) Income for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022

Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2022 2023 and 2021 2022

Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 2023 and 2021 2022

Notes to Consolidated Financial Statements

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Report of Independent Registered Public Accounting

To the Stockholders, Shareholders, Board of Directors, and Audit Committee
CB Financial Financials Services, Inc.
Carmichaels, Pennsylvania

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial condition of CB Financial Services, Inc. (Company) as of December 31, 2022 December 31, 2023 and (loss) income, , changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022, December 31, 2023 and consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 the two-year period ended December 31, 2022 December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 and Note 4 to the consolidated financial statements, in 2023, the entity changed its method of accounting for credit losses on financial instruments. Credit Losses.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company and the audits of the Company's financial statements and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Our audits also included evaluating the accounting principles used and significant estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not constitute a separate communication of the critical audit matters or on the accounts or disclosures to which they relate.

Allowance for Loan Credit Losses (ACL) – Qualitative Adjustments

As described in Note Notes 1 and 4 to the consolidated financial statements and referred to in the Company's allowance for loan and lease change in accounting among other things, required the Company to recognize expected credit losses (ALLL) was \$12.8 million over the contractual lives of financial assets carried at December 31, 2023, utilizing the Current Expected Credit Losses ("CECL") methodology. As of the financial statements the "Allowance for Loan Losses" accounting policy around this estimate is management's periodic review of the collectability of loans in light of historical experiences, the nature and volume of the loan portfolio, adverse situations that exist or are expected to exist, and economic conditions. The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired loans and is based on the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for management's estimate of probable losses.

We identified the valuation of the ALLL as a critical audit matter. Auditing December 31, 2023, the allowance for credit losses (ACL) balance was \$9,707,000. Estimate is reasonable and supportable forward-looking forecasts regarding collectability of the reported amounts. The Company utilized a discounted cash-flow model in the impairment judgement segment. Due to the Company's loss history not being sufficient and complex review as there is a high degree of subjectivity in evaluating management's

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evaluating management's assessment enough to predict future losses, the Company also utilized peer data from a peer group. The loss rates are then adjusted, for factors based on the risks present for each portfolio segment. The environmental factors ("qualitative adjustments") include consideration of economic conditions, impaired loans and assessing the appropriateness of loan grades, portfolio trends.

Our We have identified auditing the qualitative adjustments as a critical audit matter as management's determination of the qualitative adjustments used in the ACL estimate estimated allowance for loan losses qualitative adjustments involved a high degree of auditor judgment and required significant audit effort, including the need to involve

The primary procedures we performed to address this critical audit matter included:

- a. • Testing Substantively testing management's determination of the design effectiveness of internal controls, including those related to technology, over the loss data, the calculation of a loss rate, the establishment of qualitative adjustments grading and risk classification of loans, establishment of specific risk whole. ACL estimate, including:
 - b. • Testing clerical management's process for developing the qualitative adjustments, which included assessing the relevance and computational reasonableness assumptions for reasonableness. Among other procedures, our evaluation considered evidence from internal and external sources.
 - Analytically evaluating the qualitative adjustments for directional consistency, testing for reasonableness, and obtaining evidence for significant changes
 - Testing the mathematical accuracy of the formulas within qualitative adjustments applied to the Company's ALLL loan segments in the ACL calculation
- c. Testing of completeness and accuracy of the underlying data utilized in the ALLL, including reports used in management review controls over the ALLL.
- d. Testing of the loan review function and the reasonableness of loan grades determined. Specifically, utilizing internal loan review professionals to assist in the impairments on impaired loans.
- e. Evaluating the overall reasonableness of qualitative factor adjustments to historical loss, and the appropriateness of their direction and magnitude and the Company's

FORVIS, LLP (Formerly, BKD, LLP)

We have served as the Company's auditor since 2021.

Pittsburgh, Pennsylvania
March 10, 2023 13, 2024

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CONSOLIDATED STATEMENTS OF FINANCIAL CO

December 31, December 31, 2022 2021 December 31,

(Dollars in Thousands, Except
Per Share and Share Data)

ASSETS ASSETS

ASSETS

ASSETS

Cash and Due From
Banks:

Interest Bearing \$ 82,957 \$ 63,968
Non-Interest Bearing 20,743 55,706

Cash and Due From Banks:

Cash and Due From Banks:

Interest-Earning

Interest-Earning

Interest-Earning

Noninterest-Earning

Total Cash and
Due From Banks Total Cash and
Due From Banks 103,700 119,674

Securities:

Securities:

Securities:

Available-for-Sale Debt Securities, at Fair
Value

Available-for-Sale Debt Securities, at Fair
Value

Available-for-Sale
Debt Securities, at
Fair Value Available-for-Sale
Debt Securities, at
Fair Value 187,360 222,108

Equity Securities, at
Fair Value Equity Securities, at
Fair Value 2,698 2,866

Total Securities Total Securities 190,058 224,974

Loans (Net of Allowance for Loan Losses of
\$12,819 and \$11,582 at December 31,
2022 and 2021, Respectively) 1,037,054 1,009,214

Loans (Net of Allowance for Credit Losses of
\$9,707 and \$12,819 at December 31, 2023
and 2022, Respectively)

Loans (Net of Allowance for Credit Losses of
\$9,707 and \$12,819 at December 31, 2023
and 2022, Respectively)

Loans (Net of Allowance for Credit Losses of
\$9,707 and \$12,819 at December 31, 2023
and 2022, Respectively)

Premises and Equipment, Net

Premises and Equipment, Net

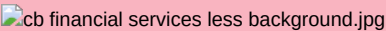
Premises and
Equipment, Net Premises and
Equipment, Net 17,844 18,399

Bank-Owned Life
Insurance Bank-Owned Life
Insurance 25,893 25,332

Goodwill	Goodwill	9,732	9,732
Intangible Assets, Net	Intangible Assets, Net	3,513	5,295
Accrued Interest Receivable and Other Assets	Accrued Interest Receivable and Other Assets	21,144	12,859
TOTAL ASSETS	TOTAL ASSETS	\$1,408,938	\$1,425,479
LIABILITIES	LIABILITIES		
LIABILITIES			
LIABILITIES			
Deposits:	Deposits:		
Demand Deposits		\$ 390,405	\$ 385,775
NOW Accounts		311,825	272,518
Deposits:			
Deposits:			
Noninterest-Bearing Demand Accounts			
Noninterest-Bearing Demand Accounts			
Noninterest-Bearing Demand Accounts			
Interest-Bearing Demand Accounts			
Money Market Accounts	Money Market Accounts	209,125	192,125
Savings Accounts	Savings Accounts	248,022	239,482
Time Deposits	Time Deposits	109,126	136,713
Total Deposits	Total Deposits	1,268,503	1,226,613
Short-Term Borrowings	Short-Term Borrowings	8,060	39,266
Short-Term Borrowings			
Short-Term Borrowings			
Other Borrowed Funds	Other Borrowed Funds	14,638	17,601
Accrued Interest Payable and Other Liabilities	Accrued Interest Payable and Other Liabilities	7,582	8,875
TOTAL LIABILITIES	TOTAL LIABILITIES	1,298,783	1,292,355
STOCKHOLDERS' EQUITY	STOCKHOLDERS' EQUITY		
STOCKHOLDERS' EQUITY			
STOCKHOLDERS' EQUITY			
Preferred Stock, No Par Value; 5,000,000 Shares Authorized	Preferred Stock, No Par Value; 5,000,000 Shares Authorized	—	—
Common Stock, \$0.4167 Par Value; 35,000,000 Shares Authorized, 5,708,433 and 5,680,993 Shares Issued and 5,100,189 and 5,260,672 Shares Outstanding, Respectively		2,379	2,367
Preferred Stock, No Par Value; 5,000,000 Shares Authorized			
Preferred Stock, No Par Value; 5,000,000 Shares Authorized			

Common Stock, \$0.4167 Par Value; 35,000,000 Shares Authorized, 5,759,378 and 5,708,433 Shares Issued and 5,119,543 and 5,100,189 Shares Outstanding, Respectively			
Capital Surplus	Capital Surplus	83,953	83,294
Retained Earnings	Retained Earnings	63,861	57,534
Treasury Stock, at Cost (608,244 and 420,321 Shares, Respectively)		(13,797)	(9,144)
Treasury Stock, at Cost (639,835 and 608,244 Shares, Respectively)			
Accumulated Other Comprehensive Loss	Accumulated Other Comprehensive Loss	(26,241)	(927)
TOTAL STOCKHOLDERS' EQUITY	TOTAL STOCKHOLDERS' EQUITY	110,155	133,124
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,408,938	\$1,425,479

The accompanying notes are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,
(Dollars in Thousands, Except Per Share and Share Data)

INTEREST AND DIVIDEND INCOME
Loans, Including Fees
Securities:
Taxable
Tax-Exempt
Dividends
Other Interest and Dividend Income
TOTAL INTEREST AND DIVIDEND INCOME
INTEREST EXPENSE
Deposits
Short-Term Borrowings
Other Borrowed Funds
TOTAL INTEREST EXPENSE
NET INTEREST AND DIVIDEND INCOME
Provision (Recovery) For Loan Losses

NET INTEREST AND DIVIDEND INCOME AFTER PROVISION (RECOVERY) FOR LOAN LOSSES**NONINTEREST INCOME**

Service Fees on Deposits
Insurance Commissions
Other Commissions
Net Gain on Sales of Loans
Net (Loss) Gain on Securities
Net Gain on Purchased Tax Credits
Gain on Sale of Branches
Net Gain (Loss) on Disposal of Premises and Equipment
Income from Bank-Owned Life Insurance
Other Income

TOTAL NONINTEREST INCOME**NONINTEREST EXPENSE**

Salaries and Employee Benefits
Occupancy
Equipment
Data Processing
Federal Deposit Insurance Corporation Assessment
Pennsylvania Shares Tax
Contracted Services
Legal and Professional Fees
Advertising
Other Real Estate Owned (Income)
Amortization of Intangible Assets
Goodwill and Intangible Assets Impairment
Writedown on Premises and Equipment
Other

TOTAL NONINTEREST EXPENSE

INCOME BEFORE INCOME TAX EXPENSE

Income Tax Expense

NET INCOME

EARNINGS PER SHARE

Basic
Diluted

WEIGHTED AVERAGE SHARES OUTSTANDING

Basic
Diluted

Year Ended December 31,

(Dollars in Thousands, Except Per Share and Share Data)

INTEREST AND DIVIDEND INCOME

Loans, Including Fees
Securities:
Taxable
Tax-Exempt
Dividends
Other Interest and Dividend Income

TOTAL INTEREST AND DIVIDEND INCOME

INTEREST EXPENSE
Deposits
Short-Term Borrowings
Other Borrowings
TOTAL INTEREST EXPENSE
NET INTEREST AND DIVIDEND INCOME
(Recovery) Provision For Credit Losses - Loans
Recovery For Credit Losses - Unfunded Commitments
NET INTEREST AND DIVIDEND INCOME AFTER (RECOVERY) PROVISION FOR CREDIT LOSSES
NONINTEREST INCOME
Service Fees
Insurance Commissions
Other Commissions
Net Loss on Securities
Net Gain on Purchased Tax Credits
Gain on Sale of Subsidiary
Net Gain on Disposal of Premises and Equipment
Income from Bank-Owned Life Insurance
Net Gain on Bank-Owned Life Insurance Claims
Other Income
TOTAL NONINTEREST INCOME
NONINTEREST EXPENSE
Salaries and Employee Benefits
Occupancy
Equipment
Data Processing
Federal Deposit Insurance Corporation Assessment
Pennsylvania Shares Tax
Contracted Services
Legal and Professional Fees
Advertising
Other Real Estate Owned (Income)
Amortization of Intangible Assets
Other Expense
TOTAL NONINTEREST EXPENSE
INCOME BEFORE INCOME TAX EXPENSE
Income Tax Expense
NET INCOME
EARNINGS PER SHARE
Basic
Diluted
WEIGHTED AVERAGE SHARES OUTSTANDING
Basic
Diluted

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
	(Dollars in Thousands)			
	Net			
Net Income	Income	\$ 11,247	\$11,570	
Other Comprehensive Loss:				
Change in Unrealized Loss on Available-for-Sale Debt Securities		(32,266)	(5,288)	
Net Income				
Net Income				
Other Comprehensive Income (Loss):				
Other Comprehensive Income (Loss):				
Other Comprehensive Income (Loss):				
Change in Unrealized Gain (Loss) on Available-for-Sale Debt Securities				
Change in Unrealized Gain (Loss) on Available-for-Sale Debt Securities				
Change in Unrealized Gain (Loss) on Available-for-Sale Debt Securities				
Income Tax				
Income Tax Effect	Effect	6,952	1,136	
Reclassification Adjustment for Gain on Sale of Debt Securities Included in Net Income ⁽¹⁾		—	(225)	
Reclassification Adjustment for Loss on Sale of Debt Securities Included in Net Income ⁽¹⁾				
Reclassification Adjustment for Loss on Sale of Debt Securities Included in Net Income ⁽¹⁾				
Reclassification Adjustment for Loss on Sale of Debt Securities Included in Net Income ⁽¹⁾				

Income Tax Effect	Income Tax Effect (2)	—	48
Other Comprehensive Loss, Net of Income Tax Effect	(25,314)	(4,329)	
Total Comprehensive (Loss) Income	\$(14,067)	\$ 7,241	
Other Comprehensive Income (Loss), Net of Income Tax Effect			
Total Comprehensive Income (Loss)			

(1) Reported in Net (Loss) Gain **Loss** on Securities on the Consolidated Statements of Income.

(2) Reported in Income Tax Expense on the Consolidated Statements of Income.

The accompanying notes are an integral part of these consolidated financial statements.

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cb financial services less background.jpg

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Shares Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
December 31, 2020	5,680,993	\$ 2,367	\$82,723	\$ 51,132	\$ (5,094)	\$ 3,402	\$134,530
Net Income	—	—	—	11,570	—	—	11,570
Other Comprehensive Loss	—	—	—	—	—	(4,329)	(4,329)
Restricted Stock Awards Forfeited	—	—	9	—	(9)	—	—
December 31, 2021							
Stock-Based Compensation Expense	—	—	566	—	—	—	566
Exercise of Stock Options	—	—	(4)	—	102	—	98
Treasury Stock Purchased, at Cost (178,252 shares)	—	—	—	—	(4,143)	—	(4,143)
Dividends Declared (\$0.96 per share)	—	—	—	(5,168)	—	—	(5,168)
December 31, 2021							
December 31, 2021	5,680,993	\$ 2,367	\$83,294	\$ 57,534	\$ (9,144)	\$ (927)	\$133,124
Net Income	—	—	—	11,247	—	—	11,247

Other Comprehensive Loss	Other Comprehensive Loss	—	—	—	—	—	(25,314)	(25,314)
Restricted Stock Awards Forfeited	Restricted Stock Awards Forfeited	(325)	—	81	—	(81)	—	—
Restricted Stock Awards Granted	Restricted Stock Awards Granted	27,765	12	(12)	—	—	—	—
Stock-Based Compensation Expense	Stock-Based Compensation Expense	—	—	600	—	—	—	600
Exercise of Stock Options	Exercise of Stock Options	—	—	(10)	—	230	—	220
Treasury Stock Purchased, at Cost (195,033 shares)	Treasury Stock Purchased, at Cost (195,033 shares)	—	—	—	—	(4,802)	—	(4,802)
Dividends Declared (\$0.96 per share)	Dividends Declared (\$0.96 per share)	—	—	—	(4,920)	—	—	(4,920)
December 31, 2022	December 31, 2022	5,708,433	\$ 2,379	\$83,953	\$ 63,861	\$(13,797)	\$ (26,241)	\$110,155

Adoption of Accounting Standard ASU 2016-13

Balance at January 1, 2023, adjusted

Net Income

Other Comprehensive Income

Restricted Stock Awards Forfeited

Restricted Stock Awards Granted

Stock-Based Compensation Expense

Exercise of Stock Options

Treasury Stock Purchased, at Cost (30,478 shares)

Dividends Declared (\$1.00 per share)

December 31, 2023

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
----------------------------	----------------------------	------	------	-------------------------

(Dollars in Thousands) (Dollars in Thousands)

OPERATING ACTIVITIES	OPERATING ACTIVITIES
-------------------------	-------------------------

OPERATING ACTIVITIES

OPERATING ACTIVITIES

Net Income

Net Income

Net Income	Net Income	\$ 11,247	\$ 11,570
------------	------------	-----------	-----------

Adjustments to	Adjustments to
----------------	----------------

Reconcile Net	Reconcile Net
---------------	---------------

Income to Net	Income to Net
---------------	---------------

Cash Provided	Cash Provided
---------------	---------------

By Operating	By Operating
--------------	--------------

Activities:	Activities:
-------------	-------------

Net	Net
-----	-----

Amortization	Amortization
--------------	--------------

on Securities	on Securities	66	52
---------------	---------------	----	----

Net Amortization on Securities

Net Amortization on Securities

Depreciation	Depreciation
--------------	--------------

and	and
-----	-----

Amortization	Amortization	2,704	2,435
--------------	--------------	-------	-------

Provision (Recovery) for Loan

Losses	3,784	(1,125)
--------	-------	---------

Other Intangible Asset Impairment	—	1,178
-----------------------------------	---	-------

(Recovery)

Provision for

Credit Losses

- Loans

Recovery for

Credit Losses

- Unfunded

Commitments

Writedown on Premises and

Equipment	—	2,293
-----------	---	-------

Lease Impairment	—	227
------------------	---	-----

Loss (Gain) on Securities	168	(526)
---------------------------	-----	-------

Gain on Sale of Branches	—	(5,203)
--------------------------	---	---------

Loss on Securities

Loss on Securities

Loss on Securities

Gain on Sale

of Subsidiary

Gain on

Purchased

Tax Credits	Tax Credits	(57)	(70)
-------------	-------------	------	------

Income from	Income from
-------------	-------------

Bank-Owned	Bank-Owned
------------	------------

Life Insurance	Life Insurance	(561)	(553)
----------------	----------------	-------	-------

Proceeds	Proceeds		
From	From		
Mortgage	Mortgage		
Loans Sold	Loans Sold	—	12,946
Originations of	Originations of		
Mortgage	Mortgage		
Loans for Sale	Loans for Sale	—	(12,623)
Gain on Sales of Loans		—	(1,143)
(Gain) Loss on Sales of Other			
Real Estate Owned		(1)	(80)

Gain on Sales of Other Real
Estate Owned

Gain on Sales of Other Real
Estate Owned

Gain on Sales of Other Real
Estate Owned

Noncash	Noncash		
Expense for	Expense for		
Stock-Based	Stock-Based		
Compensation	Compensation	600	566
(Increase) Decrease in Accrued			
Interest Receivable		(633)	522
(Gain) Loss on Disposal of			
Premises and Equipment		(431)	3
Increase (Decrease) in Deferred			
Income Tax		535	(248)
(Decrease) Increase in Taxes			
Payable		(5)	1,888

Increase in
Accrued
Interest
Receivable
Valuation
Adjustment on
Real Estate
Owned
Gain on
Disposal of
Premises and
Equipment
Increase in
Deferred
Income Tax
Increase
(Decrease) in
Taxes Payable

Decrease in Accrued Interest			
Payable		(131)	(281)

Decrease (Increase) in Accrued
Interest Payable
Decrease (Increase) in Accrued
Interest Payable
Decrease (Increase) in Accrued
Interest Payable

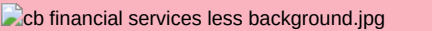
Other, Net	Other, Net	(3,134)	1,227
------------	------------	---------	-------

NET CASH PROVIDED BY OPERATING ACTIVITIES	NET CASH PROVIDED BY OPERATING ACTIVITIES	14,151	13,055
INVESTING ACTIVITIES	INVESTING ACTIVITIES		
INVESTING ACTIVITIES	INVESTING ACTIVITIES		
Securities Available for Sale:	Securities Available for Sale:		
Securities Available for Sale:	Securities Available for Sale:		
Proceeds From Principal Repayments and Maturities	Proceeds From Principal Repayments and Maturities		
Proceeds From Principal Repayments and Maturities	Proceeds From Principal Repayments and Maturities	29,242	38,435
Purchases of Securities	Purchases of Securities	(26,826)	(135,015)
Proceeds from Sales of Securities	Proceeds from Sales of Securities	—	11,967
Proceeds from Loans Sold		—	12,371
Net (Increase) Decrease in Loans		(31,385)	12,737
Net Increase in Loans			
Net Increase in Loans			
Net Increase in Loans			
Purchase of Premises and Equipment	Purchase of Premises and Equipment	(509)	(2,385)
Proceeds from Disposal of Premises and Equipment	Proceeds from Disposal of Premises and Equipment	480	845
Proceeds from Sale of Subsidiary			
Proceeds From a Claim on Bank- Owned Life Insurance			
Proceeds From Sales of Other Real Estate Owned			
(Increase) Decrease in Restricted Equity Securities			
Proceeds From Sales of Other Real Estate Owned		37	325

Decrease in Restricted Equity			
Securities		654	582
NET CASH USED IN INVESTING ACTIVITIES			
NET CASH USED IN INVESTING ACTIVITIES			
NET CASH USED IN INVESTING ACTIVITIES	NET CASH USED IN INVESTING ACTIVITIES	(28,307)	(60,138)
FINANCING ACTIVITIES	FINANCING ACTIVITIES		
Net Increase in Deposits		41,890	104,843
Sale of Deposits, Net of Purchase Premium		—	(97,596)
FINANCING ACTIVITIES			
FINANCING ACTIVITIES			
Net (Decrease) Increase in Deposits			
Net (Decrease) Increase in Deposits			
Net (Decrease) Increase in Deposits			
Decrease in Short-Term Borrowings			
Decrease in Short-Term Borrowings			
Decrease in Short-Term Borrowings	Decrease in Short-Term Borrowings	(31,206)	(1,789)
Principal Payments on Other Borrowed Funds	Principal Payments on Other Borrowed Funds	(3,000)	(5,000)
Proceeds from Other Borrowed Funds			
Proceeds from Issuance of Subordinated Debt, Net of Debt Issuance Costs			
		—	14,601
Cash Dividends Paid			
Cash Dividends Paid			
Cash Dividends Paid	Cash Dividends Paid	(4,920)	(5,168)
Treasury Stock, Purchases at Cost	Treasury Stock, Purchases at Cost	(4,802)	(4,143)
Exercise of Stock Options	Exercise of Stock Options	220	98
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES			
		(1,818)	5,846
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			

DECREASE	DECREASE		
IN CASH	IN CASH		
AND DUE	AND DUE		
FROM	FROM		
BANKS	BANKS	(15,974)	(41,237)
CASH AND DUE	CASH AND DUE		
FROM BANKS AT	FROM BANKS AT		
BEGINNING OF	BEGINNING OF		
THE YEAR	THE YEAR	119,674	160,911
CASH AND DUE	CASH AND DUE		
FROM BANKS AT	FROM BANKS AT		
END OF THE	END OF THE		
YEAR	YEAR	\$103,700	\$119,674

The accompanying notes are an integral part of these consolidated financial statements.



Year Ended	Year Ended			
December 31,	December 31,	2022	2021	Year Ended December 31,

(Dollars in Thousands) (Dollars in Thousands)

SUPPLEMENTAL SUPPLEMENTAL
CASH FLOW CASH FLOW
INFORMATION: INFORMATION:

SUPPLEMENTAL CASH FLOW
INFORMATION:

SUPPLEMENTAL CASH FLOW
INFORMATION:

Cash Paid for:	Cash Paid for:		
Interest on Deposits and			
Borrowings (Including			
Interest Credited to Deposit			
Accounts of \$4,144 and			
\$3,432, Respectively)	\$ 4,912	\$ 3,686	

Cash Paid for:

Cash Paid for:

Interest on Deposits and
Borrowings (Including
Interest Credited to Deposit
Accounts of \$15,048 and
\$4,144, Respectively)

Interest on Deposits and
Borrowings (Including
Interest Credited to Deposit
Accounts of \$15,048 and
\$4,144, Respectively)

Interest on Deposits and
Borrowings (Including
Interest Credited to Deposit
Accounts of \$15,048 and
\$4,144, Respectively)

Income	Income		
Taxes	Taxes	3,247	1,599

SUPPLEMENTAL SUPPLEMENTAL
NONCASH NONCASH
DISCLOSURE: DISCLOSURE:

SUPPLEMENTAL NONCASH
DISCLOSURE:

SUPPLEMENTAL NONCASH
DISCLOSURE:

Real Estate Acquired in
Settlement of Loans

Real Estate Acquired in
Settlement of Loans

Real Estate Acquired in Settlement of Loans	Real Estate Acquired in Settlement of Loans	\$	—	\$	73
--	--	----	---	----	----

Right of Use ("ROU") Asset Recognized	Right of Use ("ROU") Asset Recognized	1,556	—
---	---	-------	---


Right of Use ("ROU") Asset
Recognized

Right of Use ("ROU") Asset
Recognized

Lease Liability Recognized	Lease Liability Recognized	1,556	—
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The accompanying notes are an integral part of these consolidated financial statements.

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 cb financial services less background.jpg

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements include the accounts of CB Financial Services, Inc., and its wholly owned subsidiary, Community Bank (the "Bank" or "EU"). CB Financial Services, Inc., Community Bank and Exchange Underwriters, Inc. are collectively referred to as the "Company." All intercompany transactions are eliminated.

Nature of Operations

The Company derives substantially all its income from banking and bank-related services which include interest income on commercial, commercial mortgage, residential mortgage, and fees generated from deposit services to its customers. The Company provides banking services through its subsidiary, Community Bank is a community-oriented institution offering residential and commercial real estate loans, commercial and industrial loans, and consumer loans as well as a variety of other financial services. In 2022, the Company opened one branch in 2022, and consolidation of six and sale of two branches in 2021, the Bank operates from 10 offices in Greene, Allegheny, Washington, Fayette, and Lincoln Counties in West Virginia. Property

On December 1, 2023, the Company announced that the Bank and casualty, commercial liability, surety EU entered into an Asset Purchase Agreement with World Insurance Agency for a purchase price of \$30.5 million cash plus possible additional earn-out payments. The sale of assets was completed on December 8, 2023 and other insurance agency. pre-tax gain of \$24.6 million. This transaction did not meet the criteria for discontinued operations reporting.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of December 31, 2022 through the date of December 31, 2023 through the date of the consolidated financial statements.

Use of Estimates

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In the preparation of these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements. Material estimates that are particularly susceptible to significant change in the near term relate to fair value of securities at acquisition in connection with foreclosures or in satisfaction of loans, other-than-temporary impairment evaluations of securities, the valuation of deferred tax assets and liabilities.

Revenue Recognition

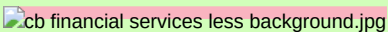
Income on loans and securities is recognized as earned on the accrual method. Gains and losses on sales of mortgages are based on the difference between the sales price and the carrying amount.

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Accounting Standards Codification ("ASC") Topic 606.

The Company's revenue from contracts with customers within the scope of ASC Topic 606 is recognized within Noninterest Income with the exception of Other Income. The following narrative describes the Company's revenue streams accounted for under the guidance of ASC Topic 606:

Service Fees: The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees include fees on transfers, which are recognized into income at the occurrence of an executed transaction and the point in time the Company fulfills the customer's request. Account maintenance fees are recognized in the course of the month, and satisfy the Company's performance obligation. Overdraft fees are recognized as the overdrafts on customer's accounts are incurred under the account agreement with the Company. In addition, the Company earns interchange fees from debit/credit cardholder transactions conducted through the applicable card network.

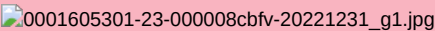
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

recognized daily, concurrently with the transaction processing services provided to the cardholder. The Company currently does not offer a cardholder rewards program.

Insurance Commissions: EU derives derived commission and fee income from direct and agency bill insurance policies. Direct bill policies are were invoice payment for the policy, the insurance company provider then remits remitted the commission or fee income to EU on a monthly basis. Agency bill policies are insurance company policy payable and the commission or fee income earned on the policy. As all insurance policies are were contracts with customers, each policy EU utilizes utilized a report from their core insurance data processing program The Agency Manager ("TAM"), that captures captured all in-force policies that are under contract. The report then provides provided an overall commission and fee income total for the monthly reporting financial statement period. This income is was data processing system for the reporting month and an adjustment to income is was made according to the report. This is was the income recognized for the period.

Other Commissions: The Company earns other commissions, such as wealth management referral fees, check sales and safe deposit box rentals to customers. These fees fulfill the contract/agreement between the Company and the wealth manager. When a customer initiates the check order through the Company website to our third-party check company. These commissions are recognized as the third-party check company's income is recognized on a monthly basis, per each contract agreement with our customers. The safe deposit box income is automatically withdrawn from the customer's account.

Gains (Losses) on Sales of Other Real Estate Owned ("OREO") OREO: The Company records a gain or loss from the sale of OREO when control of the property is transferred. The Company will finance an OREO property with the buyer. It is the Company's practice to sell loan collateral recognized as an OREO property to free up capital.

Operating Segments

An operating segment is defined as a component of an enterprise that engages in business activities which generate revenue and incur expense, and the operating segment's business activities are comprised of two operating segments, which are community banking and insurance brokerage services. The Company has evaluated information related to EU (Insurance Brokerage Services segment) is required to be presented because the segment has had adopted a board of directors and comprises comprised a significant amount to total noninterest income, even though the segment is less than 10% of the combined assets of the Company. See Note 17 for further details.

Cash and Due From Banks

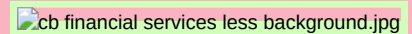
The Company has defined cash and due from banks as cash on hand and those amounts due from depository institutions, interest-bearing deposits with other banks, and deposits in other depository institutions that occasionally exceed the amount of deposit insurance available. Management periodically assesses the financial condition of these institutions.

Generally, the Company is required to maintain average reserve balances in vault cash with the Federal Reserve Bank based upon outstanding balances of de reduced reserve requirement ratios to zero percent, effective March 26, 2020, in light of the shift to an ample reserves regime. This action eliminates the need to freeing up liquidity in the banking system to support lending. Therefore, at **December 31, 2022** **December 31, 2023**, and **2021, 2022**, there were no reserve requirem

Securities

Securities are classified at the time of purchase, based on management's intentions and ability, as securities held to maturity or securities available-for-sale. Del amortization of premium and accretion of discount, which are computed using a level yield method and recognized

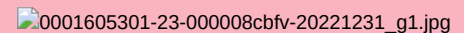
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NOTES TO CONSOLIDATED FINANCIAL STATEMEN

as adjustments to interest income. Unrealized holding gains and losses for available-for-sale debt securities are reported as a

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NOTES TO CONSOLIDATED FINANCIAL STATEMEN

separate component of stockholders' equity, net of tax, until realized. Equity securities are measured at fair value with the change in fair value recognized in Net Income. Realized securities gains and losses, if any, are computed using the specific identification method. Interest and dividends on securities are recognized as interest income. Declines **For available-for-sale securities** in the fair value of individual securities below amortized cost that are other-than-temporary result in write-downs of the securities are evaluated on at least a quarterly basis to determine whether a decline in their value is other-than-temporary. In estimating other-than-temporary impairment, management considers (1) the extent, if any, of the decline in fair value of the security below its amortized cost basis, (2) the financial condition and near-term prospects of the issuer, and (3) whether or not an **unrealized loss position**, the Company **first assesses** the security before an anticipated 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 reduced to its fair value. **If the decline in value for a debt security is determined to be other than temporary, the other-than-temporary impairment is separated in (a) the amount of total other factors. If this assessment indicates that a decrease in credit loss exists, the present value of cash flows expected to be collected from the debt security (the amount to be collected is less than the amortized cost basis, a credit loss) loss exists and (b) an allowance for credit loss ("ACL") is recorded for the credit loss, limited by the amount of the total other-than-temporary impairment related to credit loss.** The amount of the total other-than-temporary impairment related to credit loss is recognized in earnings. The amount of other-than-temporary impairment is recognized in other comprehensive loss. **income (loss), net of tax. The Company elected the practical expedient of zero loss estimates for securities issued by U.S. government agencies and have a long history of no credit losses.**

Changes in the ACL are recorded as provision for, or reversal of, credit loss expense. Losses are charged against the allowance when management believes the ultimate recovery is less than the amortized cost basis or requirement to sell is met.

Common stock of the Federal Home Loan Bank ("FHLB") and of Atlantic Community Bankers' Bank ("ACBB") represent ownership in organizations that are wholly owned by the FDIC. The investment is carried at cost and evaluated for impairment based on the ultimate recoverability of the investment. **and \$2.7 million at December 31, 2023 and \$3.3 million at December 31, 2022 and 2021, 2022, respectively, and ACBB stock of \$85,000 at December 31, 2022 and 2021, 2022, respectively.**

The Company periodically evaluates its FHLB restricted stock for possible impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. **value at December 31, 2022 December 31, 2023, and, therefore, determined that FHLB stock was not impaired. In addition, the Company has ample liquidity and does not have any other restrictions on the use of its cash resources.**

Loans Receivable Receivables

The Company grants commercial, residential, and Allowance for Loan Losses other consumer loans to customers at its branch locations throughout southwest Virginia and West Virginia in Marshall and Ohio Counties. Although the Company had a diversified loan portfolio at December 31, 2023 and 2022, a substantial portion of the loans are secured by real estate in the tri-state region footprint.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the principal amount outstanding, less allowance for loan losses. The real estate loans are further segregated into three classes. Residential mortgages include loans to residential borrowers secured by residential real estate. Construction loans typically consist of loans to build commercial buildings and acquire land.

finance the activities of commercial customers as well as Payroll Protection Program ("PPP") loans. customers. The consumer segment consists primarily of indirect loans, which primarily consist of municipal loans to local governments.

Residential mortgage loans are typically longer-term loans and, therefore, generally present greater interest rate risk than the consumer and commercial loans. The collateral values are not sufficient. Commercial real estate loans generally present a higher level of risk than loans secured by residences. This greater risk is due to the effect of general economic conditions on income-producing properties, and the increased difficulty in evaluating and monitoring these types of loans. Furthermore, the success of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed, a bankruptcy court modifies a lease), the cash flow may be impaired. Construction loans are originated to individuals to


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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

finance the construction of residential dwellings and are also originated for the construction of commercial properties, including hotels, apartment buildings, houses, etc. The loans provide for the payment of interest only during the construction phase, which is usually 12 to 18 months. At the end of the construction phase, the loan generally provides for overfunding in comparison to the plans, untimely completion of work, and leasing and stabilization after project completion. Commercial and industrial loans are generally secured by collateral. Consumer loans generally have higher interest rates and shorter terms than residential mortgage loans; however, they have additional credit risk due to the type of collateral. Accrual of interest on loans is generally discontinued when it is determined that a reasonable doubt exists as to the collectability of principal and interest or when a loan is

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

When a loan is placed on non-accrual nonaccrual status, any accrued but uncollected interest is reversed from current income. Payments received on nonaccrual loans are used to pay interest amounts contractually due and are brought current, and current and future payments are reasonably assured.

The Company uses an eight-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first four categories are not considered substandard. The special mention category includes assets that are currently protected but are below average quality, resulting in a substandard category. The special mention category has well-defined weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some loss will be sustained if the assets are classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans in the special mention category are not warranted.

In the normal course of business, the Company modifies loan terms for various reasons. These reasons may include a retention strategy to compete in the current market, a payment stream with the borrower's cash flows. A modified loan is considered a troubled debt restructuring ("TDR") when the Company has determined that the borrower is experiencing financial difficulty except for an insignificant delay in payment. TDRs typically are the result of loss mitigation activities whereby concessions are granted to minimize loss and avoid foreclosure or in payment default on any of its debt in the foreseeable future without modification. To make this determination a credit review is performed to assess the ability of the borrower to service the debt.

When the Company restructures a loan for a troubled borrower, the loan terms (i.e., interest rate, payment, amortization period and/or maturity date) are modified to reflect the borrower's financials and cash flow adequacy. If the hardship is thought to be temporary, then modified terms are offered only for that time period. Where possible, the Company will not forgive any principal as a restructuring concession. The Company will not offer modified terms if it believes that modifying the loan terms would be in the best interests of the Company.

All loans designated as TDRs are considered impaired loans and may be in either accruing or non-accruing status. The Company's policy for recognizing interest income on TDRs is that interest income is recognized only when the loan is in payment default if, subsequent to modification, the loans are transferred to nonaccrual status. A loan may be removed from nonaccrual TDR status if it has performed satisfactorily for a period of time.

The performance and credit quality of the loan portfolio are also monitored by analyzing the age of the loans receivable as determined by the length of time a loan has been in contractual due dates for loan payments.

For performing loans acquired in a merger, the excess of expected cash flows over the estimated fair value, at acquisition, is referred to as the accretible discount. The nonaccrual discount is the excess of contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretible discount. The nonaccretible discount is the excess of the fair value of the loan over the fair value of the loan. Subsequent decreases to the expected cash flows require an evaluation to determine the need for an allowance. Subsequent improvements in expected cash flows may result in the nonaccretible discount being reclassified as accretible discount that is recognized into interest income over the remaining life of the loan using the interest method. The evaluation of the amount of the nonaccretible discount is determined by the principal amount of the principal amount on acquired loans would be first applied to the nonaccretible discount portion of the fair value adjustment.

Loan origination and commitment fees as well as certain direct loan origination costs are deferred and the net amount either accreted or amortized as an adjustment to income.

Allowance for Credit Losses (ACL)

On January 1, 2023, the Company adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* to as the current expected credit loss methodology ("CECL"). The Company adopted ASU 2016-13 using a modified retrospective approach. Results for reporting periods beginning on or after January 1, 2023, will be reported in accordance with previously applicable GAAP. The adoption resulted in a decrease of \$3.4 million to the Company's ACL related to loan commitments (Unfunded Commitments). The net impact resulted in a \$2.1 million increase to retained earnings, net of deferred taxes.

The ACL represents the estimated amount considered necessary to cover lifetime expected credit losses inherent in financial assets at the balance sheet date. The ACL is amortized over the life of the asset on a straight-line basis. It also applies to off-balance sheet credit exposures such as loan commitments and unused lines of credit. The allowance is established through a charge to earnings. The allowance for credit losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the changes to the amount of the recorded ACL. The ACL is reported separately as a contra-asset on the Consolidated Statement of Financial Condition. The expected credit losses are reported as a component of the ACL on the Consolidated Statement of Financial Condition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The ACL on loans is deducted from the amortized cost basis of the loan to present the net amount expected to be collected. Expected losses are evaluated and recorded on a quarterly basis. The ACL on loans is reported as a component of the ACL on the Consolidated Statement of Financial Condition.

ACL on Loans Receivable

The ACL on loans is deducted from the amortized cost basis of the loan to present the net amount expected to be collected. Expected losses are evaluated and recorded on a quarterly basis. The ACL on loans is reported as a component of the ACL on the Consolidated Statement of Financial Condition.

The Company has chosen to segment its portfolio consistent with the manner in which it manages credit risk. Such segments include residential mortgage, commercial mortgage, and commercial real estate. Within each segment, the Company calculates estimated credit losses using a probability of default and loss given default methodology, the results of which are applied to the carrying amount of the loans. The probability of default and loss given default are then conditioned by macroeconomic scenarios to incorporate reasonable and supportable forecasts that affect the probability of default and loss given default.

The Company estimates the ACL on loans via a quantitative analysis which considers relevant available information from internal and external sources related to the loans. The Company evaluates a variety of factors including third party economic forecasts, industry trends and other available published economic information in arriving at the ACL. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments. Expected credit losses are not unconditionally cancellable by the Company.

Also included in the ACL on loans are qualitative reserves to cover losses that are expected but, in the Company's assessment, may not be adequately represented by the quantitative analysis. Qualitative reserves include changes in lending policies and procedures, business conditions, the nature and size of the portfolio, portfolio concentrations, the volume and severity of delinquencies, regulatory requirements, among others. Furthermore, the Company considers the inherent uncertainty in quantitative models that are built upon historical data.

Individually Evaluated Loans

On a case-by-case basis, the Company may conclude that a loan should be evaluated on an individual basis based on its disparate risk characteristics. When the Company evaluates a loan on an individual basis, the allowance will be determined on an individual basis using the present value of expected cash flows or, for collateral-dependent loans, the fair value of the collateral. If the fair value of the collateral is less than the amortized cost basis of the loan, the Company will charge off the difference between the fair value of the collateral, less estimated costs to sell, and the amortized cost basis of the loan.

ACL on Off-Balance Sheet Commitments

The Company is required to include unfunded commitments that are expected to be funded in the future within the allowance calculation, other than those that are not expected to be funded. The allowance for credit losses on off-balance sheet commitments is applied to the unused portion of the expected commitment balance and is multiplied by the expected funding rate. To determine the expected funding rate, the Company uses the historical funding rate of similar commitments. The allowance for credit losses on off-balance sheet commitments is included in other liabilities on the Consolidated Statement of Financial Condition and the related credit expense is recorded in provision for credit losses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Allowance for Loan Losses

Prior to the adoption of ASU 2016-13, the Company calculated the allowance for loan losses ("allowance"), using an incurred loan loss methodology. The following table shows the allowance for loan losses as of December 31, 2022 and 2021. The allowance for loan losses ("allowance") is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management periodically assesses the loan portfolio, which includes an assessment of economic conditions, changes in the nature and volume of the loan portfolio, loan loss experience, volume and seasonality of the loan portfolio, the Company's loan review system, the degree of oversight by the Company's board of directors, Board, existence and effect of any concentrations of credit and collateral, regulatory requirements, and other relevant factors. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary based on changes in circumstances. Additions are made to the allowance through periodic provisions charged to income and recovery of principal and interest on loans previously charged-off. A determination is made that the specific loss is probable. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available. The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. A loan is considered impaired when it is probable that all amounts due for principal and interest according to the original contractual terms of the loan agreement. Generally, management considers all substandard loans to be impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment history, and the nature of the collateral. Impairment is measured based on the present value of expected future cash flows, observable market price, or, if the loan is collateral dependent, the fair value of the underlying collateral. When the measurement of an impaired loan is less than the carrying amount, the impairment loss is recognized. The specific valuation allowance is periodically adjusted for significant changes in the amount or timing of expected future cash flows, observable market price or fair value of the collateral, and other factors. Cash payments received on impaired loans that are considered nonaccrual are recorded as a direct reduction of the recorded investment in the loan and are not recognized as interest income until the previously charged-off principal is fully recovered. Subsequent amounts collected are recognized as interest income. Impaired loans are not returned to accrual status until all amounts due, both principal and interest, are collected. The general allowance component covers pools of homogeneous loans by loan class. Management determines historical loss experience for each segment of the loan portfolio. Environmental factors are also considered that are likely to cause estimated credit losses associated with the Bank's existing portfolio to differ from historical loss experience. These factors include changes in underwriting, policies, procedures, practices and key personnel; national and local economic trends; and other factors. Environmental factors are reviewed on a quarterly basis to ensure they are reflective of current conditions in the portfolio and economy. An unallocated component of the allowance is used to cover probable losses not specifically identified in the specific or general components.

Our allowance is sensitive to a number of inputs, most notably the qualitative factors and historical loss experience by loan segment. Given the dynamic nature of the economic environment, management believes that the allowance is variable on the allowance. Although management believes that it uses the best information available to establish the allowance, future adjustments to the allowance may be necessary based on changes in circumstances. Because future events affecting the existing allowance is adequate or that increases will not be necessary should the quality of assets deteriorate as a result of the related allowance for credit losses, management has engaged a third-party valuation specialist.

For performing loans acquired in a merger, the excess of expected cash flows over the estimated fair value, at acquisition, is referred to as the accretible discount. The discount is calculated as the difference between the contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretible discount. The nonaccretible discount is recorded as a contra liability. Subsequent decreases to the expected cash flows require an evaluation to determine the need for an allowance. Subsequent improvements in expected cash flows are recorded as a contra liability. Changes in factors underlying the assessment could have a corresponding material impact on the amount of the discount. Charge-offs of the principal amount on acquired loans would be first applied to the nonaccretible discount portion of the fair value adjustment. charged against earnings.

The Company grants commercial, residential, and other consumer loans to customers at its branch locations throughout southwestern Pennsylvania and the panhandle of West Virginia in Marshall and Ohio Counties. Although the Company had a diversified loan portfolio at December 31, 2022 and 2021, the economic environment of these counties within the tri-state region footprint.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is principally computed on the straight-line method over the estimated useful lives of the equipment, and 27.5 to 40 years for building premises. Leasehold improvements are amortized over the shorter of their estimated useful lives or their respective lease terms, and charged to expense when incurred while costs of major additions and improvements are capitalized.

Bank-Owned Life Insurance

The Company is the owner and beneficiary of bank-owned life insurance ("BOLI") policies on certain employees. The earnings from the BOLI policies are recognized as income, less necessary, with associated tax costs. However, the Company intends to hold these policies and, accordingly, the Company has not provided for deferred income tax expense on the earnings.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Real Estate Owned

Real estate owned acquired in settlement of foreclosed loans is carried as a component of Other Assets at the lower of cost or fair value, less estimated cost to sell. A partial charge-off of the loan balance is necessary. After transfer to real estate owned, any subsequent write-downs are charged against noninterest expense. Direct costs are recorded as expenses of current operations. Real estate owned was none \$162,000 and \$36,000 \$0 at December 31, 2022 December 31, 2023 and 2021, 2022, 2023.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740, *Income Taxes*. The income tax accounting guidance requires the Company to recognize deferred income tax expense or benefit for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over taxable income. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between book and tax basis of assets and liabilities, and enacted tax rates. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets and liabilities are recognized the extent to which it is more likely than not that they will be realized. A valuation allowance, if it is more likely than not, based on needed, reduces deferred tax assets to the extent that they are not expected to be realized. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation. The goodwill impairment test is used to identify potential goodwill impairment and measure the amount of a goodwill impairment loss to be recognized, if any. The estimated fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired, and no impairment is recognized.

The Company recognizes interest accrued related to unrecognized tax benefits in noninterest income and penalties on income taxes as a component of income tax expense.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Deemed to have an indefinite life and not subject to amortization. Goodwill is tested for impairment annually, or more frequently if triggering events occur or impairment indicators exist. The Company operates two reporting units – Community Banking segment and Community Banking reporting unit.

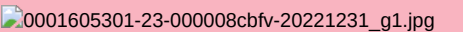
In assessing the impairment, the Company has the option to perform either a qualitative analysis to determine whether it is necessary to perform the goodwill impairment test. In a qualitative assessment, the Company assesses the existence of events or circumstances to determine whether it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the goodwill of the reporting unit is not considered impaired, and no impairment is recognized.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

amount of the reporting unit exceeds its fair value, an impairment loss is recognized based on the excess of the a reporting unit's carrying value over its fair value. The Company did not record any goodwill impairment for the years ended [December 31, 2022](#) [December 31, 2023](#) and [2021, 2022](#).

Intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. In relationship intangibles and renewal lists, are amortized over their estimated useful lives and subject to periodic impairment testing at last annually. The amortization are primarily amortized over 6.5 to 9.3 years on the straight-line method. Customer renewal lists are amortized over their estimated useful lives of 9.5 years. We assumptions are used in determining the fair value of other intangible assets. There were no events or changes in circumstances indicating impairment of other intangible of \$1.2 million for the year ended December 31, 2021.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[December 31, 2023 and 2022](#).

Future events could cause us to conclude that goodwill or other intangibles have become impaired, which would result in recording an impairment. Any resulting operations. Refer to Note 6—Goodwill and Intangible Assets for additional details.

Mortgage Servicing Rights (“MSRs”)

The Company has agreements for the express purpose of selling loans in the secondary market. The Company maintains all servicing rights for these loans. MSRs total costs incurred between the loan and servicing rights based on their relative fair values. MSRs are amortized in proportion to sold mortgages that are serviced Statements of Financial Condition.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on contractual percentage of the outstanding principal or a fixed amount servicing fee income in Other Income within the noninterest income category in the Consolidated Statements of Income.

MSRs are evaluated for impairment based on the estimated fair value of the MSRs. MSRs are stratified by certain risk characteristics, primarily loan term and established through a charge to income equal to the amount by which the carrying value exceeds the estimated fair value. If it is later determined that all or a portion reduced.

Derivatives and Hedging Activities

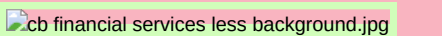
The Company accounts for derivative instruments and hedging activities in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. All derivatives are entered into for documentation is maintained to support the final determination. The Company recognizes all derivatives as either assets or liabilities on the Consolidated Statement of fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. Any hedge ineffectiveness designated as cash flow hedges, changes in fair value of the effective portion of the cash flow hedges are reported in other comprehensive income (loss) (“OCI”). Loss recognized in the Consolidated Statement of Income.

When the Company purchases a portion of a commercial loan that has an existing interest rate swap, it enters into a Risk Purchase Agreement (“RPA”) with the counterparty. Company as a result of the RPA is offset by credit risk of the counterparties and is recognized in the income statement. Credit risk on the RPA is determined after credit Treasury Stock

The purchase of the Company's common stock is recorded at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock.

Comprehensive Income (Loss) Income

Comprehensive income (loss) income consists of net income and other comprehensive loss. Other comprehensive loss OCI. OCI is comprised of unrealized holding gains and losses on debt securities, net of tax.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings Per Share


The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated utilizing the reported net income as the earnings per share differs in that the denominator is adjusted for the dilutive effects of any options and convertible securities. Treasury shares are not deemed outstanding.

Stock-Based Compensation

In 2021, the Company's stockholders approved the 2021 Equity Incentive Plan (the "2021 Plan"). The purpose of the 2021 Plan is to provide officers, employee performance of the Company and to further align their interests with those of the Company's stockholders through the ownership of additional common stock of the Company. The Plan is designed to attract, retain highly qualified officers and directors by offering a competitive compensation program that is linked to the performance of the Company's common stock. The Plan is subject to applicable stockholder approval requirement. The 2021 Plan will remain in effect as long as any awards under it are outstanding; however, no awards may be granted after the effective date of the 2021 Plan.

Awards may be granted under the 2021 Plan as incentive and non-statutory stock options, restricted stock awards, restricted stock units or any combination thereof. The maximum number of shares of Company common stock that may be granted under the 2021 Plan is equal to 500,000 shares of Company common stock (the "Share Limit"). Shares of Company common stock subject to the Share Limit may be granted, provided, however that the Share Limit is reduced, on a one-for-one basis, for each share of common stock subject to a stock option grant, and on a two and one-for-one basis for each restricted stock unit awards. If any award granted under the 2021 Plan expires, terminates, is canceled or is forfeited without being settled or exercised or is settled, the award will be made available for future grant under the 2021 Plan. If any shares are surrendered or tendered to pay the exercise price of a stock option, such shares will be withheld in payment for purposes of satisfying tax withholding obligations with respect to an award do not become available for re-issuance under the 2021 Plan. The 2021 Equity Incentive Plan, except that non-employees may not be granted incentive stock options.

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In 2015, the Company's stockholders approved the 2015 Equity Incentive Plan (the "2015 Plan"), which has similar characteristics to the 2021 Plan. The effective date of the 2015 Plan was January 1, 2015. As of December 31, 2015, 135,715 shares of common stock were outstanding. As of December 31, 2015, an aggregate number of 135,715 shares (135,715) could be issued as restricted stock awards or units.

ASC Topic 718, *Compensation – Stock Compensation*, requires recognizing the compensation cost in the financial statements for stock-based payment transactions. The per share fair value of stock options granted is calculated using the Black-Scholes-Merton option pricing model, using assumptions for expected life, expected volatility, and expected dividend yield. The expected term method to determine the expected term because it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The award expense is measured based on the market price of the Company's common stock at the date of the grant. Unrecognized compensation expense is recognized for restricted stock awards and stock options. Restricted stock awards and stock options are typically granted with a five year vesting period at a vesting rate of 20% per year.


Advertising Costs

Advertising costs are expensed as incurred.

Impairment of Long-Lived Assets

The Company routinely performs assessments of the recoverability of long-lived assets when events or changes in circumstances indicate that their carrying value exceeds their recoverable amounts. If recoverable amounts are lower than carrying values, assets are considered impaired and reduced to fair value with the recognized impairment charges recorded in the income statement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-lived assets are tested for impairment individually or as part of an asset group. An asset group is the unit of accounting for long-lived assets to be held and used in the production of cash flows of other groups of assets and liabilities.

The Company follows ASC 360, *Property, Plant and Equipment*, which requires three steps to identify, recognize and measure the impairment of a long-lived asset or asset group.

Step 1 – Consider whether Indicators of Impairment are Present.

The following are examples of such events or changes in circumstances.


- A significant decrease in the market price of a long-lived asset (asset group).
- A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition.

- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse change in the business climate.
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group).
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses.
- A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its useful life or that the carrying amount of the asset group exceeds its fair value by more than 50 percent.

Step 2—Test for Recoverability

If indicators of impairment are present, the Company performs a recoverability test comparing the sum of the estimated undiscounted cash flows attributable to the asset group.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Step 3—Measurement of an Impairment Loss

If the undiscounted cash flows used in the recoverability test are less than the carrying amount of the long-lived asset (asset group), the Company estimates the fair value of the asset group. If the carrying amount of the long-lived asset or asset group exceeds the estimated fair value.


An impairment loss is allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets, except that the loss allocated to any asset cannot exceed its carrying amount. An impairment loss is recognized in the period of the impairment test. ASC 360 prohibits the subsequent reversal of an impairment loss for an asset.

Recent Accounting Standards

In August 2021, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") 2021-06, *Presentation of Financial Statements of Investment Companies (Topic 946): Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures of Bank and Savings and Loan Registrants*. This ASU incorporates recent SEC rule changes into December 2022, the FASB Codification, including SEC Final Rule 33-10835, Update issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of Statistical Disclosures for Bank and Savings and Loan Registrants*. Topic 848 that bank and savings and loan registrants provide to investors, in light extends the period of changes in this sector over time preparers can utilize the period and requirements of U.S. GAAP. The rules replace Industry Guide 3, Statistical Disclosure by Bank Holding Companies, with updated disclosure requirements in order to provide more meaningful, relevant information to facilitate their investment and voting decisions. The amendments are effective prospectively for fiscal years beginning after December 15, 2022. The adoption of this ASU did not have a material impact on the Company's consolidated statements of financial condition or results of operation.

reference rate reform relief guidance. In March 2020, the Financial Accounting Standard Board ("FASB") issued ASU 2020-04, *Reference Rate Reform (Topic 848): Temporary Optional Guidance*. The ASU provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for certain criteria, that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. The elective guidance in the ASU allows an affected rate with another interest rate index, as well as certain contemporaneous modifications of other contract terms related to the replacement of an affected rate. Transition provisions are considered related to the replacement of a reference rate if they are not the result of a business decision that is separate from or in addition to changes in the contract terms. The accounting for the modification as if it was not substantial (i.e., do not treat as an extinguishment of debt). The To ensure the relief in Topic 848 covers the period of time the sunset date of Topic 848 from December 31, 2022 to help stakeholders during December 31, 2024, after which entities will no longer be permitted to apply the guidance. For all entities, as of March 12, 2020 through December 31, 2022. The Company has formed a cross-functional team to lead the transition from LIBOR to a planned replacement rate. The Company is currently evaluating the potential impact of the LIBOR transition and expects to adopt the LIBOR transition relief allowed by the optional expedient under this standard. The Company has identified approximately \$129.0 million in outstanding loan balances and a \$5.0 million corporate debt security does not have any instruments tied to the LIBOR rate. The Company is currently evaluating the potential impact of the adoption of this guidance is not expected to have a material effect on the Company's consolidated statements of financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU enhances disclosures of reportable segments on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each segment's financial statements.

basis, an amount for other segment items by reportable segment and a description of its composition, (3) require that a public entity provide all annual disclosure clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, an entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure of segment profit or loss in assessing segment performance. This ASU is effective for public entities for annual periods beginning after December 15, 2019, or for interim periods within those fiscal years, provided that the adoption of the ASU to have a material effect on the Company's consolidated statements of financial statements and results of operations.

In December 2019, 2023, the FASB issued ASU 2019-12, 2023-09, *Income Taxes (Topic 740): Simplifying the Accounting for Improvements to Income Taxes* to require public entities to (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold for accounting for amount of income taxes while maintaining paid, disaggregated by federal, state and foreign taxes and (2) the amount of income taxes paid disaggregated by federal (national), state and foreign. This ASU is effective for public entities for annual period beginning after December 15, 2019, or for interim periods within those fiscal years, provided that the adoption of the ASU to have a material effect on the Company's consolidated statements of financial statements. ASU 2019-12 removes the following exceptions from ASC 740, Income Taxes: (i) exceptions to the incremental approach for intraperiod tax allocation; (ii) exception in interim period income tax accounting for year-to-date income tax expense; and (iii) exception in interim period income tax accounting for year-to-date income tax expense. ASU 2019-12 also improves guidance with Topic 740: (i) franchise taxes that are based partially on income; (ii) transactions that result in a step up in the tax basis of goodwill; (iii) laws in interim periods; and (v) employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. For

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

interim periods within those fiscal years, beginning after December 15, 2020. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements. In September 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires public entities to measure credit losses on a basis and available for sale debt securities. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current accounting. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. Under current GAAP, however this ASU requires that credit losses be presented as an allowance rather than as a write-down. ASU 2016-13 affects companies holding financial assets. The ASU 2016-13 amendments affect loans, HTM debt securities, trade receivables, net investments in leases, off balance-sheet credit exposures, reinsurance receivables, and cash. ASU 2016-13 was originally effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. The Company adopted ASU 2016-13 for smaller reporting companies, including the Company, resulting in a required implementation date for the Company of January 1, 2023. In preparation for the adoption, the Company is consulting with a third-party software provider, and is consulting with a third-party professional advisory service to assist in the model development.

The Company has adopted ASU No. 2016-13 (Topic 326) effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. The Company has related processes, internal controls, and data sources and has developed, documented, and validated discounted cash flow (DCF) model utilizing a third-party model. The model techniques based on historical loss experience, current borrower characteristics, current conditions, forecasts of future economic conditions and other relevant factors. The Company has applied the model in forecasted economic conditions to interpret borrower and economic factors in order to estimate the ACL. The Company also applies qualitative factors to account for changes in lending policies and procedures; changes in the nature and volume of the loan portfolio; changes in management; changes in the quality of the Bank's loan portfolio. The ACL reflects our expected credit losses. The Company expects its ACL estimate to be sensitive to various factors such as current economic conditions. The ACL

While the Company continues to analyze and evaluate the impact of the adoption of this guidance on the Company's consolidated financial statements, based on the quality of the Company's loan portfolio, as well as the economic conditions in effect as of the adoption date - January 1, 2023, management estimates the adoption of ASU 2016-13 related to loans receivable and increase of approximately \$700,000 in ACL for unfunded commitments. Net impact of the adopting ASC 326, will result in approximately \$700,000 increase in the ACL. The adoption to record the ACL may fall outside of management's estimate based on material changes in the economic forecast and conditions and composition of the loan portfolio.

In December 2018, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation ("FDIC") and the Office of the Comptroller of the Currency ("OCC") issued a final rule on loss accounting under GAAP, including banking organizations' adoption of the CECL methodology. The final rule provides banking organizations the option to use the phase-in approach to capital that may result from the adoption of the new accounting standard. The Company does not expect to use the phase-in option upon adoption of the new accounting standard.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2—EARNINGS PER SHARE

There are no convertible securities, which would affect the numerator in calculating basic and diluted earnings per share; therefore, net income as presented on the The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
-------------------------------	-------------------------------	------	------	-------------------------

(Dollars in
Thousands, Except
Share and Per
Share Data)

Net Income Net Income \$ 11,247 \$ 11,570

Net Income

Net Income

Weighted-Average Basic

Common Shares

Outstanding

Weighted-Average Basic

Common Shares

Outstanding

Weighted- Average

Basic Basic

Common Common

Shares Shares

Outstanding Outstanding

5,136,670 5,382,441

Dilutive Effect Dilutive Effect

of Common of Common

Stock Stock

Equivalents Equivalents

(Stock (Stock

Options and Options and

Restricted Restricted

Stock) Stock)

12,642 10,288

Weighted-

Average

Diluted

Common

Shares and

Common

Stock

Equivalents

Outstanding

5,149,312 5,392,729

Earnings Per Earnings Per

Share: Share:

Earnings Per Share:

Earnings Per Share:

Basic

Basic


Basic Basic \$ 2.19 \$ 2.15

Diluted Diluted 2.18 2.15

The dilutive effect on weighted average diluted common shares outstanding is the result of outstanding stock options and nonvested restricted stock. The following outstanding but not included in the computation of earnings per share because the options' exercise price was greater than the average market price of the co

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,

Stock	Stock		
Options	Options	163,348	69,741
Restricted	Restricted		
Stock	Stock	38,140	17,100



NOTE 3—SECURITIES

2022

(Dollars in
(Dollars in Thousands) Thousands)

Collateralized
Mortgage
Obligations -
Government-
Sponsored
Enterprises
Collateralized
Loan
Obligations

Corporate Debt	Corporate Debt	9,487	—	(1,172)	8,315
Total Available- for-Sale Debt Securities	Total Available- for-Sale Debt Securities	\$ 220,808	\$ —	\$ (33,448)	187,360

Equity Securities:	Equity Securities:				
Equity Securities:					
Equity Securities:					
Mutual Funds					
Mutual Funds					
Mutual Funds	Mutual Funds				875
Other	Other				1,823
Total Equity Securities	Total Equity Securities				2,698
Total Securities	Total Securities				\$190,058

December 31,	Amortized
(Dollars in Thousands)	
Available-for-Sale Debt Securities:	
U.S. Government Agencies	\$
Obligations of States and Political Subdivisions	
Mortgage-Backed Securities - Government-Sponsored Enterprises	
Collateralized Mortgage Obligations - Government-Sponsored Enterprises	
Collateralized Loan Obligations	
Corporate Debt	
Total Available-for-Sale Debt Securities	\$
Equity Securities:	
Mutual Funds	
Other	
Total Equity Securities	
Total Securities	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, **Amortized**

(Dollars in Thousands)

Available-for-Sale Debt Securities:

U.S. Government Agencies \$

Obligations of States and Political Subdivisions

Mortgage-Backed Securities - Government-Sponsored Enterprises

Collateralized Mortgage Obligations - Government Sponsored Enterprises

Corporate Debt

Total Available-for-Sale Debt Securities \$

Equity Securities:

Mutual Funds

Other

Total Equity Securities

Total Securities

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

		2022															
		Less than 12 months			12 Months or Greater			Total									
		2023															
		Less than 12 months															
		Number			Gross			Number			Gross						
		of	Fair	Unrealized	of	Fair	Unrealized	of	Fair	Unrealized			Number	Fair	Unrealized	Gross	
December 31,	December 31,	Securities	Value	Losses	Securities	Value	Losses	Securities	Value	Losses	December 31,		of	Value	Losses	Value	
(Dollars in	(Dollars in																
Thousands)	Thousands)																
U.S.	U.S.																
Government	Government																
Agencies	Agencies	1	\$ 2,600	\$ (400)	12	\$ 42,034	\$ (8,959)	13	\$ 44,634	\$ (9,359)							
U.S. Government Agencies																	
U.S. Government Agencies																	
Obligations of	Obligations of																
States and	States and																
Political	Political																
Subdivisions	Subdivisions	34	13,342	(711)	—	—	—	34	13,342	(711)							
Mortgage-Backed Securities -																	
Government Sponsored																	
Enterprises		34	19,433	(1,018)	8	21,994	(3,900)	42	41,427	(4,918)							
Collateralized Mortgage																	
Obligations - Government																	
Sponsored Enterprises		12	25,395	(3,393)	10	54,247	(13,895)	22	79,642	(17,288)							
Mortgage-																	
Backed																	
Securities -																	
Government-																	
Sponsored																	
Enterprises																	

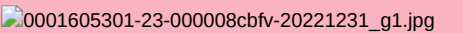
Collateralized
Mortgage
Obligations -
Government-
Sponsored
Enterprises
Collateralized
Loan
Obligations

Corporate										
Corporate Debt	Debt	1	1,665	(335)	2	6,650	(837)	3	8,315	(1,172)
Total	Total	82	\$62,435	\$ (5,857)	32	\$124,925	\$ (27,591)	114	\$187,360	\$ (33,448)

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	Less than 12 months				12 Months	
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	
December 31,						
(Dollars in Thousands)						
U.S. Government Agencies	5	\$ 17,729	\$ (269)	7	\$	
Mortgage-Backed Securities - Government Sponsored Enterprises	8	28,772	(282)	—		
Collateralized Mortgage Obligations - Government Sponsored Enterprises	10	77,560	(2,074)	—		
Corporate Debt	2	7,450	(31)	—		
Total	25	\$ 131,511	\$ (2,656)	7	\$	

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NOTES TO CONSOLIDATED FINANCIAL STATEMEN

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	Less than 12 months				12 Months	
	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	
December 31,						
(Dollars in Thousands)						
U.S. Government Agencies	1	\$ 2,600	\$ (400)	12	\$	
Obligations of States and Political Subdivisions	34	13,342	(711)	—		
Mortgage-Backed Securities - Government-Sponsored Enterprises	34	19,433	(1,018)	8		
Collateralized Mortgage Obligations - Government-Sponsored Enterprises	12	25,395	(3,393)	10		
Corporate Debt	1	1,665	(335)	2		
Total	82	\$ 62,435	\$ (5,857)	32	\$	

For debt securities, the Company does not believe that any individual unrealized loss as of December 31, 2022 December 31, 2023 or 2021, 2022 represents an oth impaired at December 31, 2022 December 31, 2023 and 2021, 2022 relate principally to changes in market interest rates subsequent to the acquisition of the sp required to sell, any of the securities in an unrealized loss position before recovery of its amortized cost or maturity of the security.

Securities available-for-sale with a fair value of \$157.3 million and \$175.6 million at December 31, 2023 and \$121.0 million at December 31, 2022 and 2021, 2022 required or permitted by law.

Net Unrealized Loss Recognized on Securities Held			
Net Unrealized Loss Recognized on Securities Held			
Net Unrealized Loss Recognized on Securities Held			
Net	Net		
Realized	Realized		
Gain	Gain		
Recognized	Recognized		
on	on		
Securities	Securities		
Sold	Sold	—	6
Net (Loss) Gain on Equity			
Securities		\$(168)	\$301
Net (Loss) Gain on Securities \$(168) \$526			
Net Loss on Equity Securities			
Net Loss on Securities			

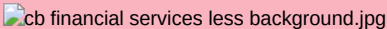
In 2023, there were \$10.1 million gross realized losses on the sale of debt securities as a result of the Company implementing a balance sheet repositioning strate lower-yielding U.S government agency, mortgage-backed and municipal securities with an average yield of 1.89% and purchased \$69.3 million of higher-yielding 2022, there were no gross realized gains or losses on the sale of debt securities. In 2021, the realized gain on the sale of debt securities was recognized

NOTE 4—LOANS AND RELATED ALLOWANCE FOR CREDIT LOSSES

The Company's loan portfolio is segmented to mitigate investment-credit enable management to monitor risk and performance. Real estate loans are further seg include home equity loans, while commercial mortgages consist of loans to reinvest in higher yielding, longer-term investments commercial borrowers secured by c acquire and develop residential real estate. The commercial and industrial segment consists of loans to finance the activities of commercial customers. The consum or overdraft lines of credit.

Residential mortgage loans are typically longer-term loans and, therefore, generally present greater interest rate risk than the consumer and commercial loans. collateral values are not sufficient.

Commercial real estate loans generally present a higher level of credit risk than loans secured by residences. This greater risk is due to mitigate call risk several fa loans and borrowers, the effect of general economic conditions on income-producing properties, and the increased difficulty in evaluating and monitoring these type successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed, a bankruptc ability to repay the loan may be impaired.



NOTES TO CONSOLIDATED FINANCIAL STATEMEN

NOTE 4—LOANS AND RELATED ALLOWANCE FOR LOAN LOSSES Construction loans are originated to individuals to finance the construction of residential dwe buildings, housing developments, and owner-occupied properties used for businesses. Construction loans generally provide for the payment of interest only durin loan generally converts to a permanent residential or commercial mortgage loan. Construction loan risks include overfunding in comparison to the plans, untimely c Commercial and industrial loans are generally secured by inventories, accounts receivable, and other business assets, which present collateral risk. Consumer loans generally have higher interest rates and shorter terms than residential mortgage loans; however, they have additional credit risk due to the type of The following table summarizes the major classifications of loans as of the dates indicated:

December 31,*(Dollars in Thousands)*

Real Estate:

Residential

Commercial

Construction

Commercial and Industrial

Consumer

Other

Total Loans

Allowance for Loan Losses

Loans, Net

The SBA reopened the PPP in January 2021 and began accepting applications for both First Draw and Second Draw PPP Loans. Second Draw PPP Loans were . has the same general terms as the First Draw PPP Loan. A borrower was generally eligible for a Second Draw PPP Loan if the borrower previously received a First Draw PPP Loan, and demonstrated at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. For most borrowers, the maximum loan amount is \$2.0 million. Loan payments are deferred for borrowers who apply for loan forgiveness until the SBA remits the borrower's loan forgiveness amount to the lender. If the borrower's loan forgiveness is not received within the covered period for the borrower's loan forgiveness (either 8 weeks or 24 weeks). For PPP loans made in 2021, the processing fee from the SBA was the lesser of 1% for loans greater than \$350,000 and less than \$2.0 million and 1% for loans of at least \$2.0 million.

The following table presents PPP loan activity segregated by loans originated in 2020 and 2021.

*(Dollars in Thousands)***December 31, 2020**

PPP Loans Originated

PPP Loan Forgiveness

Principal Payments or Net Deferred Origination Fees Recognized on Unforgiven PPP Loans

December 31, 2021

PPP Loans Originated

PPP Loan Forgiveness

Principal Payments or Net Deferred Origination Fees Recognized on Unforgiven PPP Loans

December 31, 2022

Net deferred origination fees recognized on PPP loans totaled \$673,000 and \$1.7 million during the years ended December 31, 2022 and 2021. All PPP loans are in the standard category of the loan portfolio due to the Bank complying with the lender obligations that ensure SBA guarantee.

December 31,*(Dollars in Thousands)*

Real Estate:

Residential

Commercial

Construction

Commercial and Industrial

Consumer

Other

Total Loans

Allowance for Credit Losses

Loans, Net

Total unamortized net deferred loan fees were \$1.2 million \$1.0 million and \$1.9 million \$1.2 million at December 31, 2022 December 31, 2023 and 2021, December 31, 2020

The Company uses an eight-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first four categories are not considered substandard and management generally follow bank regulatory definitions. The special mention category includes assets that are currently protected but are below average quality classification. Loans in the substandard category have well-defined weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some weaknesses inherent in loans classified as substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, that continuance as an asset is not warranted.

The following table presents the Company's loans by year of origination, loan origination fees were unearned segmentation and risk indicator summarized by the internal risk rating system as of December 31, 2022 and 2021. December 31, 2023. There were no loans in the criticized category of Loss.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

		Classified Loans by Origination Year			
(Dollars in Thousands)		2023	2022	2021	2020
Real Estate:					
Residential					
Pass	\$	33,579	\$ 49,903	\$ 44,749	\$ 58,344
Special Mention		—	1,034	507	—
Substandard		—	—	—	—
Doubtful		—	—	—	—
Loss		—	—	—	—
Total		33,579	50,937	45,256	58,344
Commercial					
Pass		56,466	72,006	85,285	49,356
Special Mention		1,206	5,485	9,030	2,445
Substandard		—	—	—	—
Doubtful		—	—	—	—
Loss		—	—	—	—
Total		57,672	77,491	94,315	51,801
Construction					
Pass		13,322	12,469	2,932	540
Special Mention		4,489	2,153	663	6,548
Substandard		—	—	—	—
Doubtful		—	—	—	—
Loss		—	—	—	—
Total		17,811	14,622	3,595	7,088
Commercial and Industrial					
Pass		31,609	16,334	8,652	5,556
Special Mention		—	—	—	12
Substandard		—	—	—	—
Doubtful		—	—	—	—
Loss		—	—	—	—
Total		31,609	16,334	8,652	5,568
Consumer					
Pass		12,726	49,027	25,528	10,365
Special Mention		—	—	—	—
Substandard		—	—	—	24
Doubtful		—	—	—	—
Loss		—	—	—	—

Total	12,726	49,027	25,528	10,389
Other				
Pass	4,047	17,248	41	646
Special Mention	—	1,585	—	—
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	—	—	—	—
Total	4,047	18,833	41	646
Total Loans	\$ 157,444	\$ 227,244	\$ 177,387	\$ 133,836
Gross Charge Offs	\$ —	\$ 163	\$ 44	\$ 18

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents loans the Company's loan segmentation and risk indicator summarized by the aggregate pass Pass and the criticized categories of special mention, substandard, doubtful and loss. At December 31, 2022 and 2021, there were no loans in the criticized category adoption of loss. ASU 2016-13:

December 31,	Pass	Special Mention
(Dollars in Thousands)		
Real Estate:		
Residential	\$ 327,531	\$ 2
Commercial	395,168	2
Construction	42,693	1
Commercial and Industrial	58,562	1
Consumer	146,807	
Other	20,394	
Total Loans	\$ 991,155	\$ 4

December 31,	Pass	Special Mention
(Dollars in Thousands)		
Real Estate:		
Residential	\$ 317,964	\$ 2
Commercial	355,895	2
Construction	69,441	1
Commercial and Industrial	72,584	1
Consumer	122,136	
Other	11,616	
Total Loans	\$ 949,636	\$ 5


The decrease of \$11.8 million in the special mention category as of December 31, 2022 compared to December 31, 2021 was mainly from commercial real estate loan charge-off.

The following tables present the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of the dates indicated.

	Loans	30-59	60-89	90
December 31,	Current	Days Past Due	Days Past Due	Cumulative
(Dollars in Thousands)				
Real Estate:				
Residential	\$ 342,852	\$ 3,339	\$ 141	\$
Commercial	466,794	—	—	
Construction	43,116	—	—	
Commercial and Industrial	110,905	57	—	
Consumer	110,459	1,010	86	
Other	29,397	—	—	
Total Loans	\$ 1,103,523	\$ 4,406	\$ 227	\$

	Loans	30-59	60-89	90
December 31,	Current	Days Past Due	Days Past Due	Cumulative
(Dollars in Thousands)				
Real Estate:				
Residential	\$ 325,591	\$ 3,451	\$ 34	\$
Commercial	434,933	58	—	
Construction	44,923	—	—	
Commercial and Industrial	69,621	8	—	
Consumer	145,887	854	66	
Other	20,449	—	—	
Total Loans	\$ 1,041,404	\$ 4,371	\$ 100	\$

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS


	Loans	30-59	60-89	90
December 31,	Current	Days Past Due	Days Past Due	Cumulative
(Dollars in Thousands)				
Real Estate:				
Residential	\$ 317,583	\$ 1,805	\$ 17	\$
Commercial	389,522	544	—	
Construction	85,028	—	—	
Commercial and Industrial	87,407	107	—	
Consumer	121,636	419	81	
Other	11,684	—	—	

[illegible]

Residential	\$	1,042	\$
Commercial		13,217	
Construction		318	
Commercial and Industrial		512	
Total Impaired Loans	\$	15,089	\$

nonaccrual loans section.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31,	Recorded Investment	Related Allowance
(Dollars in Thousands)		
<u>With No Related Allowance Recorded:</u>		
Real Estate:		
Residential	\$	1,133
Commercial		9,733
Construction		540
Commercial and Industrial		1,979
Total With No Related Allowance Recorded	\$	13,385
<u>With A Related Allowance Recorded:</u>		
Real Estate:		
Commercial	\$	266
Construction		2,013
Commercial and Industrial		—
Total With A Related Allowance Recorded	\$	2,279
<u>Total Impaired Loans:</u>		
Real Estate:		
Residential	\$	1,133
Commercial		9,999
Construction		2,553
Commercial and Industrial		1,979
Total Impaired Loans	\$	15,664

The recorded investment of loans evaluated for impairment decreased \$575,000 at December 31, 2022 compared to December 31, 2021 and was largely related to separately evaluating for impairment certain commercial real estate loans secured by hotels that have manageable loan-to-value ratios and exhibited an ability to cash flow. At December 31, 2021, there was one loan in forbearance for a \$1.9 million commercial real estate loan secured by a hotel, which was considered a troubled debt restructuring. At December 31, 2022, there was no loan in forbearance. The loan in forbearance at December 31, 2021, was substandard rated at December 31, 2022 and December 31, 2021, respectively.

(Dollars in Thousands)

Nonaccrual Loans:

Real Estate:

Residential

Commercial

Commercial and Industrial

Consumer

Total Nonaccrual Loans

Accruing Loans Past Due 90 Days or More:

Total Accruing Loans Past Due 90 Days or More

Total Nonaccrual Loans and Accruing Loans Past Due 90 Days or More

Troubled Debt Restructurings, Accruing:

Real Estate

Residential

Commercial

Commercial and Industrial

Total Troubled Debt Restructurings, Accruing

Total Nonperforming Loans

Total Nonperforming Assets

The recorded investment of residential real estate loans for which formal foreclosure proceedings were in process according to applicable requirements of the local laws as of December 31, 2023 and 2021, 2022, respectively.

The concessions granted for the TDRs activity in the portfolio primarily consist of, but are not limited to, modification of payment or other terms and extension of maturity as of December 31, 2022 and 2021, respectively.

During is summarized below by primary segments for the year ended December 31, 2022 December 31, 2023.

	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial
(Dollars in Thousands)				
December 31, 2022	\$ 2,074	\$ 5,810	\$ 502	\$
Impact of ASC 326 - Loans	137	(3,244)	488	
Charge-offs	(219)	—	—	
Recoveries	43	32	—	
Provision (Recovery) for Credit Losses - Loans	1,094	32	(351)	
December 31, 2023	\$ 3,129	\$ 2,630	\$ 639	\$

The Company's allowance for credit losses on unfunded commitments is recognized as a liability (accrued interest payable and other liabilities on the Consolidated Statement of Financial Position) with adjustments to the reserve recognized in provision for credit losses - unfunded commitments on the Consolidated Statement of Financial Position of \$270,000 previous to the adoption of CECL for the year ended December 31, 2021, one residential real estate loans totaling \$3,000 and a \$8,000 commercial and industrial loan previously included in the allowance for credit losses.

No TDRs subsequently defaulted during the years ended December 31, 2022 and 2021, respectively.

(Dollars in Thousands)

Balance at December 31, 2022

Impact of CECL Adoption

Recovery for Credit Losses - Unfunded Commitments

Balance at December 31, 2023

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

No Loans that do not share risk characteristics are evaluated on an individual basis. For loans were modified into a TDR during that are individually evaluated and presents information at the time of modification related to loans modified as TDRs during the period indicated.

	Number of Contracts
Year Ended December 31, 2021	
<i>(Dollars in Thousands)</i>	
Real Estate	
Commercial	
Total	

Loans acquired in connection with the previous mergers were recorded at their estimated fair value at the acquisition date and did not include a carryover. Where the determination borrower is experiencing financial difficulty and the Company expects repayment of the financial asset to be provided substantially through the fair value of acquired loans incorporated credit risk assumptions. The loans acquired with evidence of deterioration in credit quality since origination for which it is not possible to estimate the fair value at the acquisition date are recorded at the fair value of the collateral and the amortized cost basis of the Company asset as of the measurement date. During the year ended December 31, 2021, the Company's allowance for loan loss credit losses was \$1.4 million.

The following tables present the activity in the allowance for loan loss credit losses summarized by primary segments and segregated into the amount required for loan loss potential impairment as at the dates and for the periods indicated, prior to the adoption of December 31, 2022 and 2021 is summarized below: ASU 2016-13.

	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial
<i>(Dollars in Thousands)</i>				
December 31, 2021	\$ 1,420	\$ 5,960	\$ 1,249	\$
Charge-offs	(32)	—	—	—
Recoveries	145	—	—	—
Provision (Recovery) for Loan Losses	541	(150)	(747)	—
December 31, 2022	\$ 2,074	\$ 5,810	\$ 502	\$
Individually Evaluated for Impairment	\$ —	\$ 21	\$ —	\$
Collectively Evaluated for Potential Impairment	\$ 2,074	\$ 5,789	\$ 502	\$

	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial
<i>(Dollars in Thousands)</i>				
December 31, 2020	\$ 2,249	\$ 6,010	\$ 889	\$
Charge-offs	(13)	(40)	—	—
Recoveries	17	—	—	—
(Recovery) Provision for Loan Losses	(833)	(10)	360	—
December 31, 2021	\$ 1,420	\$ 5,960	\$ 1,249	\$
Individually Evaluated for Impairment	\$ —	\$ 195	\$ 104	\$
Collectively Evaluated for Potential Impairment	\$ 1,420	\$ 5,765	\$ 1,145	\$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Real Estate Residential	Real Estate Commercial	Real Estate Construction	Commercial and Industrial
<i>(Dollars in Thousands)</i>				
December 31, 2021	\$ 1,420	\$ 5,960	\$ 1,249	\$
Charge-offs	(32)	—	—	
Recoveries	145	—	—	
(Recovery) Provision for Loan Losses	541	(150)	(747)	
December 31, 2022	\$ 2,074	\$ 5,810	\$ 502	\$
Individually Evaluated for Impairment	\$ —	\$ 21	\$ —	\$
Collectively Evaluated for Potential Impairment	\$ 2,074	\$ 5,789	\$ 502	\$

The following tables present [table presents](#) the major classifications of loans summarized by individually evaluated for impairment and collectively evaluated for potential impairment as of [December 31, 2016-13](#).

	Real Estate Residential	Real Estate Commercial	Real Estate Construction
December 31,			
<i>(Dollars in Thousands)</i>			
Individually Evaluated for Impairment	\$ 1,042	\$ 13,217	\$ 3,217
Collectively Evaluated for Potential Impairment	329,683	423,588	44,600
Total Loans	\$ 330,725	\$ 436,805	\$ 44,917

	Real Estate Residential	Real Estate Commercial	Real Estate Construction
December 31,			
<i>(Dollars in Thousands)</i>			
Individually Evaluated for Impairment	\$ 1,133	\$ 9,999	\$ 2,500
Collectively Evaluated for Potential Impairment	319,665	382,125	82,400
Total Loans	\$ 320,798	\$ 392,124	\$ 85,000

Pre Adoption of ASC 326 – Impaired Loans

For periods prior to the adoption of CECL, loans were considered impaired when, based on current information and events, it was probable the Company would be unable to collect all amounts due according to the loan agreement, including scheduled principal and interest payments. The following table presents a summary of the loans considered to be impaired as of the date indicated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents changes in the accretable discount on the loans acquired at fair value for the dates indicated.


(Dollars in Thousands)	
Balance at December 31, 2020	
Accretable Yield	
Balance at December 31, 2021	
Accretable Yield	
Balance at December 31, 2022	
Accretable Yield	
Balance at December 31, 2023	

Certain directors and executive officers of the Company, including family members or companies in which they are principal owners, are loan customers of the Com

2023		2023	
(Dollars in Thousands)			
2022	2021		
(Dollars in Thousands)			
Balance, January 1			
Balance, January 1			
Balance, January 1	Balance, January 1	\$15,639	\$10,893
Additions	Additions	4,650	6,644
Payments	Payments	(2,871)	(1,898)

Balance,	Balance,		
December	December		
31	31	\$17,418	\$15,639

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 cb financial services less background.jpg

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5—PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

		2022	2021
	2023		2023
(Dollars in Thousands)	(Dollars in Thousands)		
Land		\$ 2,344	\$ 2,380
Land and Land Improvements			
Land and Land Improvements			
Land and Land Improvements			
Building	Building	19,374	19,475
Leasehold	Leasehold		
Improvements	Improvements	749	730
Furniture, Fixtures, and Equipment	Furniture, Fixtures, and Equipment	10,201	10,283
Fixed Assets in Process	Fixed Assets in Process	1,645	1,417
Total	Total		
Premises and Equipment	Premises and Equipment	34,313	34,285
Less:	Less:		
Accumulated Depreciation and Amortization	Accumulated Depreciation and Amortization	(16,469)	(15,886)
Premises and Equipment, Net	Premises and Equipment, Net	\$17,844	\$18,399

Depreciation and amortization expense on premises and equipment was \$1.0 million \$1.4 million and \$950,000 \$1.0 million for the years ended December 31, 2022

Branch Optimization and Operational Efficiency Initiatives and Impairment of Long-Lived Assets

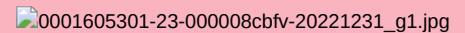
In 2021, the Company announced the implementation of branch optimization and operational efficiency strategic initiatives to improve the Bank's growth through the optimization of its branch network while expanding technology and infrastructure investments in its remaining locations performance by comparing financial and non-financial indicators to growth opportunities, while evolving changes in consumer preferences, large Bank also completed a comprehensive review of its branch network and operating environment to identify solutions to improve operating performance improvements, automation in operations, and digital marketing and technology investments and the Bank is in process of implementing operational environment.

The Bank has substantially completed these initiatives through the consolidation of six branches that was completed on June 30, 2021. In addition, CB Financial, Inc. entered into an Assumption Agreement (the "Agreement") pursuant to which Citizens Bank agreed to purchase certain loans and other assets, and assume certain deposits and other liabilities of Martinsville, West Virginia. The divestiture of two branches in December 2021 resulted in the sale of \$102.8 million of deposits, \$6.1 million of loans and \$795,000 premium paid by Citizens Bank on the assumed deposits. The branch optimization initiative reduced the Bank's branch network to 14 branches as of December 31, 2021. As a result of the events and changes in circumstances associated with the branch optimization initiatives whereby six branches were consolidated and two other branches were sold, the Company determined whether their carrying values may not be recoverable. Utilizing guidance in ASC 360, the Company performed the three step process to identify, recognize and measure impairment.

- For the six locations that were consolidated:
 - Three locations were written down to the fair value of the land based on the appraised value due to plans to raze the buildings.
 - Two locations were marketed for sale and were written down to fair value based on the appraised value. One of these locations was subsequently donated to a local charity.
 - One location was leased. Refer to Note 14 for further discussion of the impairment of the right of use asset associated with the operating lease.
- For the two branches that were divested, the fair value of the premises and equipment was determined using the contractual terms of the Agreement, which was less than the Company's net book value, net of a \$338,000 contractual discount.

For the year ended December 31, 2021, the Company recognized \$2.3 million in charges on the premises and equipment as a Writedown on Premises and Equipment.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The branch optimization and operational efficiency initiatives resulted in \$7.5 million of restructuring-related and other expenses for the year ended December 31, 2021, and \$1.2 million impairment of intangible assets associated with the branch sales (refer to Note 6 for further information), as well as \$4.1 million of expenses related to the branch optimization initiative (refer to Note 6 for further information), professional fees, data processing fees, charitable donations, legal and other expenses for the year ended December 31, 2021.

NOTE 6—GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company's Consolidated Balance Sheets include goodwill of \$9.7 million as of December 31, 2022, December 31, 2023 and 2021, 2022, respectively, all of which are not subject to amortization.

Intangible Assets

The following table presents a summary of intangible assets subject to amortization at the dates indicated.

		2022				2021							
		2023				2023				2023			
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On June 10, 2021 December 1, 2023, an Agreement was executed with Citizens Bank pursuant to which Citizens Bank agreed to assume certain deposits of the b Virginia. In 2018, the Company recorded a core deposit intangible asset related to the acquisition of these two branches as part of the merger with First West Vir resulting in the removal of the deposits associated with the remaining core deposit customer list intangible, the Company performed an evaluation to determine determined the carrying amount accumulated amortization, of the core deposit intangible was impaired \$1.2 million. The Company recorded the impairment in Intang Amortization of intangible assets totaled \$1.8 million and \$1.9 million for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively, which would result in additional amortizable intangible assets. Estimated amortization expense of intangible assets in subsequent fiscal years is as follows.

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The following table shows the maturities of time deposits for the next five years and beyond.

(Dollars in Thousands)

Total

Maximum Amount Outstanding at any Month End											
Securities Sold Under Agreements to Repurchase:	Securities Sold Under Agreements to Repurchase:										
Securities Sold Under Agreements to Repurchase:											
Balance at Period End	Balance at Period End										
Balance at Period End	Balance at Period End	\$ 8,060	0.19	%	\$39,266	0.17	%	\$	—		
Average Balance Outstanding During the Period	Average Balance Outstanding During the Period										
Average Balance Outstanding During the Period	Average Balance Outstanding During the Period	27,381	0.23		43,988	0.22	Average Balance Outstanding During the Period				
Maximum Amount Outstanding at any Month End	Maximum Amount Outstanding at any Month End										
Maximum Amount Outstanding at any Month End	Maximum Amount Outstanding at any Month End	39,219			52,777						
Securities Collateralizing the Agreements at Period-End:	Securities Collateralizing the Agreements at Period-End:										
Securities Collateralizing the Agreements at Period-End:											
Carrying Value	Carrying Value										
Carrying Value	Carrying Value	\$10,947			\$59,867						
Market Value	Market Value	9,396			59,339						
Market Value											
Market Value											

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bank had available a variable rate line of credit in the amount of \$150.0 million as of December 31, 2022, December 31, 2023 and 2021, 2022, of which, there was no term advances from the FHLB with remaining maturities are as follows at the dates indicated:

2022			2021			2023		
December 31,	December 31,	Amount	Weighted Average Rate	December 31,	Amount	Weighted Average Rate	December 31,	Amount
(Dollars in Thousands)	(Dollars in Thousands)							
Due in One Year								
Due in One Year								
Due in One Year	Due in One Year	\$ —	— %	Due in One Year	\$ 3,000	2.41 %	Due in One Year	\$ —
Due After One Year to Two Years	Due After One Year to Two Years	—	—	Due After One Year to Two Years	—	—	Due After One Year to Two Years	—
Due After Two Years to Three Years	Due After Two Years to Three Years	—	—	Due After Two Years to Three Years	—	—	Due After Two Years to Three Years	—
Total	Total	\$ —	—	Total	\$ 3,000	2.41	Total	—
Total								
Total								

As an alternative to pledging securities, the FHLB periodically provides standby letters of credit on behalf of the Bank to secure certain public deposits in excess of the payment amount is converted into a collateralized advance to the Bank. Standby letters of credit issued on our behalf by the FHLB to secure public deposits were \$119.0 million and 2021, 2022.

The Bank maintains a Borrower-In-Custody of Collateral line of credit agreement with the Federal Reserve Bank ("FRB") for \$119.0 million \$103.8 million and 2021, 2022. The Bank also maintains multiple line of credit arrangements with various

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

unaffiliated banks totaling \$50.0 million as of December 31, 2022, December 31, 2023 and 2021, 2022, respectively, of which no draws are outstanding other than the

Subordinated Debt

In December 2021, the Company entered into a term loan in the principal amount of \$15.0 million, evidenced by a term note which matures on December 15, 2031 repaid in whole or in part, without penalty, on any interest payment date on or after December 15, 2026 and at any time upon the occurrence of certain events. The note and thereafter at a floating rate equal to the then-current three-month term SOFR plus 280 basis points. The 2031 Note qualifies as Tier 2 capital under regulatory requirements. Borrowed Funds, net of remaining debt issuance costs. At December 31, 2022, December 31, 2023 and 2021, 2022, the principal balance and unamortized debt is \$142.9 million respectively.

NOTE 10—INCOME TAXES

Reconciliation of income tax provision for the periods indicated are as follows:

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
----------------------------------	----------------------------------	------	------	-------------------------

(Dollars in
Thousands)

Current Payable	\$3,368	\$3,373
Deferred Benefit	(535)	(248)

Current Expense


Current Expense

Current Expense

Deferred
Expense
(Benefit)

Total	Total
Provision	Provision \$2,833 \$3,125

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of deductible and taxable temporary differences that gave rise to significant portions of the net deferred tax assets and liabilities are as follows:

December 31,	December 31,	2022	2021	December 31,
--------------	--------------	------	------	--------------

(Dollars in Thousands) (Dollars in Thousands)

Deferred Tax	Deferred Tax
Assets:	Assets:
Allowance for Loan Losses	\$2,762 \$2,507
Non-Accrual Loan Interest	54 65

Deferred Tax Assets:

Deferred Tax Assets:

Allowance for Credit Losses

Allowance for Credit Losses

Allowance for Credit Losses

Nonaccrual

Loan Interest

Amortization	Amortization		
of Intangibles	of Intangibles	105	95

Unrealized Loss of AFS -			
Merger Tax Adjustment	731	789	

Purchase Accounting

Adjustments

Purchase Accounting

Adjustments

Purchase Accounting

Adjustments

Postretirement

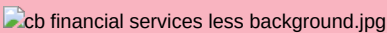
Benefits	Benefits	20	23
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Net Unrealized Loss on Securities		7,206	254
Net Unrealized Loss on Debt Securities			
Net Unrealized Loss on Equity Securities			
Stock-Based Compensation Expense	Stock-Based Compensation Expense	70	66
Gas Lease - Deferred Revenue	Gas Lease - Deferred Revenue	37	65
Accrued Payroll	Accrued Payroll	—	33
OREO			
Purchase Accounting Adjustments - Acquired Loans		105	156
Lease Liability			
Lease Liability	Lease Liability	450	189
Right of Use Asset Impairment	Right of Use Asset Impairment	60	43
Purchase Accounting Adjustments - Fixed Assets		62	—
Restructuring Costs			
Restructuring Costs	Restructuring Costs	139	238
Other	Other	—	10
Gross Deferred Tax Assets	Gross Deferred Tax Assets	11,801	4,533
Gross Deferred Tax Assets			
Deferred Tax Liabilities:	Deferred Tax Liabilities:		
Deferred Tax Liabilities:			
Amortization of Intangibles			
Amortization of Intangibles			
Amortization of Intangibles			
Deferred Origination Fees and Costs	Deferred Origination Fees and Costs	277	280
Discount Accretion	Discount Accretion	34	24
Depreciation	Depreciation	1,402	1,425
Depreciation			

Depreciation			
Net Unrealized Gain on Equity Securities			
Net Unrealized Gain on Equity Securities			
Net Unrealized Gain on Equity Securities	Net Unrealized Gain on Equity Securities	1	37
Mortgage Servicing Rights	Mortgage Servicing Rights	136	157
Accrued Payroll	Accrued Payroll	3	—
ROU Asset	ROU Asset	464	194
Purchase Accounting Adjustments - Core Deposit Intangible			
		549	948
Purchase Accounting Adjustments - Fixed Assets			
		—	25
Purchase Accounting Adjustments - Certificates of Deposit			
		—	—
Goodwill			
Goodwill			
Goodwill	Goodwill	74	74
Other	Other	5	—
Gross Deferred Tax Liabilities	Gross Deferred Tax Liabilities	2,945	3,164
Net Deferred Tax Assets	Net Deferred Tax Assets	\$8,856	\$1,369

Deferred taxes at December 31, 2022 December 31, 2023 and 2021, 2022, are included in Accrued Interest Receivable and Other Assets in the accompanying Consolidated Balance Sheet.

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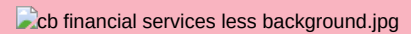


NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of the federal income tax expense at statutory income tax rates and the actual income tax expense on income before taxes for the periods indicated follows:

2022		2021			
2023					
Year Ended December 31,	Year Ended December 31,	Percent of Pre-tax Income	Percent of Pre-tax Income	Year Ended December 31,	Percent of Pre-tax Income
Amount	Amount	Amount	Amount	Amount	Amount
(Dollars in Thousands)	(Dollars in Thousands)				

Weighted Average Grant Date Common Stock Price	Weighted Average Grant Date Common Stock Price	\$ 25.29	Weighted Average Grant Date Common Stock Price	\$ 22.11	\$	
Restricted Shares Market Value Before Tax	Restricted Shares Market Value Before Tax	\$702,000	Restricted Shares Market Value Before Tax	\$889,000	\$	
Number of Stock Options Granted	Number of Stock Options Granted	104,465				
Number of Stock Options Granted						
Number of Stock Options Granted					78,975	
Stock Options Market Value Before Tax	Stock Options Market Value Before Tax	\$510,000	Stock Options Market Value Before Tax	\$358,000	\$	
Summary of Significant Assumptions for Newly Issued Stock Options	Summary of Significant Assumptions for Newly Issued Stock Options					
Summary of Significant Assumptions for Newly Issued Stock Options	Summary of Significant Assumptions for Newly Issued Stock Options					
Expected Life in Years	Expected Life in Years					
Expected Life in Years	Expected Life in Years	6.5	6.5		6.5	
Expected Dividend Yield	Expected Dividend Yield	3.79%	Expected Dividend Yield	4.56%		
Risk-free Interest Rate	Risk-free Interest Rate	1.97%	Risk-free Interest Rate	3.74%		
Expected Volatility	Expected Volatility	28.82%	Expected Volatility	29.56%		
Weighted Average Grant Date Fair Value	Weighted Average Grant Date Fair Value	\$ 4.88	Weighted Average Grant Date Fair Value	\$ 4.54	\$	
The Company recognizes expense over a five-year vesting period for the restricted stock awards and stock options. Stock-based compensation expense related to the restricted stock awards and stock options for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, total unrecognized compensation expense was						



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 \$505,000 and 2021, respectively. As of December 31, 2022 and 2021, total unrecognized compensation expense was \$429,715 and \$65,000 stock awards. awards for both periods. At December 31, 2022 December 31, 2023, the unrecognized compensation expense related to stock options and restricted years. In conjunction with non-qualified stock options, the Company recognized a did not recognize any tax benefit due to an exercise exercises of non-qualified stock the year ended December 31, 2022, compared to the accrued tax benefit of \$5,000 for the year ended December 31, 2021. In the current prior year, there was a \$2,000.

Intrinsic value represents the amount by which the fair value of the underlying stock at December 31, 2022 December 31, 2023 and 2021, 2022, exceeds the exercise and \$296,000 \$25,000 at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

At December 31, 2022 December 31, 2023, there were 333,335 161,464 shares of common stock available and reserved under the 2021 Plan to be issued of which may be issued as restricted stock awards or units based on the terms of the Plan whereby the Share Limit is reduced, on a one-for-one basis, for each share of common stock issued pursuant to restricted stock awards or units. At December 31, 2022 December 31, 2023, 27,765 40,225 restricted shares and 104,465 78,97 the 2021 Plan, 500,000 333,335 or 200,000 133,334 shares, were available to be issued in connection with the exercise of stock options and restricted stock award effect as long as any awards are outstanding, but as a result of the approval of the 2021 Plan, no more awards can be granted under the 2015 Plan.

The following table presents stock option data for the period indicated:

2022						2021					
			Weighted Average						Weighted Average		
			Weighted	Remaining		Weighted	Remaining		Weighted	Remaining	
			Number	Average	Contractual	Number	Average	Contractual	Number	Average	Contractual
			of	Exercise	Life in	of	Exercise	Life in	of	Exercise	Life in
			Shares	Price	Years	Shares	Price	Years	Shares	Price	Years
2023											
Number of Shares						Number of Shares					
Outstanding Options at Beginning of Year						Outstanding Options at Beginning of Year					
2023	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019	2018
207,641	\$ 24.01	4.8	218,683	\$ 23.91	5.8	283,748	\$ 24.52	5.6	337,444	\$ 24.11	4.8
Granted	Granted	104,465	25.31	—	—	Granted	Granted	104,465	25.31	—	—
Exercised	Exercised	(15,500)	21.54	(8,600)	21.29	Exercised	Exercised	(15,500)	21.54	(8,600)	21.29
Exercised	Exercised	(12,858)	26.43	(2,442)	24.18	Exercised	Exercised	(12,858)	26.43	(2,442)	24.18
Forfeited	Forfeited	(12,858)	26.43	(2,442)	24.18	Forfeited	Forfeited	(12,858)	26.43	(2,442)	24.18
Forfeited	Forfeited	(12,858)	26.43	(2,442)	24.18	Forfeited	Forfeited	(12,858)	26.43	(2,442)	24.18
Outstanding Options at End of Year	Outstanding Options at End of Year	283,748	24.52	5.6	207,641	24.01	4.8	337,444	24.11	4.8	337,444
Outstanding Options at End of Year	Outstanding Options at End of Year	283,748	24.52	5.6	207,641	24.01	4.8	337,444	24.11	4.8	337,444
Outstanding Options at End of Year	Outstanding Options at End of Year	283,748	24.52	5.6	207,641	24.01	4.8	337,444	24.11	4.8	337,444
Outstanding Options at End of Year	Outstanding Options at End of Year	283,748	24.52	5.6	207,641	24.01	4.8	337,444	24.11	4.8	337,444

Exercisable Options at End of Year			
Exercisable Options at End of Year	203,202	\$	24.46

Number of Shares					Number of Shares		Weighted Average	
Nonvested Options December 31, 2021	Nonvested Options December 31, 2021							
20,626	20,626	\$ 22.64	7.8	Nonvested Options December 31, 2021	20,626	\$ 22.64		
Granted	Granted	104,465	25.31					
Vested	Vested	(9,354)	24.42					
Vested								
Vested								
Forfeited	Forfeited	(6,672)	26.01					

Forfeited			
Forfeited			
Nonvested Options			
December 31, 2022			
Nonvested Options			
December 31, 2022			
Nonvested Options			
December 31, 2022		109,065	\$ 24.67
Granted			
Vested			
Vested			
Vested			
Forfeited			
Forfeited			
Forfeited			

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents restricted stock award data for the period indicated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Number of Shares	Weighted Average Grant Date Fair Value Price	Weighted Average Remaining Service Period in Years
Nonvested at December 31, 2020	76,190	\$ 24.08	6.3
Granted	—	—	0.0
Vested	(19,600)	24.67	5.2
Forfeited	(450)	20.38	

Number of Shares					Number of Shares		Weighted
Nonvested Restricted Stock at December 31, 2021	Nonvested Restricted Stock at December 31, 2021	56,140	\$ 23.90	5.3	Nonvested Restricted Stock at December 31, 2021	56,140	\$ 23.90
Granted	Granted	27,765	25.29	4.3	Granted	27,765	25.29
Vested	Vested	(16,065)	24.60	4.2	Vested	(16,065)	24.60
Forfeited	Forfeited	(3,715)	24.01				
Nonvested Restricted Stock at December 31, 2022	Nonvested Restricted Stock at December 31, 2022	64,125	\$ 24.32	4.3			
Nonvested Restricted Stock at December 31, 2022	Nonvested Restricted Stock at December 31, 2022						
Granted	Granted				64,125		\$24.32
Vested	Vested				40,225		22.11
					(32,773)		24.07

Forfeited		
Nonvested Restricted Stock at December 31, 2023		
Nonvested Restricted Stock at December 31, 2023		
Nonvested Restricted Stock at December 31, 2023	68,777	\$23.16

NOTE 12—COMMITMENTS AND CONTINGENT LIABILITIES

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business primarily to meet the financing needs of its customers and to provide letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet. The Company's involvement in these instruments involves the Company's involvement in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is primarily related to the credit quality of the counterparties. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments and conditional obligations are evaluated the same as on-balance-sheet instruments but do not have a corresponding reserve recorded. The Company's commitments are supported by historical factors of no losses recorded due to these items. The Company is continually evaluating these items for credit quality and any future need for collateral.

The unused and available credit balances of financial instruments whose contracts represent credit risk are as follows:

December 31, 2022	December 31, 2021	December 31, 2020
(Dollars in thousands)	(Dollars in thousands)	(Dollars in thousands)
Standby Letters of Credit		
Standby Letters of Credit		
Standby Letters of Credit	\$ 110	\$ 110
Performance Letters of Credit	1,064	2,873
Construction Mortgages	45,722	55,597
Personal Lines of Credit	6,824	7,055
Overdraft Protection Lines	5,241	5,709
Home Equity Lines of Credit	22,784	21,187
Commercial Lines of Credit	74,921	83,316
Total	\$156,666	\$175,847

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments to extend credit are reported in the Consolidated Balance Sheet as "Commitments to extend credit." Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral is reported in the Consolidated Balance Sheet as "Collateral held in connection with commitments to extend credit."

Performance letters of credit represent conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These instruments are reported in the Consolidated Balance Sheet as "Performance letters of credit."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

period for these instruments is typically a one-year period with an annual renewal option subject to prior approval by

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

management. Fees earned from the issuance of these letters are recognized upon expiration of the letter. For secured letters of credit, the collateral is typically Company assets with standby letters of credit as of December 31, 2022, December 31, 2023 and 2021, 2022.

NOTE 13—STOCKHOLDERS' EQUITY AND REGULATORY CAPITAL

In June 2021, the Company authorized a program to repurchase up to \$7.5 million of its outstanding shares of common stock. Under the program, repurchases may be made pursuant to a trading plan adopted in accordance with limitations set forth in Rule 10b5-1 of the Securities and Exchange Commission. The Rule 10b5-1 repurchase plan allows the Company to repurchase shares of common stock in the open market due to its internal trading blackout period. Repurchases are made at management's discretion at prices management considers to be attractive and in the limited to, the availability of stock, general market conditions, the trading price of the stock, alternative uses for capital, and the Company's financial performance. Under the program, the Company repurchased a total of 308,996 shares of the Company's common stock at an average price of \$24.27 per share.

In April 2022, the Company authorized a new repurchase program of \$10.0 million of its outstanding shares of common stock. As of December 31, 2022, the program had repurchased a total of 74,656 shares of the Company's common stock at an average price of \$22.47 per share for a total of \$1.4 million. The plan is set to expire on May 1, 2023.

On January 26, 2023, January 31, 2024, the Company's Board of Directors declared a cash dividend of \$0.25 per outstanding share of common stock, which was paid on February 1, 2023.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can result in certain supervisory actions that could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company is categorized as a well-capitalized institution based on its capital amounts and classification. The capital amounts and classification are also subject to the regulatory capital rules.

Under the Regulatory Capital Rules, in order to avoid limitations on capital distributions (including dividend payments and certain discretionary bonus payments), the Company's common equity Tier 1 capital must be maintained above its minimum risk-based capital requirements in an amount greater than 2.5% of total risk-weighted assets.

As of December 31, 2022, December 31, 2023 and 2021, 2022, the Bank was considered "well capitalized" under the regulatory framework for prompt corrective action. In addition, PPP loans received a zero-percent risk weight under the regulatory capital rules regardless of whether the loans are included in the Bank's leverage ratio requirement due to the Bank not pledging the loans as collateral to the PPP lending facility.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Bank's regulatory capital amounts and ratios, as well as the minimum amounts and ratios required to be well capitalized at the date of the financial statements.

	2022	2021
2023		

December 31,	December 31,	Amount	Ratio	Amount	Ratio	December 31,	Amount
(Dollars in Thousands)	(Dollars in Thousands)						
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	Common Equity Tier 1 Capital (to Risk-Weighted Assets)						
Actual	Actual						
Actual	Actual						
Actual	Actual	\$121,188	12.33 %	\$113,086	11.95 %	\$143,654	13.64 %
For Capital Adequacy Purposes	For Capital Adequacy Purposes	44,221	4.50	42,571	4.50		
To Be Well Capitalized	To Be Well Capitalized	63,875	6.50	61,491	6.50		
Tier I Capital (to Risk-Weighted Assets)	Tier I Capital (to Risk-Weighted Assets)						
Actual	Actual						
Actual	Actual						
Actual	Actual	121,188	12.33	113,086	11.95		
For Capital Adequacy Purposes	For Capital Adequacy Purposes	58,961	6.00	56,761	6.00		
To Be Well Capitalized	To Be Well Capitalized	78,615	8.00	75,682	8.00		
Total Capital (to Risk-Weighted Assets)	Total Capital (to Risk-Weighted Assets)						
Actual	Actual						
Actual	Actual						
Actual	Actual	133,478	13.58	124,668	13.18		
For Capital Adequacy Purposes	For Capital Adequacy Purposes	78,615	8.00	75,682	8.00		

To Be Well	To Be Well				
Capitalized	Capitalized	98,269	10.00	94,602	10.00

Tier I
Leverage
Capital (to
Adjusted
Total
Assets)

Tier I Leverage Capital
(to Adjusted Total
Assets)

Tier I Leverage Capital
(to Adjusted Total
Assets)

Actual
Actual

Actual	Actual	121,188	8.66	113,086	7.76
--------	--------	---------	------	---------	------

For Capital For Capital

Adequacy Adequacy

Purposes	Purposes	55,969	4.00	58,307	4.00
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To Be Well To Be Well

Capitalized	Capitalized	69,962	5.00	72,884	5.00
-------------	-------------	--------	------	--------	------

NOTE 14—OPERATING LEASES

The Company evaluates all contracts at commencement to determine if a lease is present. In accordance with ASC Topic 842, leases are defined as either operating or financing leases. Operating leases are recognized as operating ROU assets and corresponding lease liabilities on the Consolidated Statements of Financial Condition. The leases are primarily ROU assets of land and equipment, right of use assets and the related lease liabilities in Accrued Interest Payable and Other Liabilities on the Consolidated Statements of Financial Condition. The following tables present the lease expense, ROU assets, weighted average term, discount rate and maturity analysis of lease liabilities for operating leases for the periods presented.

Year	Year				
Ended	Ended				
December	December				
31,	31,	2022	2021	Year Ended December 31,	

(Dollars in
Thousands)

Operating Operating \$350 \$330

Short-term — 34

Operating

Operating

Variable

Variable

Variable	Variable	28	31
----------	----------	----	----

Total Total

Lease Lease

Expense Expense \$378 \$395

December	December				
31,	31,	2022	2021	December 31,	

(Dollars in
Thousands)

Operating Operating

Leases: Leases:

Operating Leases:


Operating Leases:

ROU Assets

ROU Assets

ROU Assets	ROU Assets	\$1,926	\$674	
Weighted Average Lease Term in Years	Weighted Average Lease Term in Years	8.13	7.33	Weighted Average Lease Term in Years
Weighted Average Discount Rate	Weighted Average Discount Rate	2.87 %	2.51 %	Weighted Average Discount Rate

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 cb financial services less background.jpg

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31,

(Dollars in Thousands)

Maturity Analysis:

Due in One Year
Due After One Year to Two Years
Due After Two Years to Three Years
Due After Three Years to Four Years
Due After Four to Five Years
Due After Five Years

Total

Less: Present Value Discount

Lease Liabilities

Impairment of ROU Assets

ROU assets from operating leases are subject to the impairment guidance in ASC 360, *Property, Plant, and Equipment*, and are reviewed for impairment when impairment indicators are present. If indicators of impairment are present (Step 1), the Company performs a recoverability test (Step 2) comparing the sum of the estimated undiscounted cash flows used in the recoverability test to the carrying amount. If the sum of the estimated undiscounted cash flows is less than the carrying amount, the Company estimates the fair value of the ROU asset and recognizes an impairment loss. At June 30, 2021, the Company consolidated six branches as part of its branch optimization initiative. One of the branches was leased and the Company performed a recoverability test. As part of the recoverability test, the Company elected to exclude operating lease liabilities from the carrying amount of the asset group. The undiscounted future cash flows were compared to the carrying amount of the asset group. Since an election was made to exclude operating lease liabilities from the asset or asset group, all future cash lease payments for the branch were excluded from the estimated fair value, consistent with the recoverability test. When determining the fair value of the ROU asset, the Company estimated what market participants would be willing to pay for the ROU asset in its current form.

Based on the analysis, the Company concluded that the ROU asset for this branch was fully impaired as of June 30, 2021, resulting in a remaining ROU carrying amount of \$0. The impairment was recognized in Occupancy expense on the Consolidated Statements of Income.

NOTE 15—MORTGAGE SERVICING RIGHTS

The following table presents MSR activity and net carrying values for the periods indicated.

(Dollars in Thousands)

December 31, 2020

Additions

Amortization

Valuation Allowance Adjustment

December 31, 2021


Additions

Amortization

Valuation Allowance Adjustment

December 31, 2022

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands)

December 31, 2021

Additions

Amortization

Valuation Allowance Adjustment

December 31, 2022

Additions

Amortization

Valuation Allowance Adjustment

December 31, 2023

Amortization of MSRs and the period change in the valuation allowance are reported in Other Income on the Consolidated Statements of Income.

Real estate loans serviced for others, which are not included in the Consolidated Statements of Financial Condition, totaled \$76.7 million and \$83.4 million at December 31, 2022 and 2021, respectively.

NOTE 16—DERIVATIVES AND HEDGING ACTIVITIES

Derivatives Not Designated as Hedging Instruments

The Company has three risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which we are a participant. If a borrower fails to perform on its interest rate derivative contract with the financial institution, we are required to purchase the loan.

Derivatives Designated as Hedging Instruments

In October 2023, the Company entered into an interest rate swap contract that is designated as a fair value hedge to mitigate the risk of interest rate increases and decreases. The swap contract, which matures in 2026, has a notional amount of \$75.0 million and is benchmarked to SOFR. The Company expects the hedge to remain effective during the remaining term of the swap.

The following table depicts the credit value and fair value adjustments recorded related to the notional amount of derivatives outstanding and risk participation agreements as of December 31, 2022 and 2021, respectively, on the Company's Consolidated Statement of Financial Condition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands)

Derivatives not Designated as Hedging Instruments

Risk Participation Agreements:

Credit Value Adjustment

Notional Amount

Derivatives Designated as Hedging Instruments

Interest rate swaps:

Fair Value Adjustment

Notional Amount

NOTE 17—FAIR VALUE DISCLOSURE

ASC Topic 820 "Fair Value Measurement" defines fair value and provides the framework for measuring fair value and required disclosures about fair value measurement in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the transaction date. ASC 820 value.

The three levels of fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Company for identical assets. These generally provide the most reliable evidence of fair value.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset or liability in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flow models, and other valuation techniques.

This hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which the fair value measurement falls is determined by the lowest level input that is significant to the fair value measurement.

The following table presents the financial assets measured at fair value on a recurring basis and reported on the Consolidated Statements of Financial Condition. Securities are included in Level 2 of the fair value hierarchy. Fair values for Level 2 securities were primarily determined by a third-party pricing service using both observable and unobservable inputs, such as market-corroborated data, such as instruments with similar prepayment speeds and default interest rates. The standard inputs that are normally used in two-sided markets, benchmark securities, bids, offers, and reference data data, including market research publications.

The Company uses derivative instruments, including interest rate swaps and risk participation agreements, and the fair value of such instruments are calculated using the fair value of each derivative, considering the contractual terms of each derivative, and uses observable market-based inputs, such as interest rate curves and implied volatility of the respective counterparties' nonperformance risk in calculating fair value measurements. These instruments are classified as Level 2.

There were no transfers from Level 1 to Level 2 and no transfers into or out of Level 3 during the years ended December 31, 2022, December 31, 2023 and 2021, 2020.

December 31,

(Dollars in Thousands)

Securities:

Available-for-Sale Debt Securities

U.S. Government Agencies

Obligations of States and Political Subdivisions

Mortgage-Backed Securities - Government-Sponsored Enterprises

Collateralized Mortgage Obligations - Government Sponsored Enterprises

Corporate Debt

Total Available-for-Sale Debt Securities

Equity Securities

Mutual Funds

Other

Total Equity Securities

Total Securities

The following table presents the financial assets measured at fair value on a recurring basis and reported on the Consolidated Statements of Financial Condition as of December 31, 2022, December 31, 2023 and 2021, 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31,

(Dollars in Thousands)

ASSETS

Available-for-Sale Debt Securities

U.S. Government Agencies

Obligations of States and Political Subdivisions

Mortgage-Backed Securities - Government-Sponsored Enterprises

Collateralized Mortgage Obligations - Government-Sponsored Enterprises

Collateralized Loan Obligations

Corporate Debt

Total Available-for-Sale Debt Securities

Equity Securities

Mutual Funds

Other

Total Equity Securities

Total Securities

Total Assets

LIABILITIES

Derivative Financial Liabilities

Interest Rate Swaps

Risk Participation Agreements

Total Liabilities

The following table presents the financial assets measured at fair value on a nonrecurring basis on the Consolidated Statements of Financial Condition as of 12/31/2017. The table also presents the unobservable inputs used in the fair value measurements. Impaired loans that are collateral dependent are written down to fair value through the establishment of a fair value allowance. For assets that have market prices for identical assets classified as Level 1 inputs or observable inputs, employed by certified appraisers, for similar assets classified as Level 2 inputs. If no market prices are available and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level 3 inputs.

[illegible]

Financial Asset		Financial Asset	Fair Value Hierarchy	December 31, 2021	Significant Unobservable Inputs	Weighted Average	December 31, 2022
(Dollars in Thousands)		(Dollars in Thousands)					

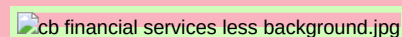
Impaired Loans Individually Assessed	Impaired Loans Individually Assessed	Level 3	\$ 1,980	Appraisal of Collateral (1)	Appraisal Adjustments (2)	0% to 50%	15.8%
MSRs		Level 3	141	Discounted Cash Flow	Discount Rate	9% to 11%	10.2%
					Prepayment Speed	6% to 36%	16.0%
OREO		Level 3	36	Appraisal of Collateral (1)	Liquidation Expenses (2)	10% to 30%	26.6%

Impaired Loans Individually Assessed

Impaired Loans Individually Assessed Level 3 \$ 1,591 Ap

- (1) Fair value is generally determined through independent appraisals of the underlying collateral, which may include various Level 3 inputs, which are not identifiable.
- (2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of apprais

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NOTES TO CONSOLIDATED FINANCIAL STATEMEN

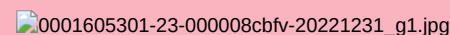
Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or fair value. Fair value is measured based on the value 31, 2023, the Company did not have any loans that would be required to be remeasured. At December 31, 2022 and 2021, the fair value of impaired allowances allowance of \$24,000 and \$299,000, respectively. \$24,000.

The fair value of MSRs is determined by calculating the present value of estimated future net servicing cash flows, considering expected mortgage loan prepaym current market conditions. The expected rate of mortgage loan prepayments is the most significant factor driving the value of MSRs. MSRs are considered impaired inputs as listed above, MSRs are classified as Level 3. At December 31, 2023 and 2022, the Company did not have any MSRs that would be required to be remeas

OREO properties are evaluated at the time of acquisition and recorded at fair value, less estimated selling costs. After acquisition, OREO is recorded at the lower o a qualified independent appraisal and is classified as Level 3 in the fair value hierarchy. At December 31, 2023, OREO measured at fair value less costs to sell had At December 31, 2022, the Company did not have any OREO that would be required to be remeasured.

Financial instruments are defined as cash, evidence of an ownership in an entity, or a contract which creates an obligation or right to receive or deliver cash or anot Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measuremen based upon management's judgment regarding current economic conditions, interest rate risk, expected cash flows, future estimated losses and other factors assumptions result from judgments made by management based upon estimates that are inherently uncertain, the resulting estimated fair values may not be indic assumptions on which the estimated fair values are based may have significant impact on the resulting estimated fair values.

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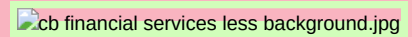


NOTES TO CONSOLIDATED FINANCIAL STATEMEN

The estimated fair values of the Company's financial instruments at the dates indicated are as follows:

	2022	2021
2023		

December 31,	December 31,	Fair Value Hierarchy	Carrying Value	Fair Value	Carrying Value	Fair Value	December 31,	Fair Value Hierarchy
(Dollars in Thousands)	(Dollars in Thousands)							
Financial Assets:	Financial Assets:							
Financial Assets:								
Financial Assets:								
Cash and Due From Banks:	Cash and Due From Banks:							
Interest Bearing		Level 1	\$ 82,957	\$ 82,957	\$ 63,968	\$ 63,968		
Non-Interest Bearing		Level 1	20,743	20,743	55,706	55,706		
Cash and Due From Banks:								
Cash and Due From Banks:								
Interest-Earning								
Interest-Earning								
Interest-Earning								
Noninterest-Earning								
		See						
Securities	Securities	Above	190,058	190,058	224,974	224,974		
Loans, Net	Loans, Net	Level 3	1,037,054	1,011,098	1,009,214	1,039,980		
Restricted Stock	Restricted Stock	Level 2	2,749	2,749	3,403	3,403		
Mortgage Servicing Rights	Mortgage Servicing Rights	Level 3	633	1,000	730	773		
Accrued Interest Receivable								
Accrued Interest Receivable								
Accrued Interest Receivable	Accrued Interest Receivable	Level 2	3,983	3,983	3,350	3,350		
Financial Liabilities:	Financial Liabilities:							
Deposits								
Deposits								
Deposits	Deposits	Level 2	1,268,503	1,264,846	1,226,613	1,227,653		
Short-term Borrowings	Short-term Borrowings	Level 2	8,060	8,060	39,266	39,266		
Other Borrowed Funds	Other Borrowed Funds							
FHLB Borrowings	FHLB Borrowings	Level 2	—	—	3,000	3,000		
FHLB Borrowings								
FHLB Borrowings								
Subordinated Debt	Subordinated Debt	Level 2	14,638	13,490	14,601	15,000		
Derivative Liabilities								
Derivative Liabilities								
Accrued Interest Payable	Accrued Interest Payable	Level 2	355	355	486	486		

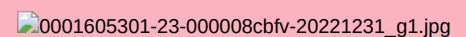


NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17—~~18~~—OTHER NONINTEREST EXPENSE

The details for other noninterest expense for the Company's Consolidated Statements of Income are as follows:

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
(Dollars in Thousands)	(Dollars in Thousands)			
Non-employee Compensation				
Non-employee Compensation				
Non-employee Compensation	Non-employee Compensation	\$ 570	\$ 611	
Printing and Supplies	Printing and Supplies	250	281	
Postage	Postage	339	312	
Telephone	Telephone	518	612	
Charitable Contributions	Charitable Contributions	173	323	
Dues and Subscriptions	Dues and Subscriptions	174	156	
Loan Expenses	Loan Expenses	538	390	
Meals and Entertainment	Meals and Entertainment	143	122	
Travel	Travel	173	107	
Training	Training	61	52	
Bank Assessment	Bank Assessment	194	180	
Insurance	Insurance	275	233	
Miscellaneous	Miscellaneous	436	520	
TOTAL OTHER NONINTEREST EXPENSE	TOTAL OTHER NONINTEREST EXPENSE	\$3,844	\$3,899	



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18—~~19~~—CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

Financial information pertaining only to CB Financial Services, Inc., is as follows:

Statements of Financial Condition

December 31,

(Dollars in Thousands)

ASSETS

Cash and Due From Banks
Equity Securities, at Fair Value
Investment in Community Bank
Other Assets

TOTAL ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY

Other Borrowings
Other Liabilities
Stockholders' Equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

Statements of Income

Year Ended December 31,

(Dollars in Thousands)

Interest and Dividend Income
Dividend from Bank Subsidiary
Interest Expense
Net Interest and Dividend Income
Net (Loss) Gain on Securities
Noninterest Expense
Income Before Undistributed Net Income of Subsidiary and Income Tax Expense (Benefit)
Undistributed Net Income of Subsidiary
Income Before Income Tax (Benefit) Expense
Income Tax (Benefit) Expense
NET INCOME

December 31,

(Dollars in Thousands)

ASSETS

Cash and Due From Banks
Equity Securities, at Fair Value
Investment in Community Bank
Other Assets

TOTAL ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY

Other Borrowings
Other Liabilities
Stockholders' Equity

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Statements of Income

Year Ended December 31,

(Dollars in Thousands)

Interest and Dividend Income
Dividend from Bank Subsidiary
Interest Expense
Net Interest and Dividend Income
Net Loss on Securities
Noninterest Expense
Income Before Undistributed Net Income of Subsidiary and Income Tax Benefit
Undistributed Net Income of Subsidiary
Income Before Income Tax Benefit
Income Tax Benefit
NET INCOME

Statements of Cash Flows

Year Ended December 31,	Year Ended December 31,	2022	2021	Year Ended December 31,
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(Dollars in Thousands)

(Dollars in Thousands)

OPERATING ACTIVITIES	OPERATING ACTIVITIES
-------------------------	-------------------------

OPERATING ACTIVITIES

OPERATING ACTIVITIES

Net Income

Net Income

Net Income Net Income \$11,247 \$11,570

Adjustments to Adjustments to

Reconcile Net Reconcile Net

Income to Net Income to Net

Cash Provided Cash Provided

By Operating By Operating

Activities: Activities:

Undistributed Undistributed

Net Income of Net Income of

Subsidiary Subsidiary (6,778) (1,607)

Undistributed Net Income of
Subsidiary

Undistributed Net Income of
Subsidiary

Noncash Noncash

Expense for Expense for

Stock-Based Stock-Based

Compensation Compensation 600 566

Loss (Gain) on Equity Securities 55 (329)

Loss on
Equity
Securities

Other, net Other, net 290 (423)

NET CASH PROVIDED BY OPERATING ACTIVITIES	NET CASH PROVIDED BY OPERATING ACTIVITIES	5,414	9,777
INVESTING ACTIVITIES			
Purchases of Equity Securities		—	(100)
Proceeds from Sales of Equity Securities		—	36
NET CASH USED IN INVESTING ACTIVITIES		—	(64)
FINANCING ACTIVITIES	FINANCING ACTIVITIES		
FINANCING ACTIVITIES			
FINANCING ACTIVITIES			
Net Proceeds from Other Borrowings			
Net Proceeds from Other Borrowings			
Net Proceeds from Other Borrowings	Net Proceeds from Other Borrowings	37	14,601
Cash Dividends Paid	Cash Dividends Paid	(4,920)	(5,168)
Treasury Stock, Purchases at Cost	Treasury Stock, Purchases at Cost	(4,802)	(4,143)
Exercise of Stock Options	Exercise of Stock Options	220	98
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		(9,465)	5,388
NET CASH USED IN FINANCING ACTIVITIES			
(DECREASE) INCREASE IN CASH AND DUE FROM BANKS		(4,051)	15,101
DECREASE IN CASH AND DUE FROM BANKS			
DECREASE IN CASH AND DUE FROM BANKS			
DECREASE IN CASH AND DUE FROM BANKS			
CASH AND DUE FROM BANKS AT BEGINNING OF THE YEAR	CASH AND DUE FROM BANKS AT BEGINNING OF THE YEAR	18,567	3,466
CASH AND DUE FROM BANKS AT END OF THE YEAR	CASH AND DUE FROM BANKS AT END OF THE YEAR	\$14,516	\$18,567


The Parent Company's Statements of Comprehensive **Income** (Loss) and Statements of Changes in Stockholders' Equity are identical to the Consolidated Stockholders' Equity and are not presented.

NOTE 19—20—SEGMENT REPORTING AND RELATED INFORMATION

At **December 31, 2022** **December 31, 2023**, the Company's business activities were comprised of two operating segments, which are community banking and insurance underwriters, a wholly owned subsidiary of the Bank.

Exchange Underwriters has **was** an independent board of directors from the Company and **is was** managed separately from the banking and related financial services. The Bank offers **offered** property, casualty, commercial liability, surety and other insurance products.

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 cb financial services less background.jpg

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 1, 2023, the Company announced that the Bank and EU entered into an Asset Purchase Agreement with World Insurance Associates, LLC ("World") for the sale of cash plus possible additional earn-out payments. The sale of assets was completed on December 8, 2023 and resulted in a pre-tax gain of \$24.6 million. Assets received from the sale of assets. The EU subsidiary will be dissolved with the remaining assets and liabilities being transferred to the Bank during 2024.

The following table represents selected financial data for the Company's subsidiaries and consolidated results for **2022** **2023** and **2021**, **2022**.

				CB			
		Exchange		Financial			
		Community Underwriters,		Services,		Net	
		Bank		Inc.		Inc. Eliminations Consolidated	
Community Bank							

Year Ended December 31, 2023						
Year Ended December 31, 2023						
Interest and Dividend Income						
Interest and Dividend Income						
Interest and Dividend Income	Interest and Dividend Income	\$ 47,632	\$ 6	\$ 5,025	\$ (4,947)	\$ 47,716
Interest Expense	Interest Expense	4,159	—	622	—	4,781
Net Interest and Dividend Income	Net Interest and Dividend Income	43,473	6	4,403	(4,947)	42,935
Provision (Recovery) for Loan Losses		3,784	—	—	—	3,784
Net Interest and Dividend Income After (Recovery) Provision for Loan Losses		39,689	6	4,403	(4,947)	39,151
Recovery for Credit Losses - Loans						
Recovery for Credit Losses - Unfunded Commitments						
Net Interest and Dividend Income After Recovery for Credit Losses						
Noninterest Income (Loss)	Noninterest Income (Loss)	3,867	6,007	(54)	—	9,820
Noninterest Expense	Noninterest Expense	30,737	4,135	19	—	34,891
Undistributed Net Income of Subsidiary	Undistributed Net Income of Subsidiary	1,315	—	6,778	(8,093)	—
Income Before Income Tax Expense		14,134	1,878	11,108	(13,040)	14,080
Income Tax (Benefit) Expense		2,409	563	(139)	—	2,833
Income Before Income Tax Expense (Benefit)						
Income Tax Expense (Benefit)						

Net Income	Net Income	\$	11,725	\$	1,315	\$	11,247	\$	(13,040)	\$	11,247
Year Ended December 31, 2021											
Year Ended December 31, 2022											
Year Ended December 31, 2022											
Year Ended December 31, 2022											
Interest and Dividend Income											
Interest and Dividend Income											
Interest and Dividend Income	Interest and Dividend Income	\$	43,481	\$	6	\$	9,746	\$	(9,676)	\$	43,557
Interest Expense	Interest Expense		3,368		—		37		—		3,405
Net Interest and Dividend Income	Net Interest and Dividend Income		40,113		6		9,709		(9,676)		40,152
(Recovery) Provision for Loan Losses	(Recovery) Provision for Loan Losses		(1,125)		—		—		—		(1,125)
Net Interest and Dividend Income After (Recovery) Provision for Loan Losses											
Noninterest Income											
Provision for Loan Losses											
Net Interest and Dividend Income After Provision for Loan Losses											
Noninterest Income (Loss)											
Noninterest Expense	Noninterest Expense		38,810		4,040		12		—		42,862
Undistributed Net Income of Subsidiary	Undistributed Net Income of Subsidiary		1,105		—		1,607		(2,712)		—
Income Before Income Tax Expense											
Income Tax Expense											
Income Before Income Tax Expense (Benefit)											

Income Tax Expense (Benefit)							
Net Income	Net Income	\$	11,283	\$	1,105	\$	11,570
						\$	(12,388)
							11,570

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AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Agreement") is entered into as of January 1, 2022 (the "Effective Date") and shall take effect as of the Effective Date. Any reference to the "Company" means CB Financial Services, Inc., the stock holding company.

WHEREAS, Executive shall serve as the Senior Executive Vice President and Chief Operations Officer of the Bank; and

WHEREAS, the Bank desires to set forth the rights and responsibilities of Executive and the compensation payable to Executive,

WHEREAS, this Agreement shall take effect, and supersede and replace the Prior Agreement, as of the Effective Date.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the other terms and conditions hereinafter set forth,

1. POSITION AND RESPONSIBILITIES

During the term of this Agreement, Executive agrees to serve as Senior Executive Vice President and Chief Operations Officer of the Bank, as consented by Executive (the "Executive Position") and will perform the duties and will have all powers associated with such position as set forth in the bylaws of the Bank. During the period provided in this Agreement, Executive also agrees to serve, if elected, as an officer of the Bank and to perform the responsibilities reasonably appropriate to that office.

2. TERM AND DUTIES

a) **Term and Annual Renewal.** The initial term of this Agreement and the period of Executive's employment hereunder will be for a term of one (1) year, commencing on the first Anniversary Date following the Effective Date and continuing until the first Anniversary Date of the following year, which shall be May 1st of each year. Commencing on the first Anniversary Date following the Effective Date and continuing until the first Anniversary Date of the following year, the term of this Agreement shall be extended for an additional year such that the remaining term will be 36 months; provided, however, that in order for this Agreement to renew, the disinterested members of the Board will take the following actions within the time frames set forth below prior to each Anniversary Date: (i) conduct a comprehensive performance evaluation of Executive; and (ii) affirmatively approve the renewal of this Agreement and include such decision in the minutes of the Board's meeting. If the Board fails to take the actions set forth herein before any Anniversary Date, the Board will provide Executive with a written notice of non-renewal ("Non-Renewal Notice") no later than five business days after such Anniversary Date. The failure of the disinterested members of the Board to take the actions set forth herein before any Anniversary Date shall constitute an affirmative decision to not renew the Agreement, and the Board will provide the Non-Renewal Notice to Executive. If the Board fails to inform Executive of its determination regarding the renewal of the Agreement, the Board will be deemed to have affirmatively issued the Non-Renewal Notice to Executive. If the Board fails to inform Executive of its determination regarding the renewal of the Agreement, the Board will be deemed to have affirmatively issued the Non-Renewal Notice to Executive. If the Board fails to inform Executive of its determination regarding the renewal of the Agreement, the Board will be deemed to have affirmatively issued the Non-Renewal Notice to Executive. If the Board fails to inform Executive of its determination regarding the renewal of the Agreement, the Board will be deemed to have affirmatively issued the Non-Renewal Notice to Executive.

30 days of the receipt of such request. Reference herein to the term of this Agreement will refer to both such initial term and such extended term.

(b) **Change in Control.** Notwithstanding the foregoing, in the event that the Bank or the Company has entered into an agreement to be acquired by or merged with another entity, then the term of this Agreement will be extended automatically for 36 months following the date on which the Company is acquired or merged.

(c) **Membership on Other Boards or Organizations.** During the period of her employment hereunder, except for periods of absence, Executive will devote all of her business time, attention, skill and efforts to the faithful performance of her duties under this Agreement. Notwithstanding the preceding sentence, subject to the approval of the Board, Executive may serve as a member of the board of directors of any company, provided that such service does not materially interfere with the performance of her duties under this Agreement, adversely affect the reputation of the Bank, or otherwise be in the best interests of the Bank.

(d) **Continued Employment Following Expiration of Term.** Nothing in this Agreement mandates or prohibits a continuation of the terms and conditions as the Bank and Executive may mutually agree.

3. COMPENSATION, BENEFITS AND REIMBURSEMENT

(a) **Base Salary.** In consideration of Executive's performance of the responsibilities and duties set forth in this Agreement, the Bank will pay Executive a salary of \$235,000 per year ("Base Salary"). Such Base Salary will be payable in accordance with the customary pay scale for Executive's position but not decrease (other than a decrease which is applicable to all senior officers of the Bank and in a percentage not in excess of the percentage decrease deemed appropriate). Any change in Base Salary will become the "Base Salary" for purposes of this Agreement.

(b) **Bonus.** Executive shall be entitled to participate in any bonus plan or arrangements of the Bank in which the Executive is eligible to participate. Any bonus will be deemed to be in lieu of the other compensation to which Executive is entitled under this Agreement.

(c) **Benefit Plans.** Executive will be entitled to participate in all employee benefit plans, arrangements and perquisites offered to employees of the Bank. In addition to the provisions of this Section 3(c), Executive also will be entitled to participate in any employee benefit plans including but not limited to stock ownership plans, health-and-accident plans, or any other employee benefit plan or arrangement made available by the Bank in the future to manage the overall administration of such plans and arrangements.

(d) **Vacation.** Executive will be entitled to four (4) weeks of paid vacation time each year during the term of this Agreement measured as well as sick leave, holidays and other paid absences in accordance with the Bank's policies and procedures for officers. Any unused vacation time during an annual period will be treated in accordance with the Bank's personnel policies as in effect from time to time.

(e) **Expense Reimbursements.** The Bank will reimburse Executive for all reasonable travel, entertainment and other reasonable expenses incurred in the performance of her duties under this Agreement, including, without limitation, use of a Bank-provided cellular telephone and laptop computer, fees for memberships in societies or organizations appropriate in connection with the performance of her duties under this Agreement, upon substantiation of such expenses in accordance with the Bank's policies and procedures. Executive shall be entitled to reimbursement for all fixed monthly expenses associated with such service and for other expenses that are substantiated in accordance with applicable policies and procedures of the Bank. All reimbursements pursuant to this Section 3(e) shall be paid following the date on which the expense was incurred.

(f) **Timing of Payments.** To the extent not specifically set forth in this Section 3, any compensation payable or provided under this Agreement shall be paid after the calendar year in which such compensation is no longer subject to a substantial risk of forfeiture within the meaning of Treasury Regulations.

4. TERMINATION AND TERMINATION PAY

Subject to Section 5 of this Agreement which governs the occurrence of a Change in Control, Executive's employment under this Agreement shall terminate upon the occurrence of any of the following events:

(a) **Death.** This Agreement shall terminate upon Executive's death, in which event Executive's estate or beneficiary shall be entitled to receive any compensation or benefits earned or vested through Executive's death, and neither Executive, nor Executive's estate or beneficiary shall have a right to receive any compensation or benefits that have already been earned or vested.

(b) **Disability.** This Agreement shall terminate in the event of Executive's "Disability" as determined by the Board in its sole discretion. "Disability" shall mean the inability of Executive to perform her duties as a result of a medically determinable physical or mental impairment which can be expected to result in death, or last for a continuous period of not less than 12 months under an accident and health plan covering employees of the Bank; or (iii) is determined to be disabled by the Social Security Administration based on medical and other information provided to the Board regarding Executive's medical condition and work performance. In the event of Executive's Disability, Executive shall be entitled to receive any compensation or benefits earned or vested through the date of Executive's Disability, if any, provided under a long term disability plan sponsored by the Bank, if applicable. However, Executive shall not have a right to receive any compensation or benefits that have already been earned or vested.

(c) **Termination for Cause.** The Board may immediately terminate Executive's employment at any time for "Cause." Executive shall not be entitled to receive any compensation or benefits that have already been earned or vested for Cause, except for

any compensation or benefits that have already been earned or vested. Termination for "Cause" shall mean termination because of, in the good faith determination of the Board, Executive's failure to perform her duties as a result of a medically determinable physical or mental impairment which can be expected to result in death, or last for a continuous period of not less than 12 months under an accident and health plan covering employees of the Bank; or (iii) is determined to be disabled by the Social Security Administration based on medical and other information provided to the Board regarding Executive's medical condition and work performance.

- (B) a material reduction in Executive's authority, duties or responsibilities from the position and attributes associated with the position of Executive;
- (C) a material breach of this Agreement by the Bank.

- (v) Notwithstanding the foregoing, Executive will not be entitled to any payments or benefits under this Section 4(e). Executive's affiliates or beneficiaries may have against the Bank, the Company or any affiliate, and their officers, rights, demands, causes of action, suits, arbitrations or grievances relating to the employment relationship, including claims for benefits under tax-qualified plans or other benefit plans in which Executive is vested, claims for benefits under the Agreement that survive the termination of this Agreement. In order to comply with the requirements of Section 409A, on the date of her Separation from Service and Executive must execute the release within 21 days after the date of execution of the release, provided, however, that if such 21-day period spans two (2) calendar years, then, to the extent permitted by law, the period described in this Section 4(e) will commence in the second calendar year.

(f) **Effect on Status as a Director.** In the event of Executive's termination of employment under this Agreement for any reason, Executive shall remain a Director of the Bank, as well as the Board of Directors of the Company and direct or indirect subsidiary of the Bank or the Company, if a

5. CHANGE IN CONTROL

- (a) **Change in Control Defined.** For purposes of this Agreement, the term "Change in Control" shall mean the occurrence of an

- (i) Merger: The Company or the Bank merges into or consolidates with another entity, or merges another bank or company with the Company or the Bank, or the combined voting power of the resulting corporation immediately after the merger or consolidation is held by person(s) who owned 10% or more of the Company or the Bank before the merger or consolidation;
- (ii) Acquisition of Significant Share Ownership: There is filed, or is required to be filed, a report on Schedule 13D or a report on Schedule 14(d) of the

Securities Exchange Act of 1934, as amended, if the schedule discloses that the filing person or persons acting in connection with the Company are the beneficial owners of more than 10% of the outstanding voting securities of the Company or the Bank's voting securities; provided, however, this clause (ii) shall not apply to beneficial ownership of which the Company directly or indirectly beneficially owns 50% or more of its outstanding voting securities;

- (iii) **Change in Board Composition:** During any period of two consecutive years, individuals who constitute the Company, for any reason to constitute at least a majority of the Company's or the Bank's Board of Directors; provided, however, that any director first nominated by the board for election by the stockholders) by a vote of at least two-thirds (2/3) of the directors v the Board as the result of a directive, supervisory agreement or order issued by the primary federal regulator of the Company shall be deemed to have also been a director at the beginning of such period; or
- (iv) **Sale of Assets:** The Company or the Bank sells to a third party all or substantially all of its assets.

(b) **Change in Control Benefits.** Upon the occurrence of Executive's termination of employment for any reason other than for Cause, the Bank shall pay Executive, or in the event of Executive's subsequent death, Executive's beneficiary or estate, as severance pay, an amount equal to the sum of the following: (i) the sum of the regular salary and bonus payable to Executive during the calendar year of Executive's date of termination or either of the three (3) calendar years immediately preceding Executive's date of termination, in accordance with the Bank's (or any successor's) regular payroll practices for the greater of: (i) 12 months; or (ii) the remaining term of Executive's employment immediately following the 30th day after Executive's date of termination. In addition, the Bank will continue to provide Executive with health and welfare benefits substantially comparable to the coverage maintained by the Bank for Executive immediately prior to her date of termination at no cost to Executive for a period which is three (3) years after Executive's date of termination or (ii) the date on which Executive becomes a full-time employee of another company, provided that such benefits are substantially similar to the health and welfare benefits provided by the Bank. If the Bank cannot provide one or more of the benefits set forth in this paragraph and regulations prohibit such benefits or the payment of such benefits in the manner contemplated, or it would subject the Bank to a claim for damages estimated to be equal to the value of such benefits or the value of the remaining benefits at the time of such determination. Such cash payment shall be made no later than the later of: (i) Executive's date of termination; or (ii) the effective date of the rules or regulations prohibiting such benefits or subjecting the Bank to a claim for damages.

6. COVENANTS OF EXECUTIVE

- (a) **Non-Solicitation/Non-Compete.** Executive hereby covenants and agrees that, for a period of one (1) year following her termination of employment with the Bank (including any termination following a Change in Control), Executive shall not, without the written consent of the Bank, either directly or indirectly:
- (i) solicit, offer employment to, or take any other action intended (or that a reasonable person acting in like circumstances would intend) to cause any of its respective subsidiaries or affiliates, to terminate her employment and accept employment or become affiliated with any of its respective subsidiaries or affiliates;

business whatsoever that competes with the business of the Bank, or any of their direct or indirect subsidiaries or affiliates, if the Bank has business offices or has filed an application for regulatory approval to establish an office (the "Restricted Territory")

- (ii) become an officer, employee, consultant, director, independent contractor, agent, joint venturer, partner or trustee of a credit union, bank or bank holding company, insurance company or agency, any mortgage or loan broker or any other financial institution or its subsidiaries or affiliates, that: (i) has a headquarters within the Restricted Territory or (ii) has one or more offices, if the Executive would be employed, conduct business or have other responsibilities or duties within the Restricted Territory;
- (iii) solicit, provide any information, advice or recommendation or take any other action intended (or that a reasonable person would expect) to cause a customer of the Bank to terminate an existing business or commercial relationship with the Bank.

(b) **Confidentiality.** Executive recognizes and acknowledges that the knowledge of the business activities, plans for business, and other confidential information of the Bank, to time, are valuable, special and unique assets of the business of the Bank. Executive will not, during or after the term of her employment, disclose any confidential information of the Bank to any person, firm, corporation, or other entity for any reason or purpose. Notwithstanding the foregoing, Executive may disclose any knowledge of banking, financial and/or economic principles, concepts or ideas of the Bank. Further, Executive may disclose information regarding the business activities of the Bank to any bank regulator having jurisdiction over the Bank upon request. In the event of a breach or threatened breach by Executive of the provisions of this Section, the Bank will be entitled to an injunction to prevent Executive from disclosing, in the past, present, planned or considered business activities of the Bank or any other similar proprietary information, or from rendering any confidential information, in whole or in part, has been disclosed or is threatened to be disclosed. Nothing herein will be construed as prohibiting the Bank from pursuing

remedies available to the Bank for such breach or threatened breach, including the recovery of damages from Executive.

(c) **Information/Cooperation.** Executive shall, upon reasonable notice, furnish such information and assistance to the Bank and its subsidiaries or affiliates as may be requested, or any of its subsidiaries or affiliates is, or may become, a party; provided, however, that Executive shall not be required to provide information or assistance to any other subsidiaries or affiliates.

(d) **Reliance.** Except as otherwise provided, all payments and benefits to Executive under this Agreement shall be subject to the Bank's right to terminate this Agreement at any time, hereto, recognizing that irreparable injury will result to the Bank, its business and property in the event of Executive's breach of this Section. In addition to any other remedies and damages available, to an injunction to restrain the violation hereof by Executive and all payments and benefits to Executive shall be subject to the Bank's right to terminate this Agreement at any time, hereto, recognizing that irreparable injury will result to the Bank, its business and property in the event of Executive's breach of this Section. Nothing herein will be construed as prohibiting the Bank from pursuing any other remedies available to the Bank for such breach or threatened breach, including the recovery of damages from Executive.

7. SOURCE OF PAYMENTS

All payments provided in this Agreement shall be timely paid by check or direct deposit from the general funds of the Bank (or any other source of funds of the Bank).

8. EFFECT ON PRIOR AGREEMENTS AND EXISTING BENEFITS PLANS

This Agreement contains the entire understanding between the parties hereto and supersedes the Prior Agreement as of the date of execution hereof. This Agreement shall not be construed to modify, amend, alter, or change the benefit or compensation inuring to Executive of a kind expressly provided elsewhere.

9. NO ATTACHMENT; BINDING ON SUCCESSORS

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, assignment, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect any such right shall be void.

(b) The Bank shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to assume and agree to perform the Bank's obligations under this Agreement, in the same manner and to the same extent as the Bank, and shall not constitute a waiver of such term or condition for the future as to any act other than that specifically waived.

10. MODIFICATION AND WAIVER

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel against the Bank or Executive on account of any failure to insist on or demand strict adherence to every term and condition hereof. No such written waiver shall be deemed a continuing waiver unless specifically stated therein and shall not constitute a waiver of such term or condition for the future as to any act other than that specifically waived.

11. REQUIRED PROVISIONS

Notwithstanding anything herein contained to the contrary, the following provisions shall apply:

(a) The Board may terminate Executive's employment at any time, but any termination by the Bank's Board other than termination under this Agreement. Executive shall have no right to receive compensation or other benefits for any period after her termination for Cause.

(b) Notwithstanding anything herein contained to the contrary, any payments to Executive by the Company, whether pursuant to the Agreement or otherwise, shall be made in accordance with Section 18(k) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1828(k), and the regulations promulgated thereunder in 12 C.F.R. Part 302.

(c) Notwithstanding anything else in this Agreement to the contrary, Executive's employment shall not be deemed to have been terminated under Section 409A of the Code. For purposes of this Agreement, a "Separation from Service" shall have occurred if the Bank and Executive agree in writing after the date of termination (whether as an employee or as an independent contractor) or the level of further services performed is immediately preceding the termination. For all purposes hereunder, the definition of Separation from Service shall be interpreted consistently with Section 11(c) is not applicable in the event of Executive's termination for Cause.

(d) Notwithstanding the foregoing, if Executive is a "specified employee" (i.e., a "key employee" of a publicly traded company within the meaning of Section 1502 of the Securities Exchange Act of 1934) and any payment under this Agreement is triggered due to Executive's Separation from Service (other than due to Disability or death), then no payment shall be made during the first six (6) months following Executive's Separation from Service. Rather, any payment which would otherwise be made to Executive in a lump sum on the first day of the seventh month following such Separation from Service. All subsequent payments shall be made in accordance with the terms of the Agreement.

(e) Each payment pursuant to Sections 4 and 5 of this Agreement is intended to constitute a "separate payment" for purposes of Treas. Reg. 1.409(a)(9)(B)(iii).

(f) Notwithstanding anything in this Agreement to the contrary, Executive understands that nothing contained in this Agreement limits Executive's ability to communicate with any Commission or any other federal, state or local governmental agency or commission ("Government Agencies") about a possible securities offering by the Bank. Executive understands that this Agreement does not limit Executive's ability to communicate with any Government Agency or otherwise participate in any securities offering by the Bank, including providing documents or other information, without notice to the Bank (or any affiliate) related to the possible securities offering. Executive's participation in such securities offering shall not constitute a monetary award for information provided to any Government Agency.

12. SEVERABILITY

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement, and each such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

13. GOVERNING LAW

This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania but only to the extent not superseded by federal law.

14. ARBITRATION

Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by binding arbitration, conducted by a single arbitrator mutually acceptable to the Bank and Executive, sitting in a location selected by the Bank within 50 miles of the Bank's principal office. The arbitration shall be governed by the Arbitration Association's National Rules for the Resolution of Employment Disputes then in effect. Judgment may be entered on the arbitration award.

15. PAYMENT OF LEGAL FEES

To the extent that such payment(s) may be made without triggering penalty under Section 409A of the Code, all reasonable legal fees and costs incurred by Executive in connection with the resolution of the dispute shall be paid or reimbursed by the Bank, provided that the dispute is resolved in Executive's favor, and such reimbursement shall occur only if the dispute is resolved in Executive's favor.

16. INDEMNIFICATION

The Bank shall provide Executive (including her heirs, executors and administrators) with coverage under a standard directors' and officers' policy (including her heirs, executors and administrators) for the term of this Agreement and for a period of six (6) years thereafter to the fullest extent permitted by law. The Bank shall also reimburse Executive (including her heirs, executors and administrators) for the reasonable expenses and attorneys' fees and the cost of reasonable settlements (such settlements must be approved by the Board or the board of directors of the Bank) incurred by Executive in connection with an action, suit or proceeding in which she may be involved by reason of her having been a director or officer of the Bank or the Company (whether or not she continues to be a director or officer at the time of incurring such expenses or liabilities), such as the cost of attorneys' fees and the cost of reasonable settlements (such settlements must be approved by the Board or the board of directors of the Bank) incurred by Executive in connection with an action, suit or proceeding in which she may be involved by reason of her having been a director or officer of the Bank or the Company (whether or not she continues to be a director or officer at the time of incurring such expenses or liabilities). Executive shall be required to indemnify or reimburse Executive for legal expenses or liabilities incurred in connection with an action, suit or proceeding in which she may be involved by reason of her having been a director or officer of the Bank or the Company (whether or not she continues to be a director or officer at the time of incurring such expenses or liabilities).

17. NOTICE

For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Bank

Community Bank
2111 North Franklin Drive, Suite 200
Washington, PA 15301
Most recent address on file with the Bank

To Executive:

18. EFFECTIVENESS AND TERMINATION OF PRIOR AGREEMENT

On the Effective Date, Executive and the Bank hereby agree that the Prior Agreement shall be terminated without any further action of either party. Executive has no contractual rights to any payments or benefits under the Prior Agreement as of the Effective Date.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have executed this Agreement

written above.

COMMUNITY BANK

By: /s/ John H. Montgomery
Name: John H. Montgomery
Title: President and Chief Executive Officer

EXECUTIVE

/s/ Jennifer George
Jennifer George

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Subsidiaries

Name Ownership

Community Bank (Pennsylvania-chartered) 100% owned by CB Financial Services, Inc.

Exchange Underwriters, Inc. (Pennsylvania-incorporated) 100% owned by Community Bank

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Registration Statement on Form S-8 (SEC File No. 333-2053636) of our report dated **March 10, 2023** **March 13, 2024**, on our audit of the consolidated financial statements of CB Financial Services, Inc. as of and for the year ended **December 31, 2022** **December 31, 2023** and **2021** **2022**, which report is included in CB Financial Services, Inc.'s Annual Report on Form 10-K.

/s/ FORVIS, LLP

Pittsburgh, Pennsylvania
March 10, 2023 **13, 2024**

**RULE 13a-14(a)/15d-14(a)
CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, John H. Montgomery, President and Chief Executive Officer of CB Financial Services, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** of CB Financial Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition of the registrant at the end of the period covered by this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that the information required to be disclosed by the registrant in its reports is known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance that the financial statements for external purposes in accordance with generally accepted accounting principles are fairly stated;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's board of directors (or other equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the reliability of financial reporting; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2023 **13, 2024**

/s/ John H. Montgomery
John H. Montgomery
President and Chief Executive Officer

RULE 13a-14(a)/15d-14(a)
CHIEF FINANCIAL OFFICER CERTIFICATION

I, Jamie L. Prah, Executive Vice President and Chief Financial Officer of CB Financial Services, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended ~~December 31, 2022~~ December 31, 2023 of CB Financial Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition of the registrant at the end of the period covered by this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that the information required to be disclosed by the registrant in this report is known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance that the financial statements for external purposes in accordance with generally accepted accounting principles are fairly stated;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audit committee (or other body that fulfills equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the reliability of financial reporting; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2023 ~~13, 2024~~

/s/ Jamie L. Prah

Jamie L. Prah

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of CB Financial Services, Inc. (the "Company") for the year ended ~~December 31, 2022~~ December 31, 2023 as filed with the Securities and Exchange Commission, and Jamie L. Prah, Executive Vice President and Chief Financial Officer, each hereby certifies, pursuant to 18 U.S.C. § 1350, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 10, 2023 13, 2024

/s/ John H. Montgomery
John H. Montgomery
President and Chief Executive Officer

Date: March 10, 2023 13, 2024

/s/ Jamie L. Prah
Jamie L. Prah
Executive Vice President and Chief Financial Officer

CB FINANCIAL SERVICES, INC. CLAWBACK POLICY

The Board of Directors (the "Board") of CB Financial Services, Inc. (the "Company") believes that it is in the best interests of the Company a recovery of certain incentive compensation in the event of an accounting restatement.

The Company has adopted the Policy as a supplement to any other clawback policies or provisions in effect now or in the future at the t by this Policy, it shall supersede any other conflicting provision or policy maintained by the Company and shall be the only clawback policy app the other policy or provision provides that a greater amount of compensation is subject to clawback, the other policy or provision shall apply to

This Policy shall be interpreted to comply with the clawback rules found in 17 C.F.R. §240.10D and the related listing rules of the nation Company has listed securities, and, to the extent this Policy is any manner deemed inconsistent with those rules, this Policy shall be treated as

1. **Definitions.** The terms "Executive Officer," "Incentive-Based Compensation," and "Received" shall have the same meaning as defin amended (the "Exchange Act").

2. **Application of the Policy.** This Policy applies in the event the Company is required to prepare an accounting restatement due to its i securities laws, including any required accounting restatement to correct an error in previously issued financial statements.

3. **Recovery Period.** The Incentive-Based Compensation subject to clawback is the Incentive-Based Compensation Received during t to prepare an accounting restatement as described in Section 2 of this Policy; provided that the individual served as an Executive Officer at an question. The date the Company is required to prepare an accounting restatement shall be determined pursuant to Exchange Act Rule 10D-1(

(a) Notwithstanding the foregoing, the Policy shall only apply if the Incentive-Based Compensation is received (1) while the Company

(b) See Exchange Act Rule 10D-1(b)(1)(i)(D) for certain circumstances under which the Policy will apply to Incentive-Based Compensa year.

4. **Erroneously Awarded Compensation.** The amount of Incentive-Based Compensation subject to the Policy ("Erroneously Awarded C the amount of Incentive Based-Compensation that otherwise would have been received had it been determined based on the restated amount taxes paid.

For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compe accounting restatement: (1) the amount shall be based on a

reasonable estimate of the effect of the accounting restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation Policy was based, and provide such documentation to the Exchange.

5. The Company shall recover reasonably promptly any Erroneously Awarded Compensation except to the extent that the conditions set forth in this Policy are not met. The Board of Directors (the "Committee") shall determine the repayment schedule for each amount of Erroneously Awarded Compensation in a manner that is consistent with any applicable legal guidance, by the Securities and Exchange Commission, judicial opinion, or otherwise. The determination of the Board of Directors shall be final. The Company may adopt additional rules to further describe what repayment schedules satisfy this requirement.

(a) Erroneously Awarded Compensation need not be recovered if the direct expense paid to a third party to assist in enforcing the Policy would be impracticable. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation, the Company shall make a reasonable attempt to recover the Erroneously Awarded Compensation, document the reasonable attempt(s) to recover, and provide that documentation to the Exchange.

(b) If applicable, Erroneously Awarded Compensation need not be recovered if recovery would violate home country law where that law makes it impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company shall make a reasonable attempt to recover the Erroneously Awarded Compensation, document the reasonable attempt(s) to recover, and provide that documentation to the Exchange.

(c) Erroneously Awarded Compensation need not be recovered if recovery would likely cause an otherwise tax-qualified retirement plan to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

6. Committee Decisions. Decisions of the Committee with respect to this Policy shall be final, conclusive, and binding on all Executive Officers. The Company shall not be liable for any decision of the Committee to be an abuse of discretion.

7. No Indemnification. Notwithstanding anything to the contrary in any other policy of the Company, the governing documents of the Company, or any agreement with any Executive Officer, no Executive Officer will be indemnified by the Company against the loss of any Erroneously Awarded Compensation.

8. Agreement to Policy by Executive Officers. The Committee shall take reasonable steps to inform Executive Officers of this Policy and obtain their written acknowledgment of receipt of the Policy.

9. Exhibit Filing Requirement. A copy of this Policy and any amendments thereto shall be filed as an exhibit to the Company's Annual Report on Form 10-K.

10. Amendment. The Board of Directors may amend, modify, or supplement all or any portion of this Policy at any time and from time to time.

Approved 9.20.2023

[TO BE SIGNED BY EACH OF THE COMPANY'S EXECUTIVE OFFICERS]

Clawback Policy Acknowledgment

I, the undersigned, agree and acknowledge that I am fully bound by, and subject to, the terms and conditions of CB Financial Services, Inc.'s Clawback Policy (from time to time, the "Policy") and that I have been provided a copy of the Policy. In the event of any inconsistency between the Policy and the terms and conditions of my employment, the Policy shall control.

any compensation plan, program, or agreement under which any compensation has been granted, awarded, earned, or paid, the terms of the I
earned, or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture a

Name

Date:

Title

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO F
OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY
RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS R
ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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