

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2024

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 **0-11204**

AmeriServ Financial, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

25-1424278

(I.R.S. Employer Identification No.)

Main & Franklin Streets, P.O. Box 430, Johnstown, PA

(Address of principal executive offices)

15907-0430

(Zip Code)

Registrant's telephone number, including area code **(814) 533-5300**

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

Title Of Each Class
Common Stock

Trading Symbol
ASRV

Name of Each Exchange On Which Registered
The NASDAQ Stock Market LLC

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 is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 1, 2024
Common Stock, par value \$0.01	17,147,270

AmeriServ Financial, Inc.

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Item 1. Financial Statements

AmeriServ Financial, Inc.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	March 31, 2024	December 31, 2023
ASSETS		
Cash and due from depository institutions	\$ 14,092	\$ 9,678
Interest bearing deposits and short-term investments	3,353	4,349
Cash and cash equivalents	<u>17,445</u>	<u>14,027</u>
Investment securities, net of allowance for credit losses:		
Available for sale, at fair value (allowance for credit losses \$116 on March 31, 2024 and \$926 on December 31, 2023)	165,452	165,711
Held to maturity (fair value \$59,180 on March 31, 2024 and \$58,621 on December 31, 2023; allowance for credit losses \$90 on March 31, 2024 and \$37 on December 31, 2023)	64,967	63,979
Loans held for sale	899	130
Loans (net of unearned income \$468 on March 31, 2024 and \$483 on December 31, 2023)	1,025,687	1,038,271
Less: Allowance for credit losses	14,639	15,053
Net loans	<u>1,011,048</u>	<u>1,023,218</u>
Premises and equipment:		
Operating lease right-of-use asset	1,685	646
Financing lease right-of-use asset	2,500	2,384
Other premises and equipment, net	14,381	14,149
Accrued interest income receivable	6,098	5,529
Intangible assets:		
Goodwill	13,611	13,611
Core deposit intangible	94	101
Bank owned life insurance	39,079	39,560
Net deferred tax asset	2,280	2,679
Federal Home Loan Bank stock	4,318	5,210
Federal Reserve Bank stock	2,125	2,125
Other assets	38,534	36,579
TOTAL ASSETS	<u>\$ 1,384,516</u>	<u>\$ 1,389,638</u>
LIABILITIES		
Non-interest bearing deposits	\$ 178,936	\$ 172,070
Interest bearing deposits	997,642	986,290
Total deposits	<u>1,176,578</u>	<u>1,158,360</u>
Short-term borrowings	11,446	40,951
Advances from Federal Home Loan Bank	49,412	44,562
Operating lease liabilities	1,699	658
Financing lease liabilities	2,817	2,700
Subordinated debt	26,695	26,685
Total borrowed funds	92,069	115,556
Other liabilities	11,936	13,445
TOTAL LIABILITIES	<u>1,280,583</u>	<u>1,287,361</u>
SHAREHOLDERS' EQUITY		
Common stock, par value \$0.01 per share; 30,000,000 shares authorized; 26,776,089 shares issued and 17,147,270 shares outstanding on March 31, 2024 and December 31, 2023	268	268
Treasury stock at cost, 9,628,819 shares on March 31, 2024 and December 31, 2023	(83,280)	(83,280)
Capital surplus	146,372	146,364
Retained earnings	60,291	58,901
Accumulated other comprehensive loss, net	(19,718)	(19,976)
TOTAL SHAREHOLDERS' EQUITY	<u>103,933</u>	<u>102,277</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,384,516</u>	<u>\$ 1,389,638</u>

See accompanying notes to unaudited consolidated financial statements.

AmeriServ Financial, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Uaudited)

	Three months ended March 31,	
	2024	2023
INTEREST INCOME		
Interest and fees on loans	\$ 13,776	\$ 12,276
Interest bearing deposits and short-term investments	67	57
Investment securities:		
Available for sale	1,825	1,770
Held to maturity	556	471
Total Interest Income	<u>16,224</u>	<u>14,574</u>
INTEREST EXPENSE		
Deposits	6,199	4,189
Short-term borrowings	484	494
Advances from Federal Home Loan Bank	504	82
Financing lease liabilities	27	24
Subordinated debt	263	263
Total Interest Expense	<u>7,477</u>	<u>5,052</u>
Net Interest Income	8,747	9,522
Provision (recovery) for credit losses	(557)	1,179
Net Interest Income after Provision (Recovery) for Credit Losses	<u>9,304</u>	<u>8,343</u>
NON-INTEREST INCOME		
Wealth management fees	3,266	2,738
Service charges on deposit accounts	293	266
Net gains on loans held for sale	10	26
Mortgage related fees	29	33
Gain on sale of Visa Class B shares	—	1,748
Bank owned life insurance	337	239
Other income	1,012	457
Total Non-Interest Income	<u>4,947</u>	<u>5,507</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	7,117	7,175
Net occupancy expense	791	772
Equipment expense	386	415
Professional fees	1,002	1,308
Data processing and IT expense	1,159	1,078
Supplies, postage and freight	165	179
Miscellaneous taxes and insurance	325	339
Federal deposit insurance expense	255	125
Other expense	664	572
Total Non-Interest Expense	<u>11,864</u>	<u>11,963</u>
PRETAX INCOME	2,387	1,887
Provision for income taxes	483	372
NET INCOME	<u>\$ 1,904</u>	<u>\$ 1,515</u>
PER COMMON SHARE DATA:		
Basic:		
Net income	\$ 0.11	\$ 0.09
Average number of shares outstanding	17,147	17,131
Diluted:		
Net income	\$ 0.11	\$ 0.09
Average number of shares outstanding	17,147	17,155

See accompanying notes to unaudited consolidated financial statements.

AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	Three months ended March 31,	
	2024	2023
COMPREHENSIVE INCOME		
Net income	\$ 1,904	\$ 1,515
Other comprehensive income (loss)		
Pension obligation change for defined benefit plan	(166)	—
Income tax effect	35	—
Unrealized holding gains (losses) on available for sale securities arising during period	(305)	568
Income tax effect	64	(119)
Fair value change for interest rate hedge	996	(805)
Income tax effect	(209)	169
Reclassification adjustment for reduction of interest expense related to interest rate hedge	(199)	(24)
Income tax effect	42	5
Other comprehensive income (loss)	258	(206)
COMPREHENSIVE INCOME	\$ 2,162	\$ 1,309

See accompanying notes to unaudited consolidated financial statements.

AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, except share and per share data)
(Unaudited)

	Three months ended March 31,	
	2024	2023
COMMON STOCK		
Balance at beginning of period	\$ 268	\$ 267
New common shares issued for exercise of stock options (29,653 shares for the three months ended March 31, 2023)	—	1
Balance at end of period	<u>268</u>	<u>268</u>
TREASURY STOCK		
Balance at beginning of period	(83,280)	(83,280)
Treasury stock purchased	—	—
Balance at end of period	<u>(83,280)</u>	<u>(83,280)</u>
CAPITAL SURPLUS		
Balance at beginning of period	146,364	146,225
New common shares issued for exercise of stock options (29,653 shares for the three months ended March 31, 2023)	—	94
Stock option expense	8	12
Balance at end of period	<u>146,372</u>	<u>146,331</u>
RETAINED EARNINGS		
Balance at beginning of period	58,901	65,486
Net income	1,904	1,515
Cash dividend declared on common stock (\$0.03 per share for the three months ended March 31, 2024 and 2023)	(514)	(514)
Cumulative effect adjustment for adoption of ASC 326	—	(1,181)
Balance at end of period	<u>60,291</u>	<u>65,306</u>
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET		
Balance at beginning of period	(19,976)	(22,520)
Other comprehensive income (loss)	258	(206)
Balance at end of period	<u>(19,718)</u>	<u>(22,726)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 103,933</u>	<u>\$ 105,899</u>

See accompanying notes to unaudited consolidated financial statements .

AmeriServ Financial, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three months ended	
	March 31,	
	2024	2023
OPERATING ACTIVITIES		
Net income	\$ 1,904	\$ 1,515
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Provision (recovery) for credit losses	(557)	1,179
Depreciation and amortization expense	508	526
Amortization expense of core deposit intangible	7	8
Amortization of fair value adjustment on acquired time deposits	(3)	(14)
Net amortization of investment securities	17	2
Net amortization of deferred loan fees	(23)	(38)
Net gains on loans held for sale	(10)	(26)
Origination of mortgage loans held for sale	(2,085)	(1,932)
Sales of mortgage loans held for sale	1,326	1,600
Increase in accrued interest receivable	(569)	(286)
(Decrease) increase in accrued interest payable	(654)	184
Earnings on bank-owned life insurance	(337)	(239)
Deferred income taxes	330	348
Stock compensation expense	8	12
Net change in operating leases	(42)	(16)
Other, net	(1,972)	(1,033)
Net cash (used in) provided by operating activities	<u>(2,152)</u>	<u>1,790</u>
INVESTING ACTIVITIES		
Purchase of investment securities — available for sale	(3,968)	(3,000)
Purchase of investment securities — held to maturity	(2,496)	(493)
Proceeds from maturities of investment securities — available for sale	3,803	4,295
Proceeds from maturities of investment securities — held to maturity	1,441	1,528
Proceeds from sales of investment securities — available for sale	435	—
Purchase of regulatory stock	(3,005)	(4,203)
Proceeds from redemption of regulatory stock	3,897	5,926
Long-term loans originated	(40,030)	(41,545)
Principal collected on long-term loans	52,408	51,773
Purchases of premises and equipment	(638)	(376)
Proceeds from sale of other real estate owned and repossessed assets	—	1
Proceeds from life insurance policies	711	—
Net cash provided by investing activities	<u>12,558</u>	<u>13,906</u>
FINANCING ACTIVITIES		
Net increase in deposit balances	18,221	23,266
Net decrease in other short-term borrowings	(29,505)	(35,652)
Principal borrowings on advances from Federal Home Loan Bank	8,600	6,220
Principal repayments on advances from Federal Home Loan Bank	(3,750)	(9,850)
Principal payments on financing lease liabilities	(40)	(55)
Stock options exercised	—	94
Common stock dividend paid	(514)	(514)
Net cash used in financing activities	<u>(6,988)</u>	<u>(16,491)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,418	(795)
CASH AND CASH EQUIVALENTS AT JANUARY 1	<u>14,027</u>	<u>22,962</u>
CASH AND CASH EQUIVALENTS AT MARCH 31	<u>\$ 17,445</u>	<u>\$ 22,167</u>

See accompanying notes to unaudited consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of AmeriServ Financial, Inc. (the Company) and its wholly-owned subsidiaries, AmeriServ Financial Bank (the Bank) and AmeriServ Trust and Financial Services Company (the Trust Company). The Bank is a Pennsylvania state-chartered full-service bank with 15 locations in Pennsylvania and 1 location in Maryland. The Trust Company offers a complete range of trust and financial services and administers assets valued at \$2.6 billion and \$2.5 billion that are not reported on the Company's Consolidated Balance Sheets at March 31, 2024 and December 31, 2023, respectively.

In addition, the Parent Company is an administrative group that provides support in such areas as audit, finance, investments, loan review, general services, and marketing. Intercompany accounts and transactions have been eliminated in preparing the Consolidated Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles, or GAAP) requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results may differ from these estimates and the differences may be material to the Consolidated Financial Statements. The Company's most significant estimates relate to the allowance for credit losses (related to investment securities, loans, and unfunded commitments), pension, and derivatives (interest rate swaps/hedges).

2. Basis of Preparation

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. In the opinion of management, all adjustments consisting of normal recurring entries considered necessary for a fair presentation have been included. They are not, however, necessarily indicative of the results of consolidated operations for a full-year.

For further information, refer to the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

3. Revenue Recognition

Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, requires the Company to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers at the time the transfer of goods or services takes place. Management determined that the primary sources of revenue associated with financial instruments, including interest and fee income on loans and interest on investments, along with certain non-interest revenue sources including net realized gains (losses) on investment securities, mortgage related fees, net gains on loans held for sale, and bank owned life insurance are not within the scope of Topic 606. These sources of revenue cumulatively comprise 80.8% of the total revenue of the Company.

Non-interest income within the scope of Topic 606 is as follows:

- Wealth management fees - Wealth management fee income is primarily comprised of fees earned from the management and administration of trusts and customer investment portfolios. The Company's performance obligation is generally satisfied over a period of time and the resulting fees are billed monthly or quarterly, based upon the month end market value of the assets under management. Payment is generally received after month end through a direct charge to customers' accounts. Due to this delay in payment, a receivable of \$850,000 has been established as of March 31, 2024 and is included in other assets on the Consolidated Balance Sheets in order to properly recognize the revenue earned but not yet received. Other performance obligations (such as delivery of account statements to customers) are generally considered immaterial to the overall transactions' price. Commissions on transactions are recognized on a trade-date basis as the performance obligation is satisfied at the point in time in which the trade is processed. Also included within wealth management fees are commissions from the sale of mutual funds, annuities, and life insurance products.

Commissions on the sale of mutual funds, annuities, and life insurance products are recognized when sold, which is when the Company has satisfied its performance obligation.

- Service charges on deposit accounts - The Company has contracts with its deposit account customers where fees are charged for certain items or services. Service charges include account analysis fees, monthly service fees, overdraft fees, and other deposit account related fees. Revenue related to account analysis fees and service fees is recognized on a monthly basis as the Company has an unconditional right to the fee consideration. Fees attributable to specific performance obligations of the Company (i.e. overdraft fees, etc.) are recognized at a defined point in time based on completion of the requested service or transaction.
- Other non-interest income - Other non-interest income consists of other recurring revenue streams such as safe deposit box rental fees, gain (loss) on sale of other real estate owned, ATM and VISA debit card fees, and other miscellaneous revenue streams. Safe deposit box rental fees are charged to the customer on an annual basis and recognized when billed. However, if the safe deposit box rental fee is prepaid (i.e. paid prior to issuance of annual bill), the revenue is recognized upon receipt of payment. The Company has determined that since rentals and renewals occur consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. Gains and losses on the sale of other real estate owned are recognized at the completion of the property sale when the buyer obtains control of the real estate and all the performance obligations of the Company have been satisfied. The Company offers ATM and VISA debit cards to deposit account holders which allows our customers to access their account electronically at ATMs and POS terminals. Fees related to ATM and VISA debit card transactions are recognized when the transactions are completed and the Company has satisfied its performance obligation.

The following presents non-interest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three-month periods ending March 31, 2024 and 2023 (in thousands).

	Three months ended March 31,	
	2024	2023
Non-interest income:		
In-scope of Topic 606		
Wealth management fees	\$ 3,266	\$ 2,738
Service charges on deposit accounts	293	266
Other	499	481
Non-interest income (in-scope of Topic 606)	4,058	3,485
Non-interest income (out-of-scope of Topic 606)	889	2,022
Total non-interest income	<u>\$ 4,947</u>	<u>\$ 5,507</u>

4. Earnings Per Common Share

Basic earnings per share include only the weighted average common shares outstanding. Diluted earnings per share include the weighted average common shares outstanding and any potentially dilutive common stock equivalent shares in the calculation. Treasury shares are excluded for earnings per share purposes. For the three-month periods ending March 31, 2024 and 2023, options to purchase 214,000 common shares, with an exercise price of \$ 2.96 to \$4.22, and options to purchase 22,000 common shares, with an exercise price of \$ 4.00 to \$4.22, respectively, were outstanding but were not included in the computation of diluted earnings per common share because to do so would be anti-dilutive.

	Three months ended March 31,	
	2024	2023
	(In thousands, except per share data)	
Numerator:		
Net income	<u>\$ 1,904</u>	\$ 1,515
Denominator:		
Weighted average common shares outstanding (basic)	<u>17,147</u>	17,131
Effect of stock options	<u>—</u>	24
Weighted average common shares outstanding (diluted)	<u>17,147</u>	17,155
Earnings per common share:		
Basic	\$ 0.11	\$ 0.09
Diluted	0.11	0.09

5. Consolidated Statement of Cash Flows

On a consolidated basis, cash and cash equivalents include cash and due from depository institutions, interest bearing deposits and short-term investments in both money market funds and commercial paper. The Company made no income tax payments in the first three months of 2024 and 2023. The Company made total interest payments of \$8,131,000 in the first three months of 2024 compared to \$ 4,868,000 in the same 2023 period. The Company had non-cash transfers to other real estate owned (OREO) and repossessed assets of \$108,000 in the first three months of 2024 compared to no non-cash transfers in the same 2023 period. During the first three months of 2024, the Company entered into a new operating lease related to an office location and recorded a right-of-use asset and lease liability of \$1.1 million. During the first three months of 2024, the Company entered into two new financing leases related to an office location and equipment and recorded right-of-use assets and lease liabilities of \$298,000. The execution of these new leases were partially offset by the termination of two financing leases related to an office location and equipment which led to the write-off of \$141,000 of right-of-use assets and lease liabilities during the first three months of 2024.

As a result of the adoption of ASC 326, *Financial Instruments – Credit Losses* (CECL), the Company had non-cash transactions during the first three months of 2023 associated with the day one adjustments necessary to record the adoption. Specifically, the adoption of this accounting standard necessitated that a day one increase of \$1.2 million be made to the allowance for credit losses on our loan portfolio. Furthermore, ASC 326 necessitated that the Company establish an allowance for expected credit losses for held to maturity (HTM) debt securities. Based upon the credit quality of the Company's HTM debt securities portfolio, the day one allowance for credit losses on our HTM securities portfolio totaled \$114,000. Finally, the adoption of CECL led to the recognition of a day one increase of \$ 177,000 for the Company's unfunded loan commitments.

6. Investment Securities

Securities are classified at the time of purchase as investment securities held to maturity if it is management's intent and the Company has the ability to hold the securities until maturity. These held to maturity securities are carried on the Company's books at cost, adjusted for amortization of premium and accretion of discount which is computed using the level yield method which approximates the effective interest method. Alternatively, securities are classified as available for sale if it is management's intent at the time of purchase to hold the securities for an indefinite period of time and/or to use the securities as part of the Company's asset/liability management strategy. Securities classified as available for sale include securities which may be sold to effectively manage interest rate risk exposure, prepayment risk, and other factors (such as liquidity requirements). These available for sale securities are reported at fair value with unrealized aggregate appreciation/depreciation excluded from income and credited/charged to accumulated other comprehensive income (loss) within shareholders' equity on a net of tax basis. Realized gains or losses on securities sold are computed upon the adjusted cost of the specific securities sold. Additionally, the Company holds equity securities which are comprised of mutual funds held within a rabbi trust for the executive deferred compensation plan. Such securities are reported at fair value within other assets on the Consolidated Balance Sheets. Unrealized holding gains and losses on equity securities are included in earnings.

Allowance for Credit Losses – Held to Maturity Securities

The Company measures expected credit losses on held to maturity debt securities, which are comprised of U.S. government agency and mortgage-backed securities as well as taxable municipal, corporate, and other bonds. The Company's agency and mortgage-backed securities are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. As such, no allowance for credit losses has been established for these securities. The allowance for credit losses on the taxable municipal, corporate, and other bonds within the held to maturity securities portfolio is calculated using the probability of default/loss given default (PD/LGD) method. The calculation is completed on a quarterly basis using the default studies provided by an industry leading source. Additionally, based on management judgment, certain qualitative adjustments, such as the Company's historical loss experience and/or the issuer's credit quality, may be applied. At March 31, 2024 and December 31, 2023, the allowance for credit losses on the held to maturity securities portfolio totaled \$90,000 and \$37,000, respectively.

The allowance for credit losses on held to maturity debt securities is included within investment securities held to maturity on the Consolidated Balance Sheets. Changes in the allowance for credit losses are recorded within provision (recovery) for credit losses on the Consolidated Statements of Operations.

Accrued interest receivable on held to maturity debt securities totaled \$ 439,000 and \$388,000 at March 31, 2024 and December 31, 2023, respectively, and is included within accrued interest income receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Held to maturity debt securities are typically classified as non-accrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held to maturity debt securities are placed on non-accrual status, unpaid interest credited to income is reversed. The Company had no held to maturity debt securities in non-accrual status or past due 90 days still accruing interest at March 31, 2024 and December 31, 2023. The underlying issuers continue to make timely principal and interest payments on the securities.

Allowance for Credit Losses – Available for Sale Securities

The Company measures expected credit losses on available for sale debt securities when the Company does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available for sale debt securities that do not meet the aforementioned criteria, the 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 of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost, a credit loss exists and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis. At March 31, 2024 and December 31, 2023, the allowance for credit losses on the available for sale securities portfolio totaled \$116,000 and \$926,000, respectively.

The allowance for credit losses on available for sale debt securities is included within investment securities available for sale on the Consolidated Balance Sheets. Changes in the allowance for credit losses are recorded within provision (recovery) for credit losses on the Consolidated Statements of Operations. Losses are charged against the allowance when the Company believes the collectability of an available for sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available for sale debt securities totaled \$ 1.2 million and \$988,000 at March 31, 2024 and December 31, 2023, respectively, and is included within accrued interest income receivable on the Consolidated Balance Sheets. This amount is excluded from the estimate of expected credit losses. Available for sale debt securities are typically classified as non-accrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available for sale debt securities are placed on non-accrual status, unpaid interest credited to income is reversed. It should be noted that the

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Company had no available for sale debt securities in non-accrual status at March 31, 2024. This is compared to one available for sale debt security in non-accrual status at December 31, 2023 totaling \$926,000 with an associated allowance for credit losses of \$926,000.

The cost basis and fair values of investment securities are summarized as follows:

Investment securities available for sale (AFS):

	March 31, 2024				
	COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ALLOWANCE FOR CREDIT LOSSES	FAIR VALUE
		(IN THOUSANDS)			
U.S. Agency	\$ 6,001	\$ —	\$ (735)	\$ —	\$ 5,266
U.S. Agency mortgage-backed securities	105,820	101	(12,827)	—	93,094
Municipal	10,840	1	(813)	—	10,028
Corporate bonds	60,593	57	(3,470)	(116)	57,064
Total	\$ 183,254	\$ 159	\$ (17,845)	\$ (116)	\$ 165,452

Investment securities held to maturity (HTM):

	March 31, 2024				
	COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE	ALLOWANCE FOR CREDIT LOSSES
		(IN THOUSANDS)			
U.S. Agency	\$ 2,500	\$ —	\$ (391)	\$ 2,109	\$ —
U.S. Agency mortgage-backed securities	25,273	24	(2,355)	22,942	—
Municipal	32,779	—	(2,909)	29,870	(2)
Corporate bonds and other securities	4,415	—	(156)	4,259	(88)
Total	\$ 64,967	\$ 24	\$ (5,811)	\$ 59,180	\$ (90)

Investment securities available for sale (AFS):

	December 31, 2023				
	COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ALLOWANCE FOR CREDIT LOSSES	FAIR VALUE
		(IN THOUSANDS)			
U.S. Agency	\$ 6,035	\$ —	\$ (696)	\$ —	\$ 5,339
U.S. Agency mortgage-backed securities	104,820	179	(11,924)	—	93,075
Municipal	11,159	1	(800)	—	10,360
Corporate bonds	62,004	46	(4,187)	(926)	56,937
Total	\$ 184,018	\$ 226	\$ (17,607)	\$ (926)	\$ 165,711

Investment securities held to maturity (HTM):

	December 31, 2023				
	COST BASIS	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE	ALLOWANCE FOR CREDIT LOSSES
		(IN THOUSANDS)			
U.S. Agency	\$ 2,500	\$ —	\$ (379)	\$ 2,121	\$ —
U.S. Agency mortgage-backed securities	24,222	49	(2,058)	22,213	—
Municipal	32,787	—	(2,797)	29,990	(2)
Corporate bonds and other securities	4,470	—	(173)	4,297	(35)
Total	\$ 63,979	\$ 49	\$ (5,407)	\$ 58,621	\$ (37)

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Proceeds from the sale of an AFS security totaled \$ 435,000 during the first quarter of 2024. The Company had established an allowance for credit losses on this AFS security during the first quarter of 2023. In accordance with ASC 326, *Financial Instruments – Credit Losses*, once the Company decided to sell the security (i.e. intent to sell), the security was charged down, against the allowance, to fair value therefore resulting in the recognition of no gross investment security gains or losses. The Company sold no AFS securities during the first quarter of 2023.

The carrying value of securities, both available for sale and held to maturity, pledged to secure public and trust deposits was \$134,516,000 at March 31, 2024 and \$ 135,624,000 at December 31, 2023.

The interest rate environment and market yields can have a significant impact on the yield earned on mortgage-backed securities (MBS). Prepayment speed assumptions are an important factor to consider when evaluating the returns on an MBS. Generally, as interest rates decline, borrowers have more incentive to refinance into a lower rate, so prepayments will rise. Conversely, as interest rates increase, prepayments will decline. When an MBS is purchased at a premium, the yield will decrease as prepayments increase and the yield will increase as prepayments decrease. As of March 31, 2024, the Company had low premium risk as the book value of our mortgage-backed securities purchased at a premium was only 100.8% of the par value.

Contractual maturities of securities at March 31, 2024 are shown below (in thousands). Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without prepayment penalties. The weighted average duration of the total investment securities portfolio at March 31, 2024 was 49.6 months and is relatively consistent with the duration at December 31, 2023 which was 49.4 months. The duration remains within our internally established guideline to not exceed 60 months which we believe is appropriate to maintain proper levels of liquidity, interest rate risk, market valuation sensitivity and profitability.

Total investment securities:

	March 31, 2024			
	Available for sale		Held to maturity	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Within 1 year	\$ 6,872	\$ 6,794	\$ 2,211	\$ 2,176
After 1 year but within 5 years	36,195	34,905	15,619	14,909
After 5 years but within 10 years	39,703	35,932	20,918	18,379
Over 10 years	100,484	87,821	26,219	23,716
Total	\$ 183,254	\$ 165,452	\$ 64,967	\$ 59,180

The following table summarizes the available for sale debt securities in an unrealized loss position for which an allowance for credit losses has not been recorded as of March 31, 2024, aggregated by security type and length of time in a continuous loss position (in thousands):

	March 31, 2024					
	LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
U.S. Agency	\$ —	\$ —	\$ 5,266	\$ (735)	\$ 5,266	\$ (735)
U.S. Agency mortgage-backed securities	12,296	(123)	71,010	(12,704)	83,306	(12,827)
Municipal	—	—	9,778	(813)	9,778	(813)
Corporate bonds	491	(9)	45,784	(3,461)	46,275	(3,470)
Total	\$ 12,787	\$ (132)	\$ 131,838	\$ (17,713)	\$ 144,625	\$ (17,845)

At March 31, 2024, within the available for sale debt securities portfolio, the Company had eight U.S. Agency mortgage-backed securities and one corporate bond that have been in a gross unrealized loss position for less than 12 months with depreciation of 1.0% from its amortized cost basis. Additionally, at March 31, 2024, within the available for sale debt securities portfolio, the Company had seven U.S. Agency, 138 U.S. Agency mortgage-backed securities, 31 municipal, and 85 corporate bonds that have been in a gross unrealized loss position for greater than 12 months with depreciation of 11.8% from its amortized cost basis.

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These unrealized losses are primarily a result of increases in market yields from the time of purchase. In general, as market yields rise, the value of securities will decrease; as market yields decrease, the fair value of securities will increase. Management generally views changes in fair value caused by changes in interest rates as temporary; therefore, no provision for credit losses has been recorded for these securities. Management has also concluded that based on current information we expect to continue to receive scheduled interest payments as well as the entire principal balance. Furthermore, management does not intend to sell these securities and does not believe it will be required to sell these securities before they recover in value or mature.

The following tables present the activity in the allowance for credit losses on available for sale debt securities by major security type for the three months ended March 31, 2024 and 2023 (in thousands).

Three months ended March 31, 2024					
	Balance at December 31, 2023	Charge-Offs	Recoveries	Provision (Recovery)	Balance at March 31, 2024
Corporate bonds	\$ 926	\$ (491)	\$ —	\$ (319)	\$ 116
Total	\$ 926	\$ (491)	\$ —	\$ (319)	\$ 116

Three months ended March 31, 2023						
	Balance at December 31, 2022	Impact of Adopting ASC 326	Charge-Offs	Recoveries	Provision (Recovery)	Balance at March 31, 2023
Corporate bonds	\$ —	\$ 326	\$ —	\$ —	\$ 926	\$ 926
Total	\$ —	\$ 326	\$ —	\$ —	\$ 926	\$ 926

The Company recorded a provision for credit losses recovery on available for sale debt securities of \$ 319,000 during the first quarter of 2024 while a \$926,000 provision for credit losses expense on available for sale debt securities was recorded during the first quarter of 2023. During the first quarter of 2023, the recognition of the loss resulted from a subordinated debt investment issued by Signature Bank which was closed by banking regulators on March 12, 2023. The security was successfully sold during the first quarter of 2024 which resulted in a charge-off of \$491,000 and recognition of a provision for credit losses recovery of \$435,000. This recovery was partially offset by the establishment of a \$ 116,000 allowance for credit losses on a corporate AFS security deemed to be credit impaired at March 31, 2024.

The following tables present the activity in the allowance for credit losses on held to maturity debt securities by major security type for the three months ended March 31, 2024 and 2023 (in thousands).

Three months ended March 31, 2024					
	Balance at December 31, 2023	Charge-Offs	Recoveries	Provision (Recovery)	Balance at March 31, 2024
U.S. Agency	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. Agency mortgage-backed securities	—	—	—	—	—
Municipal	2	—	—	—	2
Corporate bonds and other securities	35	—	—	53	88
Total	\$ 37	\$ —	\$ —	\$ 53	\$ 90

Three months ended March 31, 2023						
	Balance at December 31, 2022	Impact of Adopting ASC 326	Charge-Offs	Recoveries	Provision (Recovery)	Balance at March 31, 2023
U.S. Agency	\$ —	\$ 326	\$ —	\$ —	\$ —	\$ —
U.S. Agency mortgage-backed securities	—	—	—	—	—	—
Municipal	—	3	—	—	—	3
Corporate bonds and other securities	—	111	—	—	(31)	80
Total	\$ —	\$ 114	\$ —	\$ —	\$ (31)	\$ 83

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As stated previously, the Company's agency and mortgage-backed securities are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. As such, no allowance for credit losses has been established for these securities. The allowance for credit losses on the taxable municipal, corporate, and other bonds within the held to maturity securities portfolio is calculated using the PD/LGD method. The calculation is completed on a quarterly basis using the default studies provided by an industry leading source. Additionally, based on management judgment, certain qualitative adjustments, such as the Company's historical loss experience and/or the issuer's credit quality, may be applied.

Maintaining investment quality is a primary objective of the Company's Investment Policy which, subject to certain limited exceptions, prohibits the purchase of any investment security below a Moody's Investor's Service or Standard & Poor's rating of A. The Company monitors the credit ratings of its debt securities on a quarterly basis. At March 31, 2024, 56.6% of the total investment securities portfolio was rated AAA as compared to 55.9% at December 31, 2023. Approximately 14.3% of the total investment securities portfolio was either rated below A or unrated at March 31, 2024 as compared to 15.1% at December 31, 2023.

Specifically, the following table summarizes the amortized cost of held to maturity debt securities at March 31, 2024, aggregated by credit quality indicator (in thousands).

	March 31, 2024			
	Credit Rating			
	AAA/AA/A	BBB/BB/B	Unrated	Total
U.S. Agency	\$ 2,500	\$ —	\$ —	\$ 2,500
U.S. Agency mortgage-backed securities	25,273	—	—	25,273
Municipal	32,779	—	—	32,779
Corporate bonds and other securities	3,000	—	1,415	4,415
Total	<u>\$ 63,552</u>	<u>\$ —</u>	<u>\$ 1,415</u>	<u>\$ 64,967</u>

7. Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of any deferred fees or costs and an allowance for credit losses. Interest income is accrued on the unpaid principal balance. As of March 31, 2024 and December 31, 2023, accrued interest receivable on loans totaled \$4.4 million and \$4.2 million, respectively, which is reported in accrued interest income receivable on the Consolidated Balance Sheets and is excluded from the estimate of credit losses. Loan origination and commitment fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) over the contractual life of the loan.

The segments of the Company's loan portfolio are disaggregated into classes that allows management to monitor risk and performance. The loan classes used are consistent with the internal reports evaluated by the Company's management and Board of Directors to monitor risk and performance within various segments of its loan portfolio. The commercial loan segment includes both the owner occupied commercial real estate loan and the other commercial and industrial loan classes. The commercial real estate loan segment includes the non-owner occupied commercial real estate loan classes of retail, multi-family, and other. The residential mortgage loan segment is comprised of first lien amortizing residential mortgage loans while the consumer loan segment consists primarily of home equity loans secured by residential real estate, installment loans, and overdraft lines of credit associated with customer deposit accounts.

The loan portfolio of the Company consists of the following (in thousands):

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Commercial:		
Commercial real estate (owner occupied) ⁽¹⁾	\$ 88,030	\$ 89,147
Other commercial and industrial	148,805	159,424
Commercial real estate (non-owner occupied):		
Retail ⁽¹⁾	169,787	161,961
Multi-family ⁽¹⁾	109,556	110,008
Other ⁽¹⁾	229,574	240,286
Residential mortgages ⁽¹⁾	176,991	174,670
Consumer	102,944	102,775
Loans, net of unearned income	<u>\$ 1,025,687</u>	<u>\$ 1,038,271</u>

⁽¹⁾ Real estate construction loans constituted 3.1% and 3.4% of the Company's total loans, net of unearned income as of March 31, 2024 and December 31, 2023, respectively.

Loan balances at March 31, 2024 and December 31, 2023 are net of unearned income of \$ 468,000 and \$483,000, respectively.

8. Allowance for Credit Losses – Loans

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

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period. The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company has aligned our segmentation to the quarterly Call Report. This allowed the Company to use not only our data but also peer institutions' data to supplement loss observations in determining our qualitative adjustments. Some further sub-segmenting was performed on the commercial and industrial (C&I) and commercial real estate (CRE) portfolios based on collateral type. The Company has identified the following portfolio segments:

- C&I and CRE Owner Occupied – Real Estate
- C&I and CRE Owner Occupied – Other
- CRE Non-Owner Occupied – Retail
- CRE Non-Owner Occupied – Multi-Family
- CRE Non-Owner Occupied – Other
- Residential Mortgages
- Consumer

The Company is utilizing the static pool analysis (cohort) method for our current expected credit losses (CECL) model. The static pool analysis methodology captures loans that qualify for a segment (i.e. balance of a pool of loans with similar risk characteristics) as of a point in time to form a cohort then tracks that cohort over their remaining lives to determine their loss behavior. The remaining lifetime loss rate is then applied to current loans that qualify for the same segmentation criteria to form a remaining life expectation on current loans. Once historical cohorts are established, the loans in each individual cohort are tracked over their remaining lives for loss and recovery events. Each cohort is

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evaluated individually and as a result, a loss may be counted in several different quarterly cohort periods, as long as the specific loan existed in the population of each of those cohort periods.

The following tables summarize the rollforward of the allowance for credit losses by loan portfolio segment for the three-month periods ending March 31, 2024 and 2023 (in thousands).

	Three months ended March 31, 2024					Balance at March 31, 2024
	Balance at December 31, 2023	Charge-Offs	Recoveries	Provision (Recovery)		
Commercial real estate (owner occupied)	\$ 1,529	\$ —	\$ 6	\$ (1,119)	\$ 416	
Other commercial and industrial	3,030	(103)	12	(272)		2,667
Commercial real estate (non-owner occupied) - retail	3,488	—	—	118		3,606
Commercial real estate (non-owner occupied) - multi-family	1,430	—	2	(74)		1,358
Other commercial real estate (non-owner occupied)	3,428	—	2	1,186		4,616
Residential mortgages	1,021	—	1	(175)		847
Consumer	1,127	(61)	20	43		1,129
Total	\$ 15,053	\$ (164)	\$ 43	\$ (293)		\$ 14,639

	Three months ended March 31, 2023					Balance at March 31, 2023
	Balance at December 31, 2022	Impact of Adopting ASC 326	Charge-Offs	Recoveries	Provision (Recovery)	
Commercial real estate (owner occupied)	\$ —	\$ 1,380	\$ —	\$ 6	\$ (66)	\$ 1,320
Other commercial and industrial	—	2,908	—	1	(36)	2,873
Commercial real estate (non-owner occupied) - retail	—	1,432	—	—	54	1,486
Commercial real estate (non-owner occupied) - multi-family	—	1,226	—	1	(81)	1,146
Other commercial real estate (non-owner occupied)	5,972	(2,776)	—	4	(3)	3,197
Commercial (owner occupied real estate and other)	2,653	(2,653)	—	—	—	—
Residential mortgages	1,380	(355)	—	2	5	1,032
Consumer	85	695	(139)	9	428	1,078
Allocation for general risk	653	(653)	—	—	—	—
Total	\$ 10,743	\$ 1,204	\$ (139)	\$ 23	\$ 301	\$ 12,132

The Company recorded a \$293,000 provision for credit losses recovery in the first quarter of 2024 as compared to a \$301,000 provision expense recorded in the first quarter of 2023, representing a \$ 594,000 favorable shift between years. The 2024 provision for credit losses recovery was recognized due to payoff activity that resulted in the total loan portfolio balance decreasing since year-end 2023. Additionally, contributing to this recovery was a favorable adjustment to the historical loss and qualitative factors used to calculate the allowance for credit losses in accordance with CECL.

Non-performing assets decreased from \$ 12.4 million at December 31, 2023 to \$ 12.2 million at March 31, 2024 primarily due to a reduction in non-accrual commercial real estate loans. Non-performing assets were at 1.18% of total loans. During the first three months of 2024, the Company experienced net loan charge-offs of \$121,000, or 0.05% of total average loans, which is relatively consistent with net charge-offs of \$116,000, or 0.05% of total average loans, in the first three months of 2023. In summary, the allowance for credit losses on the loan portfolio provided 120% coverage of non-performing assets, and 1.43% of total loans, at March 31, 2024 compared to 121% coverage of non-performing assets, and 1.45% of total loans, on December 31, 2023.

Historical credit loss experience is the basis for the estimation of expected credit losses. The Company applies historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already captured in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on a blend of peer and Company data as well as management judgment. Including peer data addresses the Company's lack of loss history in some pools of loans. For periods beyond our reasonable and supportable forecast period of two years, loss expectations revert to the long-run historical mean. The qualitative adjustments for current conditions are based upon the following factors:

- changes in lending policies and procedures;
- changes in economic conditions;
- changes in the nature and volume of the portfolio;
- staff experience;
- changes in volume and severity of delinquency, non-performing loans, and classified loans;
- changes in the quality of the Company's loan review system;
- trends in underlying collateral value;
- concentration risk; and
- external factors: competition, legal, regulatory.

These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve. Ultimately, 45% of the first quarter of 2024 general reserve represented qualitative adjustment with 55% representing quantitative reserve.

In accordance with ASC 326, *Financial Instruments - Credit Losses*, the Company will evaluate individual loans for expected credit losses when those loans do not share similar risk characteristics with loans evaluated using a collective (pooled) basis. In contrast to legacy accounting standards, this criterion is broader than the impairment concept and management may evaluate loans individually even when no specific expectation of collectability is in place. Loans will not be included in both collective and individual analysis. The individual analysis will establish a specific reserve for loans in scope. It should be noted that there is a review threshold of \$150,000 or more for loans being subject to individual evaluation within the consumer and residential mortgage segments.

Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. The method is selected on a loan-by-loan basis, with management primarily utilizing either the discounted cash flows or the fair value of collateral method. The evaluation of the need and amount of a specific allocation of the allowance is made on a quarterly basis.

The need for an updated appraisal on collateral dependent loans is determined on a case-by-case basis. The useful life of an appraisal or evaluation will vary depending upon the circumstances of the property and the economic conditions in the marketplace. A new appraisal is not required if there is an existing appraisal which, along with other information, is sufficient to determine a reasonable value for the property and to support an appropriate and adequate allowance for credit losses. At a minimum, annual documented reevaluation of the property is completed by the Bank's internal Collections and Assigned Risk Department to support the value of the property.

When reviewing an appraisal associated with an existing real estate collateral dependent transaction, the Bank's Chief Credit Officer must determine if there have been material changes to the underlying assumptions in the appraisal which affect the original estimate of value. Some of the factors that could cause material changes to reported values include:

- the passage of time;
- the volatility of the local market;
- the availability of financing;
- natural disasters;

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- the inventory of competing properties;
- new improvements to, or lack of maintenance of, the subject property or competing properties upon physical inspection by the Bank;
- changes in underlying economic and market assumptions, such as material changes in current and projected vacancy, absorption rates, capitalization rates, lease terms, rental rates, sales prices, concessions, construction overruns and delays, zoning changes, etc.; and/or
- environmental contamination.

The value of the property is adjusted to appropriately reflect the above listed factors and the value is discounted to reflect the value impact of a forced or distressed sale, any outstanding senior liens, any outstanding unpaid real estate taxes, transfer taxes and closing costs that would occur with sale of the real estate. If the Chief Credit Officer determines that a reasonable value cannot be derived based on available information, a new appraisal is ordered. The determination of the need for a new appraisal, versus completion of a property valuation by the Bank's Collections and Assigned Risk Department personnel, rests with the Chief Credit Officer and not the originating account officer.

The following tables summarize the loan portfolio and allowance for credit losses (in thousands).

	At March 31, 2024							
	Commercial real estate (owner occupied)	Other commercial and industrial	Commercial real estate (non-owner occupied) - retail	Commercial real estate (non-owner occupied) - multi-family	Other commercial real estate (non-owner occupied) - multi-family	Residential mortgages	Consumer	Total
Loans:								
Individually evaluated	\$ 185	\$ 1,678	\$ —	\$ —	\$ 12,141	\$ 524	\$ —	\$ 14,528
Collectively evaluated	87,845	147,127	169,787	109,556	217,433	176,467	102,944	1,011,159
Total loans	<u>\$ 88,030</u>	<u>\$ 148,805</u>	<u>\$ 169,787</u>	<u>\$ 109,556</u>	<u>\$ 229,574</u>	<u>\$ 176,991</u>	<u>\$ 102,944</u>	<u>\$ 1,025,687</u>
Allowance for credit losses:								
Specific reserve allocation	\$ —	\$ 394	\$ —	\$ —	\$ 1,608	\$ —	\$ —	\$ 2,002
General reserve allocation	416	2,273	3,606	1,358	3,008	847	1,129	12,637
Total allowance for credit losses	<u>\$ 416</u>	<u>\$ 2,667</u>	<u>\$ 3,606</u>	<u>\$ 1,358</u>	<u>\$ 4,616</u>	<u>\$ 847</u>	<u>\$ 1,129</u>	<u>\$ 14,639</u>

	At December 31, 2023							
	Commercial real estate (owner occupied)	Other commercial and industrial	Commercial real estate (non-owner occupied) - retail	Commercial real estate (non-owner occupied) - multi-family	Other commercial real estate (non-owner occupied) - multi-family	Residential mortgages	Consumer	Total
Loans:								
Individually evaluated	\$ 187	\$ 1,694	\$ —	\$ —	\$ 8,780	\$ 173	\$ —	\$ 10,834
Collectively evaluated	88,960	157,730	161,961	110,008	231,506	174,497	102,775	1,027,437
Total loans	<u>\$ 89,147</u>	<u>\$ 159,424</u>	<u>\$ 161,961</u>	<u>\$ 110,008</u>	<u>\$ 240,286</u>	<u>\$ 174,670</u>	<u>\$ 102,775</u>	<u>\$ 1,038,271</u>
Allowance for credit losses:								
Specific reserve allocation	\$ —	\$ 414	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 414
General reserve allocation	1,529	2,616	3,488	1,430	3,428	1,021	1,127	14,639
Total allowance for credit losses	<u>\$ 1,529</u>	<u>\$ 3,030</u>	<u>\$ 3,488</u>	<u>\$ 1,430</u>	<u>\$ 3,428</u>	<u>\$ 1,021</u>	<u>\$ 1,127</u>	<u>\$ 15,053</u>

The following tables present the amortized cost basis of collateral-dependent loans by class of loans (in thousands).

March 31, 2024	Collateral Type	
	Real Estate	
Commercial:		
Commercial real estate (owner occupied)	\$	185
Commercial real estate (non-owner occupied):		
Other		12,141
Residential mortgages		524
Total	\$	12,850

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December 31, 2023	Collateral Type	
	Real Estate	
Commercial:		
Commercial real estate (owner occupied)	\$	187
Commercial real estate (non-owner occupied):		
Other		8,780
Residential mortgages		173
Total	\$	9,140

Non-Performing Assets

Non-performing assets are comprised of (i) loans which are on a non-accrual basis, (ii) loans which are contractually past due 90 days or more as to interest or principal payments, and (iii) other real estate owned (OREO – real estate acquired through foreclosure and in-substance foreclosures) and repossessed assets.

Loans will be transferred to non-accrual status when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in evaluating the loan include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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 following table presents non-accrual loans, loans past due over 90 days still accruing interest, and OREO and repossessed assets by portfolio class (in thousands).

	At March 31, 2024					
	Non-accrual with no ACL	Non-accrual with ACL	Total non-accrual	Loans past due over 90 days still accruing	OREO and repossessed assets	Total non-performing assets
Commercial real estate (owner occupied)	\$ 185	\$ —	\$ 185	\$ —	\$ —	\$ 185
Other commercial and industrial	—	1,678	1,678	79	108	1,865
Commercial real estate (non-owner occupied) - retail	—	—	—	—	—	—
Commercial real estate (non-owner occupied) - multi-family	—	—	—	—	—	—
Other commercial real estate (non-owner occupied)	8,553	—	8,553	—	—	8,553
Residential mortgages	524	180	704	—	15	719
Consumer	—	839	839	—	—	839
Total	\$ 9,262	\$ 2,697	\$ 11,959	\$ 79	\$ 123	\$ 12,161

	At December 31, 2023					
	Non-accrual with no ACL	Non-accrual with ACL	Total non-accrual	Loans past due over 90 days still accruing	OREO and repossessed assets	Total non-performing assets
Commercial real estate (owner occupied)	\$ 187	\$ —	\$ 187	\$ —	\$ —	\$ 187
Other commercial and industrial	—	1,694	1,694	211	—	1,905
Commercial real estate (non-owner occupied) - retail	—	—	—	—	—	—
Commercial real estate (non-owner occupied) - multi-family	—	—	—	—	—	—
Other commercial real estate (non-owner occupied)	8,780	—	8,780	—	—	8,780
Residential mortgages	173	545	718	—	15	733
Consumer	—	788	788	—	—	788
Total	\$ 9,140	\$ 3,027	\$ 12,167	\$ 211	\$ 15	\$ 12,393

It should be noted that the Company has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed in non-accrual status, any outstanding interest is reversed against interest income.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public

information, and current economic trends, among other factors. The Company analyzes loans individually to classify the loans as to credit risk.

Management uses a nine-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first six categories are considered not criticized. The first five pass categories are aggregated, while the pass-6, special mention, substandard and doubtful categories are disaggregated to separate pools. The criticized rating categories utilized by management generally follow bank regulatory definitions. The special mention category includes assets that are currently protected but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a substandard classification. Loans in the substandard category have well-defined weaknesses that jeopardize the liquidation of the debt, and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. Loans in the doubtful category have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. All loans greater than 90 days past due, or for which any portion of the loan represents a specific allocation of the allowance for credit losses, are placed in substandard or doubtful.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company has a structured loan rating process, which dictates that, at a minimum, credit reviews are mandatory for all commercial and commercial mortgage loan relationships with aggregate balances in excess of \$1,000,000 within a 12-month period. Generally, consumer and residential mortgage loans are included in the pass categories unless a specific action, such as bankruptcy, delinquency, or death occurs to raise awareness of a possible credit event. The Company's commercial relationship managers are responsible for the timely and accurate risk rating of the loans in their portfolios at origination and on an ongoing basis. Risk ratings are assigned by the account officer, but require independent review and rating concurrence from the Company's internal Loan Review Department. The Loan Review Department is an experienced, independent function which reports directly to the Board's Audit Committee. The scope of commercial portfolio coverage by the Loan Review Department is defined and presented to the Audit Committee for approval on an annual basis. The approved scope of coverage for the year ending December 31, 2024 requires review of approximately 37% of the commercial loan portfolio.

In addition to loan monitoring by the account officer and Loan Review Department, the Company also requires presentation of all credits rated pass-6 with aggregate balances greater than \$2,000,000, all credits rated special mention or substandard with aggregate balances greater than \$250,000, and all credits rated doubtful with aggregate balances greater than \$100,000 on an individual basis to the Company's Loan Loss Reserve Committee on a quarterly basis. Additionally, the Asset Quality Task Force, which is a group comprised of senior level personnel, meets monthly to monitor the status of problem loans.

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The following tables present the classes of the commercial and commercial real estate loan portfolios summarized by the aggregate pass and the criticized categories of special mention, substandard and doubtful within the internal risk rating system.

	At March 31, 2024									
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans			
	2024	2023	2022	2021	2020	Prior	Amortized Cost Basis	Converted to Term	Revolving Loans	
	(In Thousands)									
Commercial real estate (owner occupied)										
Pass	\$ 2,074	\$ 17,706	\$ 6,481	\$ 15,375	\$ 11,157	\$ 33,491	\$ 1,489	\$ —	\$ 87,773	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	—	257	—	—	257	
Doubtful	—	—	—	—	—	—	—	—	—	
Total	<u>\$ 2,074</u>	<u>\$ 17,706</u>	<u>\$ 6,481</u>	<u>\$ 15,375</u>	<u>\$ 11,157</u>	<u>\$ 33,748</u>	<u>\$ 1,489</u>	<u>\$ —</u>	<u>\$ 88,030</u>	
Current period gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	
Other commercial and industrial										
Pass	\$ 4,955	\$ 21,643	\$ 32,438	\$ 12,016	\$ 5,480	\$ 23,002	\$ 47,076	\$ —	\$ 146,610	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	567	—	—	1,554	74	—	2,195	
Doubtful	—	—	—	—	—	—	—	—	—	
Total	<u>\$ 4,955</u>	<u>\$ 21,643</u>	<u>\$ 33,005</u>	<u>\$ 12,016</u>	<u>\$ 5,480</u>	<u>\$ 24,556</u>	<u>\$ 47,150</u>	<u>\$ —</u>	<u>\$ 148,805</u>	
Current period gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 103</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 103</u>	
Commercial real estate (non-owner occupied) - retail										
Pass	\$ 8,000	\$ 36,073	\$ 23,143	\$ 32,820	\$ 22,935	\$ 44,397	\$ 983	\$ —	\$ 168,351	
Special Mention	—	—	312	—	—	1,124	—	—	1,436	
Substandard	—	—	—	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	—	—	—	
Total	<u>\$ 8,000</u>	<u>\$ 36,073</u>	<u>\$ 23,455</u>	<u>\$ 32,820</u>	<u>\$ 22,935</u>	<u>\$ 45,521</u>	<u>\$ 983</u>	<u>\$ —</u>	<u>\$ 169,787</u>	
Current period gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	
Commercial real estate (non-owner occupied) - multi-family										
Pass	\$ 5,297	\$ 23,843	\$ 16,682	\$ 17,062	\$ 11,920	\$ 31,840	\$ 566	\$ —	\$ 107,210	
Special Mention	—	—	—	—	—	—	—	—	—	
Substandard	—	—	—	—	954	1,392	—	—	2,346	
Doubtful	—	—	—	—	—	—	—	—	—	
Total	<u>\$ 5,297</u>	<u>\$ 23,843</u>	<u>\$ 16,682</u>	<u>\$ 17,062</u>	<u>\$ 12,874</u>	<u>\$ 33,232</u>	<u>\$ 566</u>	<u>\$ —</u>	<u>\$ 109,556</u>	
Current period gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	
Other commercial real estate (non-owner occupied)										
Pass	\$ 473	\$ 30,675	\$ 37,016	\$ 48,002	\$ 16,835	\$ 68,203	\$ 6,436	\$ —	\$ 207,640	
Special Mention	—	—	—	—	—	3,705	—	—	3,705	
Substandard	—	—	867	199	—	17,163	—	—	18,229	
Doubtful	—	—	—	—	—	—	—	—	—	
Total	<u>\$ 473</u>	<u>\$ 30,675</u>	<u>\$ 37,883</u>	<u>\$ 48,201</u>	<u>\$ 16,835</u>	<u>\$ 89,071</u>	<u>\$ 6,436</u>	<u>\$ —</u>	<u>\$ 229,574</u>	
Current period gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	
Total by risk rating										
Pass	\$ 20,799	\$ 129,940	\$ 115,760	\$ 125,275	\$ 68,327	\$ 200,933	\$ 56,550	\$ —	\$ 717,584	
Special Mention	—	—	312	—	—	4,829	—	—	5,141	
Substandard	—	—	1,434	199	954	20,366	74	—	23,027	
Doubtful	—	—	—	—	—	—	—	—	—	
Total	<u>\$ 20,799</u>	<u>\$ 129,940</u>	<u>\$ 117,506</u>	<u>\$ 125,474</u>	<u>\$ 69,281</u>	<u>\$ 226,128</u>	<u>\$ 56,624</u>	<u>\$ —</u>	<u>\$ 745,752</u>	
Current period gross charge-offs	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 103</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 103</u>	

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At December 31, 2023										
	Term Loans Amortized Cost Basis by Origination Year						(In Thousands)	Revolving	Revolving	Converted
	2023	2022	2021	2020	2019	Prior		Amortized	Cost	
	2023	2022	2021	2020	2019	Prior		Basis	Term	
Commercial real estate (owner occupied)										
Pass	\$ 17,801	\$ 6,750	\$ 15,067	\$ 8,415	\$ 10,322	\$ 26,538	\$ 351	\$ —	\$ 85,244	Revolving Loans
Special Mention	—	—	464	—	2,252	—	923	—	3,639	Amortized
Substandard	—	—	—	—	—	264	—	—	264	Cost Basis
Doubtful	—	—	—	—	—	—	—	—	—	to Term
Total	\$ 17,801	\$ 6,750	\$ 15,531	\$ 8,415	\$ 12,574	\$ 26,802	\$ 1,274	\$ —	\$ 89,147	Total
Current period gross charge-offs										
Other commercial and industrial	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Pass	\$ 22,662	\$ 34,816	\$ 12,767	\$ 5,831	\$ 4,912	\$ 19,587	\$ 56,391	\$ 70	\$ 157,036	Revolving Loans
Special Mention	—	—	127	—	—	—	—	—	127	Amortized
Substandard	—	619	—	—	—	1,578	64	—	2,261	Cost Basis
Doubtful	—	—	—	—	—	—	—	—	—	to Term
Total	\$ 22,662	\$ 35,435	\$ 12,894	\$ 5,831	\$ 4,912	\$ 21,165	\$ 56,455	\$ 70	\$ 159,424	Total
Current period gross charge-offs										
Commercial real estate (non-owner occupied) - retail	\$ —	\$ 75	\$ —	\$ —	\$ —	\$ 405	\$ —	\$ —	\$ 480	\$ —
Pass	\$ 35,545	\$ 23,368	\$ 33,110	\$ 23,146	\$ 9,226	\$ 35,102	\$ 983	\$ —	\$ 160,480	Revolving Loans
Special Mention	—	314	—	—	—	1,167	—	—	1,481	Amortized
Substandard	—	—	—	—	—	—	—	—	—	Cost Basis
Doubtful	—	—	—	—	—	—	—	—	—	to Term
Total	\$ 35,545	\$ 23,682	\$ 33,110	\$ 23,146	\$ 9,226	\$ 36,269	\$ 983	\$ —	\$ 161,961	Total
Current period gross charge-offs										
Commercial real estate (non-owner occupied) - multi-family	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,028	\$ —	\$ —	\$ 2,028	\$ —
Pass	\$ 22,620	\$ 16,767	\$ 16,622	\$ 12,041	\$ 9,638	\$ 28,632	\$ 1,321	\$ —	\$ 107,641	Revolving Loans
Special Mention	—	—	—	—	—	—	—	—	—	Amortized
Substandard	—	—	—	966	1,278	123	—	—	2,367	Cost Basis
Doubtful	—	—	—	—	—	—	—	—	—	to Term
Total	\$ 22,620	\$ 16,767	\$ 16,622	\$ 13,007	\$ 10,916	\$ 28,755	\$ 1,321	\$ —	\$ 110,008	Total
Current period gross charge-offs										
Other commercial real estate (non-owner occupied)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Pass	\$ 29,591	\$ 36,398	\$ 48,267	\$ 20,168	\$ 23,025	\$ 54,792	\$ 5,670	\$ —	\$ 217,911	Revolving Loans
Special Mention	—	—	—	—	—	3,777	—	—	3,777	Amortized
Substandard	—	1,043	—	—	6,243	11,113	—	199	18,598	Cost Basis
Doubtful	—	—	—	—	—	—	—	—	—	to Term
Total	\$ 29,591	\$ 37,441	\$ 48,267	\$ 20,168	\$ 29,268	\$ 69,682	\$ 5,670	\$ 199	\$ 240,286	Total
Current period gross charge-offs										
Total by risk rating	\$ —	\$ —	\$ —	\$ —	\$ 804	\$ —	\$ —	\$ —	\$ 804	\$ —
Pass	\$ 128,219	\$ 118,099	\$ 125,833	\$ 69,601	\$ 57,123	\$ 164,651	\$ 64,716	\$ 70	\$ 728,312	Revolving Loans
Special Mention	—	314	591	—	2,252	4,944	923	—	9,024	Amortized
Substandard	—	1,662	—	966	7,521	13,078	64	199	23,490	Cost Basis
Doubtful	—	—	—	—	—	—	—	—	—	to Term
Total	\$ 128,219	\$ 120,075	\$ 126,424	\$ 70,567	\$ 66,896	\$ 182,673	\$ 65,703	\$ 269	\$ 760,826	Total
Current period gross charge-offs										
	\$ —	\$ —	\$ —	\$ —	\$ 804	\$ 2,433	\$ —	\$ —	\$ 3,312	\$ —

It is generally the policy of the Bank that the outstanding balance of any residential mortgage or home equity loan that exceeds 90-days past due as to principal and/or interest is transferred to non-accrual status and an evaluation is completed to determine the fair value of the collateral less selling costs, unless the balance is minor. A charge-down is recorded for any deficiency balance determined from the collateral evaluation. It is generally the policy of the Bank that the outstanding balance of any unsecured consumer loan that exceeds 90-days past due as to principal and/or interest is charged-off. Loans past due 90 days or more and loans in non-accrual status are considered non-performing. The

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following tables present the performing and non-performing outstanding balances of the residential mortgage and consumer loan portfolio classes.

At March 31, 2024										
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized to Cost Basis			
	2024	2023	2022	2021	2020	Prior				Total
	(In Thousands)									
Residential mortgages										
Performing	\$ 2,145	\$ 14,498	\$ 11,444	\$ 60,531	\$ 43,569	\$ 44,100	\$ —	\$ —	\$ —	\$ 176,287
Non-performing	—	—	—	—	—	704	\$ —	\$ —	\$ —	704
Total	<u>\$ 2,145</u>	<u>\$ 14,498</u>	<u>\$ 11,444</u>	<u>\$ 60,531</u>	<u>\$ 43,569</u>	<u>\$ 44,804</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 176,991</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer										
Performing	\$ 2,546	\$ 13,484	\$ 19,635	\$ 9,180	\$ 3,035	\$ 5,490	\$ 48,532	\$ 203	\$ 102,105	
Non-performing	—	15	—	—	68	560	196	—	—	839
Total	<u>\$ 2,546</u>	<u>\$ 13,499</u>	<u>\$ 19,635</u>	<u>\$ 9,180</u>	<u>\$ 3,103</u>	<u>\$ 6,050</u>	<u>\$ 48,728</u>	<u>\$ 203</u>	<u>\$ 102,944</u>	
Current period gross charge-offs	\$ —	\$ 2	\$ 8	\$ 10	\$ 10	\$ 31	\$ —	\$ —	\$ —	61
Total by payment performance										
Performing	\$ 4,691	\$ 27,982	\$ 31,079	\$ 69,711	\$ 46,604	\$ 49,590	\$ 48,532	\$ 203	\$ 278,392	
Non-performing	—	15	—	—	68	1,264	196	—	—	1,543
Total	<u>\$ 4,691</u>	<u>\$ 27,997</u>	<u>\$ 31,079</u>	<u>\$ 69,711</u>	<u>\$ 46,672</u>	<u>\$ 50,854</u>	<u>\$ 48,728</u>	<u>\$ 203</u>	<u>\$ 279,935</u>	
Current period gross charge-offs	\$ —	\$ 2	\$ 8	\$ 10	\$ 10	\$ 31	\$ —	\$ —	\$ —	61
At December 31, 2023										
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized to Cost Basis			
	2023	2022	2021	2020	2019	Prior				Total
	(In Thousands)									
Residential mortgages										
Performing	\$ 14,576	\$ 11,620	\$ 61,172	\$ 44,049	\$ 7,092	\$ 35,443	\$ —	\$ —	\$ —	\$ 173,952
Non-performing	—	—	—	—	—	718	\$ —	\$ —	\$ —	718
Total	<u>\$ 14,576</u>	<u>\$ 11,620</u>	<u>\$ 61,172</u>	<u>\$ 44,049</u>	<u>\$ 7,092</u>	<u>\$ 36,161</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 174,670</u>
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 54	\$ —	\$ —	\$ —	54
Consumer										
Performing	\$ 13,890	\$ 20,430	\$ 9,782	\$ 3,190	\$ 1,169	\$ 4,515	\$ 48,344	\$ 667	\$ 101,987	
Non-performing	15	—	—	73	42	280	157	221	—	788
Total	<u>\$ 13,905</u>	<u>\$ 20,430</u>	<u>\$ 9,782</u>	<u>\$ 3,263</u>	<u>\$ 1,211</u>	<u>\$ 4,795</u>	<u>\$ 48,501</u>	<u>\$ 888</u>	<u>\$ 102,775</u>	
Current period gross charge-offs	\$ 9	\$ 35	\$ 43	\$ 7	\$ 8	\$ 173	\$ —	\$ —	\$ —	275
Total by payment performance										
Performing	\$ 28,466	\$ 32,050	\$ 70,954	\$ 47,239	\$ 8,261	\$ 39,958	\$ 48,344	\$ 667	\$ 275,939	
Non-performing	15	—	—	73	42	998	157	221	—	1,506
Total	<u>\$ 28,481</u>	<u>\$ 32,050</u>	<u>\$ 70,954</u>	<u>\$ 47,312</u>	<u>\$ 8,303</u>	<u>\$ 40,956</u>	<u>\$ 48,501</u>	<u>\$ 888</u>	<u>\$ 277,445</u>	
Current period gross charge-offs	\$ 9	\$ 35	\$ 43	\$ 7	\$ 8	\$ 227	\$ —	\$ —	\$ —	329

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Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio summarized by the aging categories of performing loans and non-accrual loans.

	At March 31, 2024							
	30 – 59 DAYS CURRENT		60 – 89 DAYS PAST DUE		90+ DAYS PAST DUE (IN THOUSANDS)			
	CURRENT	PAST DUE	PAST DUE	PAST DUE	PAST DUE	PAST DUE		
Commercial real estate (owner occupied)	\$ 87,845	\$ —	\$ —	\$ 185	\$ 185	\$ 185	\$ 88,030	
Other commercial and industrial	147,873	364	93	475	932	932	148,805	
Commercial real estate (non-owner occupied) - retail	168,559	1,228	—	—	1,228	1,228	169,787	
Commercial real estate (non-owner occupied) - multi-family	109,556	—	—	—	—	—	109,556	
Other commercial real estate (non-owner occupied)	222,577	6,224	—	773	6,997	6,997	229,574	
Residential mortgages	176,167	134	15	675	824	824	176,991	
Consumer	102,181	330	240	193	763	763	102,944	
Total	<u>\$ 1,014,758</u>	<u>\$ 8,280</u>	<u>\$ 348</u>	<u>\$ 2,301</u>	<u>\$ 10,929</u>	<u>\$ 10,929</u>	<u>\$ 1,025,687</u>	

	At December 31, 2023							
	30 – 59 DAYS CURRENT		60 – 89 DAYS PAST DUE		90+ DAYS PAST DUE (IN THOUSANDS)			
	CURRENT	PAST DUE	PAST DUE	PAST DUE	PAST DUE	PAST DUE		
Commercial real estate (owner occupied)	\$ 88,960	\$ —	\$ —	\$ 187	\$ 187	\$ 187	\$ 89,147	
Other commercial and industrial	158,290	526	22	586	1,134	1,134	159,424	
Commercial real estate (non-owner occupied) - retail	161,961	—	—	—	—	—	161,961	
Commercial real estate (non-owner occupied) - multi-family	110,008	—	—	—	—	—	110,008	
Other commercial real estate (non-owner occupied)	239,243	—	—	1,043	1,043	1,043	240,286	
Residential mortgages	173,647	437	18	568	1,023	1,023	174,670	
Consumer	101,664	741	23	347	1,111	1,111	102,775	
Total	<u>\$ 1,033,773</u>	<u>\$ 1,704</u>	<u>\$ 63</u>	<u>\$ 2,731</u>	<u>\$ 4,498</u>	<u>\$ 4,498</u>	<u>\$ 1,038,271</u>	

Loan Modifications to Borrowers Experiencing Financial Difficulty

Occasionally, the Company modifies loans to borrowers experiencing financial difficulty as a result of our loss mitigation activities. A variety of solutions are offered to borrowers, including loan modifications that may result in principal forgiveness, interest rate reductions, term extensions, payment delays, or combinations thereof.

- Principal forgiveness includes principal and accrued interest forgiveness. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL.
- Interest rate reductions include modifications where the interest rate is reduced and interest is deferred.
- Term extensions extend the original contractual maturity date of the loan.
- Payment delays consist of modifications where we expect to collect the contractual amounts due but result in a delay in the receipt of payments specified under the original loan terms. We generally consider payment delays to be insignificant when the delay is three months or less.

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The following tables summarize the amortized cost basis of loans modified to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and 2023 (in thousands).

Three months ended March 31, 2024		
Term Extension		
	Amortized Cost Basis	% of Total Class of Loans
Commercial real estate (owner occupied)	\$ 185	0.21 %
Total	\$ 185	
Combination - Term Extension and Payment Delay		
	Amortized Cost Basis	% of Total Class of Loans
Other commercial and industrial	\$ 171	0.11 %
Total	\$ 171	

Three months ended March 31, 2023		
Term Extension		
	Amortized Cost Basis	% of Total Class of Loans
Other commercial and industrial	\$ 439	0.29 %
Total	\$ 439	

At March 31, 2024 and 2023, the Company had no unfunded loan commitments associated with the loan modifications to borrowers experiencing financial difficulty. In addition, as of March 31, 2024 and 2023, the modified loans described in the tables above were current as to payments.

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and 2023.

Three months ended March 31, 2024				
Term Extension				
Loan Type	Financial Effect			
Commercial real estate (owner occupied)	Provided a maturity date extension of five years.			
Combination - Term Extension and Payment Delay				
Loan Type	Financial Effect			
Other commercial and industrial	Provided a maturity date extension of nine months and modified seasonal principal and interest payments to interest only until maturity.			
Three months ended March 31, 2023				
Term Extension				
Loan Type	Financial Effect			
Other commercial and industrial	Provided five-month expiration date extension on non-accrual line of credit under which availability was eliminated.			

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The Company had no loans which were modified to borrowers experiencing financial difficulty which subsequently defaulted during the three months ended March 31, 2024 and 2023.

9. Short-Term Borrowings and Advances from Federal Home Loan Bank

Total short-term and Federal Home Loan Bank (FHLB) borrowings and advances consist of the following (in thousands, except percentages):

Type	At March 31, 2024		
	Maturing	Amount	Weighted Average Rate
Open Repo Plus	Overnight	\$ 11,446	5.67 %
FHLB Advances	2024	8,797	3.34
	2025	2,000	4.43
	2026	13,920	4.28
	2027	12,950	4.28
	2028	11,745	4.46
Total FHLB advances		<u>49,412</u>	4.16
Total short-term and FHLB borrowings		<u>\$ 60,858</u>	4.45 %

Type	At December 31, 2023		
	Maturing	Amount	Weighted Average Rate
Open Repo Plus	Overnight	\$ 40,951	5.68 %
FHLB Advances	2024	7,947	3.23
	2025	2,000	4.43
	2026	12,920	4.29
	2027	10,950	4.33
	2028	10,745	4.50
Total FHLB advances		<u>44,562</u>	4.17
Total short-term and FHLB borrowings		<u>\$ 85,513</u>	4.89 %

The rate on Open Repo Plus advances can change daily, while the rates on the advances are fixed until the maturity of the advance. All FHLB stock along with an interest in certain residential mortgage, commercial real estate, and commercial and industrial loans with an aggregate statutory value equal to the amount of the advances are pledged as collateral to the FHLB of Pittsburgh to support these borrowings.

10. Accumulated Other Comprehensive Loss

The following table presents the changes in each component of accumulated other comprehensive loss, net of tax, for the three months ended March 31, 2024 and 2023 (in thousands):

	Three months ended March 31, 2024					Three months ended March 31, 2023				
	Net					Net				
	Unrealized		Gains and			Unrealized		Gains and		
	Investment	Interest	Defined	Benefit	Pension	Investment	Interest	Defined	Benefit	Pension
	Securities	Rate	Items ⁽¹⁾	Total ⁽¹⁾		Securities	Rate	Items ⁽¹⁾	Total ⁽¹⁾	
	AFS ⁽¹⁾	Hedge ⁽¹⁾				AFS ⁽¹⁾	Hedge ⁽¹⁾			
Beginning balance	\$ (13,730)	\$ (352)	\$ (5,894)	\$ (19,976)		\$ (14,938)	\$ —	\$ (7,582)	\$ (22,520)	
Other comprehensive income (loss) before reclassifications	(241)	787	(131)	415		449	(636)	—	(187)	
Amounts reclassified from accumulated other comprehensive loss	—	(157)	—	(157)		—	(19)	—	—	(19)
Net current period other comprehensive income (loss)	(241)	630	(131)	258		449	(655)	—	(206)	
Ending balance	<u>\$ (13,971)</u>	<u>\$ 278</u>	<u>\$ (6,025)</u>	<u>\$ (19,718)</u>		<u>\$ (14,489)</u>	<u>\$ (655)</u>	<u>\$ (7,582)</u>	<u>\$ (22,726)</u>	

(1) Amounts in parentheses indicate debits on the Consolidated Balance Sheets.

The following table presents the amounts reclassified out of each component of accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023 (in thousands):

Details about accumulated other comprehensive loss components	Amount reclassified from accumulated other comprehensive loss ⁽¹⁾		Affected line item in the statement of operations
	For the three months ended March 31, 2024	For the three months ended March 31, 2023	
Interest rate hedge	\$ (199)	\$ (24)	Interest expense - Deposits
	<u>42</u>	<u>5</u>	Provision for income taxes
Total reclassifications for the period	<u>\$ (157)</u>	<u>\$ (19)</u>	

(1) Amounts in parentheses indicate credits.

11. Regulatory Capital

The Company is subject to various capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. For a more detailed discussion, see the Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total, common equity tier 1, and tier 1 capital to risk-weighted assets (as defined) and tier 1 capital to average assets. Additionally, under Basel III rules, the decision was made to opt-out of including accumulated other comprehensive income in regulatory capital. As of March 31, 2024, the Bank was categorized as "well capitalized" under the regulatory framework for prompt corrective action promulgated by the Federal Reserve. The Company believes that no conditions or events have occurred that would change this

conclusion as of such date. To be categorized as well capitalized, the Bank must maintain minimum total capital, common equity tier 1 capital, tier 1 capital, and tier 1 leverage ratios as set forth in the table.

At March 31, 2024						
	COMPANY		BANK		MINIMUM REQUIRED FOR CAPITAL ADEQUACY PURPOSES	TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION REGULATIONS*
	AMOUNT	RATIO	AMOUNT	RATIO	RATIO	RATIO
(IN THOUSANDS, EXCEPT RATIOS)						
Total Capital (To Risk Weighted Assets)	\$ 151,072	13.10 %	\$ 136,524	11.89 %	8.00 %	10.00 %
Common Equity Tier 1 Capital (To Risk Weighted Assets)	109,946	9.53	122,160	10.64	4.50	6.50
Tier 1 Capital (To Risk Weighted Assets)	109,946	9.53	122,160	10.64	6.00	8.00
Tier 1 Capital (To Average Assets)	109,946	7.89	122,160	8.85	4.00	5.00

At December 31, 2023						
	COMPANY		BANK		MINIMUM REQUIRED FOR CAPITAL ADEQUACY PURPOSES	TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION REGULATIONS*
	AMOUNT	RATIO	AMOUNT	RATIO	RATIO	RATIO
(IN THOUSANDS, EXCEPT RATIOS)						
Total Capital (To Risk Weighted Assets)	\$ 149,596	13.03 %	\$ 135,196	11.82 %	8.00 %	10.00 %
Common Equity Tier 1 Capital (To Risk Weighted Assets)	108,541	9.46	120,874	10.57	4.50	6.50
Tier 1 Capital (To Risk Weighted Assets)	108,541	9.46	120,874	10.57	6.00	8.00
Tier 1 Capital (To Average Assets)	108,541	7.80	120,874	8.78	4.00	5.00

* Applies to the Bank only.

12. Derivative Hedging Instruments

The Company can use various interest rate contracts, such as interest rate swaps, caps, floors and swaptions to help manage interest rate and market valuation risk exposure, which is incurred in normal recurrent banking activities.

Interest Rate Swap Agreements

The Company can use derivative instruments, primarily interest rate swaps, to manage interest rate risk and match the rates on certain assets by hedging the fair value of certain fixed rate debt, which converts the debt to variable rates and by hedging the cash flow variability associated with certain variable rate debt by converting the debt to fixed rates.

To accommodate the needs of our customers and support the Company's asset/liability positioning, we may enter into interest rate swap agreements with customers and a large financial institution that specializes in these types of transactions. These arrangements involve the exchange of interest payments based on the notional amounts. The Company entered into floating rate loans and fixed rate swaps with our customers. Simultaneously, the Company entered into offsetting fixed rate swaps with this large financial institution. In connection with each swap transaction, the Company agrees to pay interest to the customer on a notional amount at a variable interest rate and receive interest from the customer on the same notional amount at a fixed interest rate. At the same time, the Company agrees to pay the large financial institution the same fixed interest rate on the same notional amount and receive the same variable interest rate on the same notional amount. These transactions allow the Company's customers to effectively convert a variable rate loan to a fixed rate. Because the Company acts as an intermediary for its customers, changes in the fair value of the underlying derivative contracts offset each other and do not significantly impact the Company's results of operations.

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These swaps are considered free-standing derivatives and are reported at fair value within other assets and other liabilities on the Consolidated Balance Sheets. Disclosures related to the fair value of the swap transactions can be found in Note 16.

The following table summarizes the interest rate swap transactions that impacted the Company's first three months of 2024 and 2023 performance (in thousands, except percentages).

		At March 31, 2024				
	HEDGE TYPE	AGGREGATE NOTIONAL AMOUNT	WEIGHTED AVERAGE RATE RECEIVED/(PAID)	REPRICING FREQUENCY		INCREASE (DECREASE) IN INTEREST INCOME
Swap assets	N/A	\$ 68,414	7.69 %	Monthly	\$	561
Swap liabilities	N/A	(68,414)	(7.69)	Monthly		(561)
Net exposure		\$ —	— %		\$	—

		At March 31, 2023				
	HEDGE TYPE	AGGREGATE NOTIONAL AMOUNT	WEIGHTED AVERAGE RATE RECEIVED/(PAID)	REPRICING FREQUENCY		INCREASE (DECREASE) IN INTEREST INCOME
Swap assets	N/A	\$ 65,770	6.99 %	Monthly	\$	437
Swap liabilities	N/A	(65,770)	(6.99)	Monthly		(437)
Net exposure		\$ —	— %		\$	—

Risk Participation Agreement

The Company has entered into risk participation agreements (RPAs) with the lead bank of certain commercial real estate loan arrangements. As a participating bank, the Company guarantees the performance on borrower-related interest rate swap contracts. The Company has no obligations under the RPAs unless the borrower defaults on their swap transaction with the lead bank and the swap is a liability to the borrower. In that instance, the Company has agreed to pay the lead bank a pre-determined percentage of the swap's value at the time of default. In exchange for providing the guarantee, the Company receives an upfront fee from the lead bank.

RPAs are derivative financial instruments and are recorded at fair value. These derivatives are not designated as hedges and therefore, changes in fair value are recognized in earnings with a corresponding offset within other liabilities. Disclosures related to the fair value of the RPAs can be found in Note 16. The notional amount of the risk participation agreements outstanding at March 31, 2024 and December 31, 2023 was \$6.6 million and \$6.8 million, respectively.

Interest Rate Hedge

The Company has entered into interest rate swaps with a total notional value of \$ 70 million and \$50 million as of March 31, 2024 and 2023, respectively, in order to hedge the interest rate risk associated with certain floating-rate time deposit accounts. The hedge transactions allow the Company to add stability to interest expense and manage its exposure to interest rate movements. These interest rate swaps are designated as cash flow hedges and involve the receipt of variable rate amounts from a counterparty in exchange for the Company making fixed payments.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is reported in accumulated other comprehensive loss (within Shareholders' Equity), net of tax, with a corresponding offset within other assets or other liabilities. Disclosures related to the fair value of the interest rate hedges can be found in Note 16. Amounts recorded in accumulated other comprehensive loss for the effective portion of changes in the fair value are subsequently reclassified to earnings when the hedged transaction affects earnings. The ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of the hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged transactions. The Company did not recognize any hedge ineffectiveness in earnings during the periods ended March 31, 2024 and 2023.

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Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on certain of the Company's variable rate time deposit accounts. During the three months ended March 31, 2024 and 2023, the Company had \$199,000 and \$24,000 of gains, respectively, which resulted in a decrease in interest expense. In the twelve months that follow March 31, 2024, the Company estimates that approximately \$785,000 will be reclassified as a decrease to interest expense. This reclassified amount could differ from amounts actually recognized due to changes in interest rates. As of March 31, 2024, the maximum length of time over which forecasted transactions are hedged is approximately three years with all hedge transactions terminating by December 2026.

The following table summarizes the effect of the effective portion of the Company's cash flow hedge accounting on accumulated other comprehensive loss for the three months ended March 31, 2024 and 2023 (in thousands).

	Three months ended March 31, 2024		
	Amount Recognized in Other Comprehensive Loss on Derivative	Location on Consolidated Statements of Operations of Reclassification from Accumulated Other Comprehensive Loss	Amount Reclassified from Accumulated Other Comprehensive Loss
Derivatives in Cash Flow Hedging Relationships			
Interest rate hedge	\$ 797	Interest expense - Deposits	\$ (199)
Total	\$ 797		\$ (199)

	Three months ended March 31, 2023		
	Amount Recognized in Other Comprehensive Loss on Derivative	Location on Consolidated Statements of Operations of Reclassification from Accumulated Other Comprehensive Loss	Amount Reclassified from Accumulated Other Comprehensive Loss
Derivatives in Cash Flow Hedging Relationships			
Interest rate hedge	\$ (829)	Interest expense - Deposits	\$ (24)
Total	\$ (829)		\$ (24)

The Company monitors and controls all derivative products with a comprehensive Board of Directors approved Hedging Policy. This policy permits a total maximum notional amount outstanding of \$500 million for interest rate swaps, interest rate caps/floors, and swaptions. All hedge transactions must be approved in advance by the Investment Asset/Liability Committee (ALCO) of the Board of Directors, unless otherwise approved, as per the terms, within the Board of Directors approved Hedging Policy. The Company had no caps or floors outstanding at March 31, 2024 and 2023.

13. Segment Results

The financial performance of the Company is also monitored by an internal funds transfer pricing profitability measurement system which produces line of business results and key performance measures. The Company's major business units include community banking, wealth management, and investment/parent. The reported results reflect the underlying economics of the business segments. Expenses for centrally provided services are allocated based upon the cost and estimated usage of those services. The businesses are match-funded and interest rate risk is centrally managed and accounted for within the investment/parent business segment. The key performance measure the Company focuses on for each business segment is net income contribution.

The community banking segment includes both retail and commercial banking activities. Retail banking includes the deposit-gathering branch franchise and lending to both individuals and small businesses. Lending activities include residential mortgage loans, direct consumer loans, and small business commercial loans. Commercial banking to businesses includes commercial loans, business services, and CRE loans. The wealth management segment includes the Trust Company, West Chester Capital Advisors (WCCA), our registered investment advisory firm, and Financial Services. Wealth management activities include personal trust products and services such as personal portfolio investment management, estate planning and administration, custodial services and pre-need trusts. Also, institutional trust products and services such as 401(k) plans, defined benefit and defined contribution employee benefit plans, and

individual retirement accounts are included in this segment. Financial Services include the sale of mutual funds, annuities, and insurance products. The wealth management businesses also include the union collective investment funds (ERECT funds) which are designed to use union pension dollars in construction projects that utilize union labor. The investment/parent includes the net results of investment securities and borrowing activities, general corporate expenses not allocated to the business segments, interest expense on corporate debt, and centralized interest rate risk management. Inter-segment revenues were not material.

The contribution of the major business segments to the Consolidated Statements of Operations for the three months ended March 31, 2024 and 2023 were as follows (in thousands):

	Three months ended March 31, 2024	
	Total revenue	Net income (loss)
Community banking	\$ 14,648	\$ 5,021
Wealth management	3,268	766
Investment/Parent	(4,222)	(3,883)
Total	<u>\$ 13,694</u>	<u>\$ 1,904</u>

	Three months ended March 31, 2023	
	Total revenue	Net income (loss)
Community banking	\$ 13,358	\$ 3,668
Wealth management	2,746	448
Investment/Parent	(1,075)	(2,601)
Total	<u>\$ 15,029</u>	<u>\$ 1,515</u>

14. Commitments and Contingent Liabilities

The Company had various outstanding commitments to extend credit approximating \$ 253.1 million and \$236.6 million along with standby letters of credit of \$8.0 million and \$8.2 million as of March 31, 2024 and December 31, 2023, respectively. The Company's exposure to credit loss in the event of nonperformance by the other party to these commitments to extend credit and standby letters of credit is represented by their contractual amounts. The Bank uses the same credit and collateral policies in making commitments and conditional obligations as for all other lending.

The Company estimates expected credit losses over the contractual period in which it is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the provision (recovery) for credit losses line on the Consolidated Statements of Operations. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The Company recorded a provision for credit losses expense on unfunded commitments of \$2,000 for the three months ended March 31, 2024 compared to a provision for credit losses recovery of \$17,000 for the three months ended March 31, 2023. The carrying amount of the allowance for credit losses for the Company's obligations related to unfunded commitments and standby letters of credit, which is reported in other liabilities on the Consolidated Balance Sheets, was \$942,000 at March 31, 2024 and \$940,000 at December 31, 2023.

Additionally, the Company is subject to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of the Company, neither the resolution of these claims nor the funding of these credit commitments is expected to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

15. Pension Benefits

The Company has a noncontributory defined benefit pension plan covering certain employees who work at least 1,000 hours per year. The participants have a vested interest in their accrued benefit after five full years of service. The benefits of the plan are based upon the employee's years of service and average annual earnings for the highest five

consecutive calendar years during the final ten-year period of employment. Plan assets are primarily debt securities (including U.S. Treasury and Agency securities and corporate bonds), listed common stocks (including shares of AmeriServ Financial, Inc. common stock which is limited to 10% of the plan's assets), mutual funds, and short-term cash equivalent instruments. The net periodic pension cost for the three months ended March 31, 2024 and 2023 was as follows (in thousands):

	Three months ended March 31,	
	2024	2023
COMPONENTS OF NET PERIODIC BENEFIT COST:		
Service cost	\$ 250	\$ 258
Interest cost	429	435
Expected return on plan assets	(1,032)	(1,034)
Net periodic pension benefit	\$ (353)	\$ (341)

The service cost component of net periodic benefit cost is included in salaries and employee benefits and all other components of net periodic benefit cost are included in other expense on the Consolidated Statements of Operations.

The accrued pension liability, which had a positive (debit) balance of \$ 24.7 million, was reclassified to other assets on the Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023. The balance of the accrued pension liability continues to be a positive value as a result of Company contributions to the plan and the revaluation of the obligation.

The Company implemented a soft freeze of its defined benefit pension plan to provide that non-union employees hired on or after January 1, 2013 and union employees hired on or after January 1, 2014 are not eligible to participate in the pension plan. Instead, such employees are eligible to participate in a qualified 401(k) plan. This change was made to help reduce pension costs in future periods.

16. Disclosures about Fair Value Measurements and Financial Instruments

The following disclosures establish a hierachal disclosure framework associated with the level of pricing observability utilized in measuring assets and liabilities at fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three broad levels defined within this hierarchy are as follows:

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

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

Level III: Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Assets and Liabilities Measured and Recorded on a Recurring Basis

Equity securities are reported at fair value utilizing Level 1 inputs. These securities are mutual funds held within a rabbi trust for the Company's executive deferred compensation plan. The mutual funds held are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.

Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quoted market spreads, cash flows, the U.S. Treasury yield curve, live trading

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levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. It should be noted that available for sale securities are reported at fair value, net of any related allowance for credit losses.

The fair values of the simultaneous interest rate swaps and the interest rate hedge used for interest rate risk management and the risk participation agreements associated with certain commercial real estate loans are based on an external derivative valuation model using data inputs from similar transactions as of the valuation date and classified Level 2.

The following table presents the assets and liabilities measured and reported on the Consolidated Balance Sheets on a recurring basis at their fair value as of March 31, 2024 and December 31, 2023, by level within the fair value hierarchy (in thousands).

	Fair Value Measurements at March 31, 2024			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Equity securities ⁽¹⁾	\$ 337	\$ 337	\$ —	\$ —
Available for sale securities:				
U.S. Agency	5,266	—	5,266	—
U.S. Agency mortgage-backed securities	93,094	—	93,094	—
Municipal	10,028	—	10,028	—
Corporate bonds	57,064	—	57,064	—
Interest rate swap asset ⁽¹⁾	4,993	—	4,993	—
Interest rate hedge ⁽¹⁾	352	—	352	—
Interest rate swap liability ⁽²⁾	(5,048)	—	(5,048)	—
Risk participation agreement ⁽²⁾	(272)	—	(272)	—

	Fair Value Measurements at December 31, 2023			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
Equity securities ⁽¹⁾	\$ 499	\$ 499	\$ —	\$ —
Available for sale securities:				
U.S. Agency	5,339	—	5,339	—
U.S. Agency mortgage-backed securities	93,075	—	93,075	—
Municipal	10,360	—	10,360	—
Corporate bonds	56,937	—	56,937	—
Interest rate swap asset ⁽¹⁾	4,582	—	4,582	—
Interest rate swap liability ⁽²⁾	(4,665)	—	(4,665)	—
Interest rate hedge ⁽²⁾	(446)	—	(446)	—
Risk participation agreement ⁽²⁾	(410)	—	(410)	—

(1) Included within other assets on the Consolidated Balance Sheets.

(2) Included within other liabilities on the Consolidated Balance Sheets.

Assets Measured and Recorded on a Non-Recurring Basis

The Company evaluates individual loans for expected credit losses when those loans do not share similar risk characteristics with loans evaluated using a collective (pooled) basis. Individually evaluated loans are reported at the fair value of the underlying collateral if the repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on observable market data which at times are discounted using unobservable inputs. At March 31, 2024, individually evaluated loans using the collateral method with a carrying value of \$3.6 million were reduced by a specific valuation allowance totaling \$1.6 million resulting in a net fair value of \$ 2.0 million. At December 31, 2023, the Company had no individually evaluated loans using the collateral method which were carried at fair value.

Other real estate owned is measured at fair value based on appraisals, less estimated costs to sell at the date of foreclosure. The Bank's internal Collections and Assigned Risk Department estimates the fair value of repossessed assets, such as vehicles and equipment, using a formula driven analysis based on automobile or other industry data, less estimated costs to sell at the time of repossession. Valuations are periodically performed by management and the assets

are carried at the lower of carrying amount or fair value, less costs to sell. Income and expenses from operations and changes in valuation allowance are included in the net expenses from OREO and repossessed assets.

Assets measured and recorded at fair value on a non-recurring basis are summarized below (in thousands, except range data):

	Fair Value Measurements			
	TOTAL	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)
March 31, 2024				
Individually evaluated loans	\$ 1,980	\$ —	\$ —	\$ 1,980
Other real estate owned and repossessed assets	123	—	—	123
December 31, 2023				
Other real estate owned and repossessed assets	\$ 15	\$ —	\$ —	\$ 15
Quantitative Information About Level 3 Fair Value Measurements				
March 31, 2024	Fair Value	Valuation Techniques	Unobservable Input	Range (Wgtd Avg)
	\$ 1,980	Appraisal of collateral ⁽¹⁾	Appraisal adjustments ⁽²⁾ Liquidation expenses	10% to 100% (10.01%) 48% to 63% (53%) 0% to 33% (8%)
Quantitative Information About Level 3 Fair Value Measurements				
December 31, 2023	Fair Value	Valuation Techniques	Unobservable Input	Range (Wgtd Avg)
	\$ 15	Appraisal of collateral ⁽¹⁾	Appraisal adjustments ⁽²⁾ Liquidation expenses	63% (63%) 33% (33%)

(1) Fair Value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable. Also includes qualitative adjustments by management and estimated liquidation expenses.

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For the Company, as for most financial institutions, approximately 90% of its assets and liabilities are considered financial instruments. Many of the Company's financial instruments, however, lack an available trading market characterized by a willing buyer and willing seller engaging in an exchange transaction. Therefore, significant estimates and present value calculations were used by the Company for the purpose of this disclosure.

Fair values have been determined by the Company using independent third party valuations that use the best available data (Level 2) and an estimation methodology (Level 3) the Company believes is suitable for each category of financial instruments. Management believes that cash and cash equivalents, bank owned life insurance, regulatory stock, accrued interest receivable and payable, deposits with no stated maturities, and short-term borrowings have fair values which approximate the recorded carrying values. The fair value measurements for all of these financial instruments are Level 1 measurements.

The estimated fair values based on U.S. GAAP measurements and recorded carrying values at March 31, 2024 and December 31, 2023 for the remaining financial instruments not required to be reported at fair value were as follows:

	March 31, 2024				
	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(In Thousands)				
FINANCIAL ASSETS:					
Investment securities – HTM	\$ 64,967	\$ 59,180	\$ —	\$ 57,312	\$ 1,868
Loans held for sale	899	914	914	—	—
Loans, net of allowance for credit losses and unearned income	1,011,048	940,240	—	—	940,240
FINANCIAL LIABILITIES:					
Deposits with stated maturities	327,156	326,340	—	—	326,340
All other borrowings ⁽¹⁾	76,107	74,328	—	—	74,328

	December 31, 2023				
	Carrying Value	Fair Value	(Level 1)	(Level 2)	(Level 3)
	(In Thousands)				
FINANCIAL ASSETS:					
Investment securities – HTM	\$ 63,979	\$ 58,621	\$ —	\$ 56,769	\$ 1,852
Loans held for sale	130	132	132	—	—
Loans, net of allowance for credit losses and unearned income	1,023,218	950,402	—	—	950,402
FINANCIAL LIABILITIES:					
Deposits with stated maturities	322,477	321,660	—	—	321,660
All other borrowings ⁽¹⁾	71,247	70,061	—	—	70,061

⁽¹⁾ All other borrowings include advances from Federal Home Loan Bank and subordinated debt.

Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values. The Company's remaining assets and liabilities which are not considered financial instruments have not been valued differently than has been customary under historical cost accounting.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

THREE MONTHS ENDED MARCH 31, 2024 VS. THREE MONTHS ENDED MARCH 31, 2023

.....PERFORMANCE OVERVIEW.....The following table summarizes some of the Company's key performance indicators (in thousands, except per share and ratios).

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net income	\$ 1,904	\$ 1,515
Diluted earnings per share	0.11	0.09
Return on average assets (annualized)	0.55 %	0.45 %
Return on average equity (annualized)	7.51 %	5.85 %

The Company reported net income of \$1,904,000, or \$0.11 per diluted common share. This earnings performance represented a \$389,000, or 25.7%, increase over the first quarter of 2023 when net income totaled \$1,515,000, or \$0.09 per diluted common share. The first quarter 2024 results demonstrate that the Company's earnings improvement program is working. Implementing this program contributed to a decrease in non-interest expense, an increase in certain non-interest income items and higher investment security revenue. The Company also benefitted from its diversified revenue streams and saw another strong contribution from the wealth management business, which delivered record quarterly revenue. These factors resulted in total non-interest income representing 36% of total revenue for the quarter. Finally, after five consecutive quarters of decline, net interest income and margin increased in the first quarter of 2024 when compared to the more recent fourth quarter 2023 performance indicating that the Company has begun to reverse one of the major revenue challenges that it has faced with the inversion of the yield curve.

Overall, the favorable comparison in the Company's performance in the first quarter of 2024 reflects a positive shift in the provision for credit losses and a reduction in non-interest expense, both of which more than offset the lower level of total revenue. Specifically, the Company benefitted from a provision for credit losses recovery in the first quarter of 2024 which represents a significant shift from a large provision expense in the first quarter of 2023. Total non-interest income was lower for the first quarter of 2024 compared to last year's first quarter after a gain was recognized on the sale of Class B common stock shares of Visa Inc in 2023 and no such gain was recognized this year. This overshadowed significant improvement in other non-interest income line items. Total non-interest expense in the first quarter of 2024 declined and compared favorably to non-interest expense for the first quarter of 2023 primarily due to a lower level of legal and professional services costs.

.....NET INTEREST INCOME AND MARGIN..... The Company's net interest income represents the amount by which interest income on earning assets exceeds interest paid on interest bearing liabilities. Net interest income is a primary source of the Company's earnings, and it is affected by interest rate fluctuations as well as changes in the amount and mix of earning assets and interest bearing liabilities. The following table compares the Company's net interest income performance for the first quarter of 2024 to the first quarter of 2023 (in thousands, except percentages):

	Three months ended March 31, 2024	Three months ended March 31, 2023	Change	% Change
Interest income	\$ 16,224	\$ 14,574	\$ 1,650	11.3 %
Interest expense	7,477	5,052	2,425	48.0
Net interest income	<u>\$ 8,747</u>	<u>\$ 9,522</u>	<u>\$ (775)</u>	<u>(8.1)</u>
Net interest margin	2.70 %	3.03 %	(0.33)%	N/M

N/M — not meaningful

The Company's net interest income in the first quarter of 2024 decreased by \$775,000, or 8.1%, from the prior year's first quarter while the net interest margin of 2.70% for the first quarter of 2024 represents a 33-basis point decrease from the first quarter of 2023. The decrease reflects net interest margin compression which has been prevalent in the banking industry since the Federal Reserve began tightening monetary policy in an effort to control inflation. Additionally, contributing to net interest margin compression is the inverted U.S. Treasury yield curve. While the Company's net interest margin percentage in the first quarter of 2024 compares unfavorably to last year's first quarter, it did improve since the fourth quarter of 2023 by seven basis points. This improvement reversed a declining trend that existed for five consecutive quarters and reflects the Federal Reserve keeping interest rates stable since July 2023 along with the impact of management's pricing of loans and deposits.

Total average loans in the first quarter of 2024 were higher than the 2023 first quarter average by \$43.3 million, or 4.4%. Strong loan pipelines during 2023 resulted in the loan portfolio demonstrating growth throughout the year. So far in 2024, payoff activity has surpassed loan originations which is consistent with what occurred during the first quarter of 2023 and has resulted in an \$11.8 million, or 1.1%, decline in total loans since December 31, 2023. Overall, total loans continue to be above the \$1.0 billion threshold averaging \$1.030 billion for the 2024 first quarter. The higher interest rate environment along with the higher average total loans outstanding resulted in total loan interest income improving by \$1.5 million, or 12.2%, for the first quarter of 2024 when compared to the first quarter of 2023.

Total investment securities averaged \$256.7 million for the first quarter of 2024, which is \$9.3 million, or 3.5%, lower than the \$266.0 million average for the first quarter of last year. The decrease reflects management's 2023 strategy to allocate more cash flow from the securities portfolio to higher yielding loans while the Company controlled the amount of high cost overnight borrowed funds. While yields on new security purchases exceeded the overall average yield of the existing securities portfolio, the spread between overnight borrowings and the yield on new securities ranged from negative to only marginally positive causing the slowdown in purchasing activity during 2023 and into 2024. Thus, new investment security purchases were primarily used to replace cash flow from maturing securities to maintain appropriate balances for pledging purposes related to public funds deposits. The improved yields for new securities purchases along with management's execution of a late December 2023 investment portfolio repositioning strategy caused interest income from investments to increase by \$140,000, or 6.2%. This repositioning strategy resulted in an approximate 2.1% yield improvement on \$16.8 million of securities. Overall, the 2024 first quarter balance of total

average interest earning assets increased over last year's first quarter by \$33.9 million, or 2.7%, while total interest income increased by \$1.7 million, or 11.3%, since the first quarter of 2023.

On the liability side of the balance sheet, total average deposits of \$1.160 billion for the first quarter of 2024 were \$10.4 million, or 0.9%, higher than the 2023 first quarter average. The increase reflects the Company's successful business development efforts which more than offset a portion of the funds from the government stimulus programs leaving the balance sheet and greater pricing competition in the market to retain deposits because of the higher interest rates. The Company's core deposit base continued to demonstrate the strength and stability that it has had for many years. On March 31, 2024, total deposits grew by \$18.2 million, or 1.6%, since December 31, 2023, demonstrating customer loyalty and confidence in AmeriServ Financial Bank. The Company does not utilize brokered deposits as a funding source. In addition to its loyal core deposit base, the Company has several other sources of liquidity, including a significant unused borrowing capacity at the Federal Home Loan Bank (FHLB), overnight lines of credit at correspondent banks and access to the Federal Reserve Discount Window. The loan to deposit ratio averaged 88.8% in the first quarter of 2024, which indicates that the Company has ample capacity to continue to grow its loan portfolio and is well positioned to support our customers and our community during times of economic volatility.

Total interest expense in the first quarter of 2024 increased by \$2.4 million, or 48.0%, when compared to the first quarter of 2023, due to higher deposit and borrowings interest expense. Deposit interest expense was higher by \$2.0 million, or 48.0%, while the first quarter 2024 average volume of total interest-bearing deposits grew from the 2023 first quarter average by \$28.7 million, or 3.0%. The rising national interest rates in 2023 resulted in certain deposit products, particularly public funds, which are tied to a market index, repricing upward with the move in short-term interest rates causing interest expense to increase. Additionally, increased market competition resulted in the Company raising rates on certain shorter-term certificates of deposit to retain funds. Another factor contributing to net interest margin compression was an unfavorable deposit mix shift as the first quarter 2024 average of non-interest bearing demand deposits declined by \$18.3 million, or 9.3%, while, as mentioned above, total interest-bearing deposits increased by \$28.7 million, or 3.0%. For interest rate risk management purposes and to offset a portion of the unfavorable impact that rising funding costs are having on net interest income, management proactively executed \$70 million of interest rate hedge transactions during 2023 to fix the cost of certain deposits that are indexed and move with short-term interest rates. These hedging transactions reduced the Company's negative variability of net interest income in a rising interest rate environment and helped slow net interest margin compression. Overall, total deposit cost averaged 2.15% for the first quarter of 2024, which is 67 basis points higher than total deposit cost of 1.48% for the first quarter of 2023.

Total borrowings interest expense increased by \$415,000, or 48.1%, when comparing the first quarter of 2024 and the first quarter of 2023. The increase primarily results from the impact that the higher interest rates had on total borrowings cost. While the Company has utilized fewer overnight borrowed funds so far in 2024, the level of advances from the Federal Home Loan Bank have increased. Total fed funds purchased and other short-term borrowings averaged \$33.6 million for the first quarter of 2024 after averaging \$40.7 million for the first quarter of 2023. Advances from the Federal Home Loan Bank averaged \$47.9 million in the first quarter of 2024 which is \$30.2 million, or 170.9%, higher than the \$17.7 million average in the first quarter of 2023. The increase in term advances results from management increasing its usage of this product to lock in lower rates than overnight borrowings due to the inversion in the yield curve. Therefore, the increase to borrowings interest expense in 2024 reflects a greater utilization of FHLB term borrowings.

The table that follows provides an analysis of net interest income on a tax-equivalent basis (non-GAAP) for the three-month periods ended March 31, 2024 and 2023 setting forth (i) average assets, liabilities, and shareholders' equity, (ii) interest income earned on interest earning assets and interest expense paid on interest bearing liabilities, (iii) average yields earned on interest earning assets and average rates paid on interest bearing liabilities, (iv) the Company's interest rate spread (the difference between the average yield earned on interest earning assets and the average rate paid on interest bearing liabilities), and (v) the Company's net interest margin (net interest income as a percentage of average total interest earning assets). For purposes of this table, loan balances include non-accrual loans, and interest income on loans includes loan fees or amortization of such fees which have been deferred. Regulatory stock is included within available for sale investment securities for this analysis. Additionally, a tax rate of 21% was used to compute tax-equivalent interest income and yields (non-GAAP). The tax equivalent adjustments to interest income on loans and municipal securities for the three months ended March 31, 2024 and 2023 was \$6,000 and \$3,000, respectively, which is

reconciled to the corresponding GAAP measure at the bottom of the table. Differences between the net interest spread and margin from a GAAP basis to a tax-equivalent basis were not material.

Three months ended March 31 (In thousands, except percentages)

	2024			2023		
	Average Balance	Interest Income/Expense	Yield/Rate	Average Balance	Interest Income/Expense	Yield/Rate
Interest earning assets:						
Loans and loans held for sale, net of unearned income	\$ 1,029,841	\$ 13,782	5.31 %	\$ 986,493	\$ 12,279	4.99 %
Short-term investments and bank deposits	4,213	67	6.33	4,376	57	5.20
Investment securities – AFS	191,755	1,825	3.81	204,262	1,770	3.47
Investment securities – HTM	64,990	556	3.42	61,734	471	3.05
Total investment securities	256,745	2,381	3.71	265,996	2,241	3.37
Total interest earning assets/interest income	1,290,799	16,230	5.04	1,256,865	14,577	4.66
Non-interest earning assets:						
Cash and due from banks	14,571			16,412		
Premises and equipment	18,252			17,849		
Other assets	81,020			75,052		
Allowance for credit losses	(16,113)			(12,147)		
TOTAL ASSETS	\$ 1,388,529			\$ 1,354,031		
Interest bearing liabilities:						
Interest bearing deposits:						
Interest bearing demand	\$ 223,016	\$ 1,043	1.88 %	\$ 226,724	\$ 860	1.54 %
Savings	120,547	29	0.10	132,520	32	0.10
Money markets	309,645	2,148	2.79	297,602	1,456	1.98
Time deposits	326,882	2,979	3.67	294,518	1,841	2.54
Total interest bearing deposits	980,090	6,199	2.54	951,364	4,189	1.79
Short-term borrowings	33,645	484	5.69	40,719	494	4.86
Advances from Federal Home Loan Bank	47,927	504	4.23	17,690	82	1.89
Subordinated debt	27,000	263	3.90	27,000	263	3.90
Lease liabilities	4,203	27	2.60	3,277	24	2.94
Total interest bearing liabilities/interest expense	1,092,865	7,477	2.74	1,040,050	5,052	1.96
Non-interest bearing liabilities:						
Demand deposits	179,531			197,878		
Other liabilities	14,136			11,011		
Shareholders' equity	101,997			105,092		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,388,529			\$ 1,354,031		
Interest rate spread			2.30			2.70
Net interest income/ Net interest margin (non-GAAP)		8,753	2.70 %		9,525	3.03 %
Tax-equivalent adjustment		(6)			(3)	
Net Interest Income (GAAP)	\$ 8,747			\$ 9,522		

.....**PROVISION FOR CREDIT LOSSES.....**The Company recognized a \$557,000 provision for credit losses recovery in the first quarter of 2024 after recognizing a \$1.179 million provision for credit losses expense in the first quarter of 2023. This represents a favorable shift of \$1.7 million. The first quarter 2024 provision for credit losses recovery is the net impact of several items. A \$293,000 recovery from the loan portfolio was recognized during the first quarter of 2024 due to payoff activity that resulted in the total loan portfolio balance decreasing since year-end 2023.

Additionally, contributing to this portion of the recovery was a favorable adjustment to the loss and qualitative factors used to calculate the allowance for loan losses in accordance with ASC 326, *Financial Instruments – Credit Losses* (CECL). Within the investment portfolio, a \$435,000 recovery was recognized on a \$926,000 reserve that was established in the first quarter of 2023 for a Signature Bank subordinated debt investment after this bond was successfully sold in the first quarter of 2024. These recoveries more than offset a \$116,000 reserve established for an available for sale corporate security and an additional \$53,000 that was contributed to the reserve for HTM securities in accordance with CECL.

.....**NON-INTEREST INCOME**.....Non-interest income for the first quarter of 2024 totaled \$4.9 million and decreased by \$560,000, or 10.2%, from the first quarter of 2023 performance. Factors contributing to the lower level of non-interest income for the quarter included:

- during the first quarter of 2023, the Company recognized a \$1.7 million gain from AmeriServ Financial Bank selling all 7,859 shares of Class B common stock of Visa Inc. There was no such gain during the first quarter of this year;
- a \$555,000, or 121.4%, increase in other income due to the recognition of a \$250,000 signing bonus that resulted from successful negotiations related to the renewal of an expiring contract with Visa. Also contributing to the favorable comparison in other income between quarters was an adjustment to the fair value of a risk participation agreement as well as the recognition of a positive credit valuation adjustment to the market value of the interest rate swap contracts that the Company executed to accommodate the needs of certain borrowers while managing our interest rate risk position. These favorable adjustments totaled \$262,000 and were impacted by the increase in interest rates since the first quarter of 2023;
- wealth management fees improved by \$528,000, or 19.3%, to a record level for the first quarter of 2024 due in part to strong performance from our Financial Services division that resulted from new business growth. Also, the increase in wealth management fees reflects the improving market conditions particularly for equity securities as major market indexes have risen to record highs during the first quarter of 2024. Overall, the fair market value of wealth management assets totaled \$2.6 billion at March 31, 2024 and increased by \$248.5 million, or 10.6%, since March 31, 2023; and
- a \$98,000, or 41.0%, increase in bank owned life insurance revenue due to the receipt of a death claim.

.....**NON-INTEREST EXPENSE**.....Non-interest expense for the first quarter of 2024 totaled \$11.9 million and decreased by \$99,000, or 0.8%, from the prior year's first quarter. Factors contributing to the lower level of non-interest expense for the quarter included:

- a \$306,000, or 23.4%, decrease in professional fees primarily due to lower expenses for legal and professional services caused by litigation and responses to the actions of an activist investor. The amount spent on activist related costs totaled \$255,000 in the first quarter of 2024 compared to \$599,000 in the first quarter of 2023;
- a \$130,000, or 104.0%, increase in FDIC insurance due to an increase in both the asset assessment base as well as the assessment rate;
- an \$81,000, or 7.5%, increase in data processing and IT expense due to additional expenses related to monitoring our computing and network environment; and
- a \$58,000, or 0.8%, decrease in salaries and employee benefits due to the net impact of certain items within this broad category. Total health care cost was \$406,000, or 41.1%, lower compared to last year's first quarter and reflects management's effective negotiations with our current health care provider that resulted in not having to recognize any premium costs in January 2024. This favorable item was partially offset by an increased level of incentive compensation by \$243,000, or 89.2%, which corresponds to the strong performance of our wealth management division, as well as increased expenses related to payroll taxes and employer 401(k) contributions.

.....**INCOME TAX EXPENSE.....**The Company recorded income tax expense of \$483,000, or an effective tax rate of 20.2%, in the first quarter of 2024. This compares to income tax expense of \$372,000, or an effective tax rate of 19.7%, for the first quarter of 2023.

.....**SEGMENT RESULTS.....**The community banking segment reported a net income contribution of \$5,021,000 in the three months of 2024 which was \$1,353,000 higher than the net income contribution in the first three months of 2023. The increase between time periods results from the strength that this segment provides to the Company which was determined by a thorough funds transfer pricing analysis. In short, a funds transfer pricing analysis determines how funding (deposits) and use of this funding (loans) by each segment contributes to the overall profitability of the Company by providing an estimated positive or negative dollar value of the segment's contribution to the Company. Overall, the funds transfer pricing analysis indicated that the community banking segment provided an additional \$1.1 million benefit to the Company in the three months of 2024 when compared to the three months of 2023. Despite this benefit that community banking provides, this segment was unfavorably impacted from net interest margin compression as total deposit interest expense increased to a higher level than the increase to total loan interest income by \$510,000. Net interest margin compression has been prevalent in the banking industry since the Federal Reserve began tightening monetary policy in an effort to control inflation combined with an inverted U.S. Treasury yield curve. Another factor contributing to the net interest margin compression experienced by the Company was an unfavorable deposit mix shift as exhibited by the three-month average of non-interest-bearing demand deposits declining by \$18.3 million, or 9.3%, while total interest-bearing deposits increased by \$28.7 million, or 3.0%. The improvement is due to the Federal Reserve keeping interest rates stable since July 2023 along with the impact of management's pricing of loans and deposits. This segment benefitted from a higher level of total average loans in the first three months of 2024 by \$43.3 million, or 4.4%. Growth occurred in all major categories. Overall, total loan interest income improved by \$1.5 million, or 12.2%, for the first three months of 2024 when compared to the first three months of last year. Deposit interest expense was higher by \$2.0 million, or 48.0%, while, as mentioned above, the 2024 three-month average volume of total interest-bearing deposits increased by \$28.7 million, or 3.0%. The higher national interest rates along with increased market competition to retain and attract deposits contributed to deposit costs increasing. This segment was favorably impacted by the Company recording a \$291,000 recovery for the allowance for credit losses on our loan portfolio and unfunded commitments in the first three months of 2024 compared to \$284,000 of provision expense for credit losses on loans and unfunded commitments in last year's first three months. This was discussed previously in the Provision for Credit Losses section within this document. Non-interest income increased due to the Company recognizing a \$250,000 signing bonus that resulted from successful negotiations related to the renewal of an expiring contract with Visa. Also, this segment was favorably impacted by a positive adjustment to the fair market value of an interest rate swap related risk participation agreement as well as the recognition of a favorable credit valuation adjustment to the market value of the interest rate swap contracts that the Company executed to accommodate the needs of certain commercial borrowers while managing our interest rate risk position. Non-interest expense, within the community banking segment, in the three months of 2024 compares unfavorably to last year's first three months primarily due to a higher level of FDIC deposit insurance expense.

The wealth management segment's net income contribution increased by \$318,000 in the first three months of 2024 from the first three months of 2023. The increase reflects the strong performance from the Financial Services division that resulted from new business growth. Also, wealth management fees increased due to the improving market conditions particularly for equity securities as the major market indexes rose to record highs during the first quarter of 2024. Overall, the fair market value of wealth management assets totaled \$2.6 billion at March 31, 2024 and increased by \$249.0 million, or 10.6%, since March 31, 2023. Also contributing to the higher level of net income for this segment were lower levels of salaries expense and health care costs. Overall, wealth management revenues reached a historically high level. Partially offsetting the improvement in wealth management revenue for the three-month period were higher levels of incentive compensation and professional fees.

The investment/parent segment reported a net loss of \$3,883,000 in the three months of 2024 which is greater than the net loss of \$2,601,000 in the first three months of 2023 by \$1,282,000. The funds transfer pricing analysis within this segment caused the loss reported within this segment to be higher due to the inverted yield curve and the higher funding costs on our balance sheet. Also contributing to the higher net loss for this segment was the \$1.7 million gain recognized during the first quarter of 2023 from the sale of the Class B common stock of Visa Inc. that the Bank owned which was only partially offset by a \$1.4 million favorable shift from the Bank recognizing a \$435,000 provision recovery from the subordinated debt investment with Signature Bank after a \$926,000 provision expense was recognized on this same

investment in the first quarter of 2023. This segment was also unfavorably impacted by \$415,000 of additional total borrowings interest expense due to the higher average balance of FHLB term borrowings. Favorably impacting net income for this segment were lower expenses by \$344,000 for legal and professional services costs and an increased level of interest income from investment securities by \$150,000 as the higher interest rates and a portfolio restructuring in late 2023 resulted in an improved overall total securities yield.

.....**BALANCE SHEET**..... The Company's total consolidated assets were \$1.4 billion at March 31, 2024, which declined by \$5.1 million, or 0.4%, from the December 31, 2023 asset level. This change was related, primarily, to reduced total loans which were partially offset by increased levels of cash and cash equivalents, investment securities, leases, and other assets. Specifically, total loans decreased \$11.8 million, or 1.1%, as payoff activity so far in 2024 has surpassed loan originations. During 2023 and into 2024, the spread between overnight borrowings and the yield on new investment securities ranged from negative to only marginally positive causing a slowdown in purchasing activity. Thus, the \$729,000, or 0.3%, increase in investment securities was used to replace cash flow from maturing securities to maintain appropriate balances for pledging purposes related to public funds deposits. The slowdown in loan originations and investment security purchases along with an increase in total deposits led to a \$3.4 million, or 24.4%, increase in cash and cash equivalents. The \$1.2 million, or 38.1%, increase in the right-of-use asset for operating and financing leases resulted from the execution of two new leases for office locations and one new lease of equipment during the first quarter of 2024. Finally, other assets increased \$2.0 million, or 5.3%, due to an increase in the market values for the interest rate swaps and hedges as well as amounts prepaid for state shares tax.

Total deposits increased by \$18.2 million, or 1.6%, in the first three months of 2024. This demonstrates customer confidence and the strength and loyalty of our core deposit base. As of March 31, 2024, the 25 largest depositors represented 22.9% of total deposits, which is an increase from December 31, 2023, when it was 22.4%. As of March 31, 2024 and December 31, 2023, the estimated amount of uninsured deposits was \$395.9 million and \$384.5 million, respectively. The estimate of uninsured deposits was done at the single account level and does not take into account total customer balances in the Bank. It should be noted that approximately 50% of these uninsured deposits relate to public funds from municipalities, government entities, and school districts which by law are required to be collateralized by investment securities or FHLB letters of credit to protect these depositor funds. Total borrowings have decreased by \$23.5 million, or 20.3%, since year-end 2023. This change was driven by a decrease in short-term borrowings which was partially offset by an increase in FHLB term advances. Specifically, short-term borrowings decreased by \$29.5 million, or 72.0%. Given the high cost of overnight borrowed funds, management has been effectively controlling the usage of this funding source. In addition, the inversion in the yield curve has caused FHLB term advances to have rates that are lower than the cost of overnight borrowed funds. Therefore, management increased usage of FHLB term advances in the first quarter of 2024 leading to an increase in this line item of \$4.9 million, or 10.9%.

The Company's total shareholders' equity increased by \$1.7 million, or 1.6%, during the first three months of 2024. The increase in capital is the result of the Company's earnings performance during the first quarter of 2024 more than offsetting our common stock dividend payments to shareholders. In addition, the improved market value adjustment on the interest rate hedges had a positive impact on accumulated other comprehensive loss which more than offset the reduced market value of the available for sale investment securities portfolio and the pension adjustment.

The Company continues to be considered well capitalized for regulatory purposes with a total capital ratio of 13.10%, and a common equity tier 1 capital ratio of 9.53% at March 31, 2024. See the discussion of the Basel III capital requirements under the Capital Resources section below. As of March 31, 2024, the Company's book value per common share was \$6.06 and its tangible book value per common share was \$5.26⁽¹⁾. When compared to December 31, 2023, book value per common share and tangible book value per common share improved by \$0.10 per common share. The improvement in the Company's book value and tangible book value per share in the first three months of 2024 compared to last year-end reflects the improvement in earnings performance as well as a positive market value adjustment for the interest rate hedges which more than offset a decrease in the fair value of the Company's available for sale investment securities and a negative pension adjustment. The tangible common equity to tangible assets ratio was 6.58%⁽¹⁾ at March 31, 2024 and increased by 14-basis points when compared to December 31, 2023.

⁽¹⁾ Non-GAAP financial information, see "Reconciliation of Non-GAAP Financial Measures" later in this MD&A.

.....**LOAN QUALITY**.....The following table sets forth information concerning the Company's loan delinquency, non-performing assets, and classified assets (in thousands, except percentages):

	March 31, 2024	December 31, 2023	March 31, 2023
Total accruing loan delinquency (past due 30 to 89 days)	\$ 2,188	\$ 1,818	\$ 10,501
Total non-accrual loans	11,959	12,167	4,561
Total non-performing assets*	12,161	12,393	4,599
Accruing loan delinquency, as a percentage of total loans, net of unearned income	0.21 %	0.18 %	1.07 %
Non-accrual loans, as a percentage of total loans, net of unearned income	1.16	1.17	0.46
Non-performing assets, as a percentage of total loans, net of unearned income, and other real estate owned and repossessed assets*	1.18	1.19	0.47
Non-performing assets as a percentage of total assets*	0.88	0.89	0.34
As a percent of average loans, net of unearned income:			
Annualized net charge-offs	0.05	0.35	0.05
Annualized provision (recovery) for credit losses - loans	(0.11)	0.66	0.12
Total classified loans (loans rated substandard or doubtful)**	\$ 24,570	\$ 24,996	\$ 26,471

* Non-performing assets are comprised of (i) loans that are on a non-accrual basis, (ii) loans that are contractually past due 90 days or more as to interest and principal payments, and (iii) other real estate owned and repossessed assets.

** Total classified loans include non-performing residential mortgage and consumer loans.

The slight increase in accruing loan delinquency since year-end 2023 is attributable to an increase in commercial real estate loan delinquency which was partially offset by a decrease in consumer and residential mortgage loan delinquency. Non-performing assets decreased from \$12.4 million at December 31, 2023 to \$12.2 million at March 31, 2024 primarily due to a reduction in non-accrual commercial real estate loans. Non-performing assets were at 1.18% of total loans as of March 31, 2024. The Company recognized net loan charge-offs of \$121,000, or 0.05% of total average loans, in the first quarter of 2024 which is relatively consistent with net loan charge-offs of \$116,000, or 0.05% of total average loans, in the first quarter of 2023. Classified loans decreased \$426,000, or 1.7%, from December 31, 2023 and totaled \$24.6 million at March 31, 2024 as a result of normal paydown activity.

We also continue to closely monitor the loan portfolio given the number of relatively large-sized commercial and commercial real estate loans within the portfolio. As of March 31, 2024, the 25 largest credits represented 22.7% of total loans outstanding, which remained unchanged since December 31, 2023.

Commercial Real Estate Loan Exposure

A significant portion of the Company's loan portfolio consists of commercial real estate loans, including owner occupied properties, non-owner-occupied properties, and other commercial properties. These types of loans are generally viewed as having more risk of default than residential real estate loans and depend on cash flows from the owner's business or the property's tenants to service the debt. The borrower's cash flows may be affected significantly by general economic conditions, a downturn in the local economy or in occupancy rates in the market where the property is located, any of which could increase the likelihood of default. Commercial real estate loans also typically have larger loan balances, and, therefore, the deterioration of one or a few of these loans could cause a significant increase in the percentage of the Company's non-performing loans. An increase in non-performing loans could result in a loss of earnings from these loans, an increase in the provision for credit losses for loans, and an increase in charge-offs, all of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

The banking regulatory agencies have recently expressed concerns about weaknesses in the current commercial real estate market. Banking regulators generally give commercial real estate lending greater scrutiny and may require banks with higher levels of commercial real estate loans to implement enhanced risk management practices, including stricter underwriting, internal controls, risk management policies, more granular reporting, and portfolio stress testing, as well as possibly higher levels of allowances for credit losses and capital levels as a result of commercial real estate lending

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growth and exposures. If the Company's banking regulators determine that our commercial real estate lending activities are particularly risky and are subject to such heightened scrutiny, the Company may incur significant additional costs or be required to restrict certain of our commercial real estate lending activities. Furthermore, failures in the Company's risk management policies, procedures and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

There is a particular emphasis on ensuring that the subsidiary bank has appropriate levels of capital to support its non-owner occupied commercial real estate loan concentration, which stood at 369% at March 31, 2024. It should be noted that this ratio improved from 375% at December 31, 2023 due to contraction in non-owner occupied commercial real estate loan balances as well as an increase in total regulatory capital. Further, non-owner occupied commercial real estate loans represented 49.6% and 49.3% of total loans as of March 31, 2024 and December 31, 2023, respectively.

The commercial real estate loan segment includes the non-owner occupied commercial real estate loan classes of retail, multi-family, and other. The following table presents our non-owner occupied commercial real estate loan portfolio by property type.

	March 31, 2024				
	Commercial Real Estate (Non-Owner Occupied) -		Commercial Real Estate (Non-Owner Occupied) -		Other Commercial Real Estate (Non-Owner Occupied)
	Retail	Multi-Family	(In thousands)	Total	
1-4 unit residential	\$ —	\$ —	\$ 26,274	\$ 26,274	
Multi-family	—	90,963	—	90,963	
Mixed use - apartments & retail/office	—	18,593	—	18,593	
Retail strip plaza	51,703	—	—	51,703	
Mall	3,904	—	—	3,904	
Major shopping center with anchor tenants	29,172	—	—	29,172	
Commercial office - urban	—	—	25,857	25,857	
Commercial office - suburban	—	—	28,144	28,144	
Hotel/motel	—	—	35,818	35,818	
Retail/service shops	85,008	—	—	85,008	
Personal care/hospital/medical office	—	—	20,564	20,564	
Manufacturing/warehouse	—	—	86,615	86,615	
Other	—	—	65	65	
Land acquisition and development	—	—	6,237	6,237	
Total	\$ 169,787	\$ 109,556	\$ 229,574	\$ 508,917	

.....**ALLOWANCE FOR CREDIT LOSSES.....**The following table sets forth the allowance for credit losses and certain ratios for the periods ended (in thousands, except percentages):

	March 31, 2024	December 31, 2023	March 31, 2023
Allowance for credit losses - loans	\$ 14,639	\$ 15,053	\$ 12,132
Allowance for credit losses - loans as a percentage of each of the following:			
total loans, net of unearned income	1.43 %	1.45 %	1.24 %
total non-accrual loans	122.41	123.72	265.99
total non-performing assets	120.38	121.46	263.80
Allowance for credit losses - securities	\$ 206	\$ 963	\$ 1,009
Allowance for credit losses - unfunded loan commitments	942	940	906

The allowance for loan credit losses declined since December 31, 2023 by \$414,000, or 2.8%, to \$14.6 million at March 31, 2024. Even with this modest decrease, the allowance for loan credit losses is \$2.5 million, or 20.7%, higher than the allowance for loan credit losses at March 31, 2023. The increase since last year's first quarter end is due to the Company strengthening its allowance for loan credit losses during the fourth quarter of 2023. Overall, the Company

continues to maintain solid coverage of both total loans and non-performing assets as the allowance for loan credit losses provided 120% coverage of non-performing assets and 1.43% of total loans at March 31, 2024.

The allowance for credit losses on the investment securities portfolio was comprised of \$116,000 on available for sale securities and \$90,000 on held to maturity securities as of March 31, 2024. This compares to \$926,000 on available for sale securities and \$37,000 on held to maturity securities as of December 31, 2023. The allowance for credit losses on available for sale securities decreased \$810,000, or 87.5%, since year-end 2023 due to the successful sale of the Signature Bank subordinated debt investment during the first quarter of 2024.

.....**LIQUIDITY**..... The Company's liquidity position continues to be strong. Total average deposits are \$10.4 million, or 0.9%, higher when compared to the 2023 first three-month average. The increase reflects the Company's successful business development efforts which more than offset a portion of the funds from the government stimulus programs leaving the balance sheet and greater pricing competition in the market to retain deposits because of the higher interest rates. The Company's core deposit base continued to demonstrate the strength and stability that it has had for many years. On March 31, 2024, total deposits grew by \$18.2 million, or 1.6%, since December 31, 2023, demonstrating customer loyalty and confidence in AmeriServ Financial Bank. The Company does not utilize brokered deposits as a funding source. In addition to its loyal core deposit base, the Company has several other sources of liquidity, including a significant unused borrowing capacity at the Federal Home Loan Bank (FHLB), overnight lines of credit at correspondent banks and access to the Federal Reserve Discount Window. Overall, deposit volumes continue to remain at a high level. The core deposit base is adequate to fund the Company's operations. Cash flow from maturities, prepayments and amortization of securities is used to help fund loan growth.

Average short-term investments remained relatively stable in the first three months of 2024 compared to the first three months of last year, decreasing slightly by \$163,000, or 3.7%. Advances from the Federal Home Loan Bank averaged \$47.9 million in the first quarter of 2024 which is \$30.2 million, or 170.9%, higher than the \$17.7 million average in the first quarter of 2023. The increase to term advances results from management increasing our usage of this product to lock in lower rates than overnight borrowings due to the inversion in the yield curve. Management continues to monitor the changing economic conditions and adjust pricing strategies accordingly which largely determines customer behavior and the level of total deposits as well as shifts within the total deposit mix. Also, diligent monitoring and management of our short-term investment position and our level of overnight borrowed funds remains a priority. Given the high cost of overnight borrowed funds, management has been effectively controlling the usage of this funding source. The Company has utilized fewer overnight borrowed funds so far in 2024. Total fed funds purchased and other short-term borrowings averaged \$33.6 million for the first quarter of 2024 after averaging \$40.7 million for the first quarter of 2023. Continued loan growth and prudent investment in securities are critical to achieve the best return on the normal level of earning asset cash flow that occurs each month. So far in 2024, purchases of securities have continued to follow the same trend exhibited during the full year of 2023. Securities purchases have been slow as more funds have been allocated to the loan portfolio. Loan pipelines are at slightly lower levels than what we have recently experienced. However, total average loans in the first quarter of 2024 were higher than the 2023 first quarter average by \$43.3 million, or 4.4%. We strive to operate our loan to deposit ratio in a range of 80% to 100%. The Company's loan to deposit ratio averaged 88.8% in the first quarter of 2024, which indicates that the Company has ample capacity to continue to grow its loan portfolio and is strongly positioned to support our customers and our community during times of economic volatility. We are also well positioned to service our existing loan pipeline and grow our loan to deposit ratio while remaining within our guideline parameters.

Liquidity can also be analyzed by utilizing the Consolidated Statements of Cash Flows. Cash and cash equivalents increased by \$3.4 million from December 31, 2023, to \$17.4 million at March 31, 2024, due to \$12.6 million of net cash provided by investing activities which more than offset \$7.0 million of net cash used in financing activities and \$2.2 million of net cash used in operating activities. Within investing activities, cash advanced for new loans originated totaled \$40.0 million and was \$12.4 million lower than the \$52.4 million of cash received from loan principal payments. Within financing activities, total short-term borrowings decreased by \$29.5 million, total FHLB borrowings increased by \$4.9 million while total deposits increased by \$18.2 million. Within operating activities, \$2.1 million of mortgage loans held for sale were originated while \$1.3 million of mortgage loans were sold into the secondary market.

The holding company had \$6.0 million of cash, short-term investments, and investment securities at March 31, 2024, which represents a \$2.2 million decrease from the holding company's cash position since December 31, 2023. Dividend payments from our subsidiaries provided ongoing cash to the holding company. At March 31, 2024, our subsidiary Bank had \$2.6 million of cash available for immediate dividends to the holding company under applicable regulatory formulas. Management follows a policy that limits dividend payments from the Trust Company to 75% of annual net income. Overall, we believe that the holding company has sufficient liquidity to meet its subordinated debt interest payments and its dividend payments on its common stock.

Financial institutions must maintain liquidity to meet day-to-day requirements of depositors and borrowers, take advantage of market opportunities, and provide a cushion against unforeseen needs. Liquidity needs can be met by either reducing assets or increasing liabilities. Sources of asset liquidity are provided by short-term investments, interest bearing deposits with banks, and federal funds sold. These assets totaled \$17.4 million and \$14.0 million at March 31, 2024 and December 31, 2023, respectively. Maturing and repaying loans, as well as the monthly cash flow associated with mortgage-backed securities and security maturities are other significant sources of asset liquidity for the Company.

Liability liquidity can be met by attracting deposits with competitive rates, using repurchase agreements, buying federal funds, or utilizing the facilities of the Federal Reserve or the FHLB systems. The Company utilizes a variety of these methods of liability liquidity. Additionally, the Company's subsidiary bank is a member of the FHLB, which provides the opportunity to obtain short-term to longer-term advances based upon the Company's investment in certain residential mortgage, commercial real estate, and commercial and industrial loans. At March 31, 2024, the Company had \$323 million of overnight borrowing availability at the FHLB, \$43 million of short-term borrowing availability at the Federal Reserve Bank and \$35 million of unsecured federal funds lines with correspondent banks. The Company believes it has ample liquidity available to fund outstanding loan commitments if they were fully drawn upon.

.....**CAPITAL RESOURCES**.....The Bank meaningfully exceeds all regulatory capital ratios for each of the periods presented and is considered well capitalized. The Company's common equity tier 1 capital ratio was 9.53%, the tier 1 capital ratio was 9.53%, and the total capital ratio was 13.10% at March 31, 2024. The Company's tier 1 leverage ratio was 7.89% at March 31, 2024. We anticipate that we will maintain our strong capital ratios throughout the remainder of 2024.

Our focus is on preserving capital to support customer lending and allow the Company to take advantage of business opportunities as they arise. We currently believe that we have sufficient capital and earnings power to continue to pay our common stock cash dividend at its current rate of \$0.03 per quarter. While the Company has frequently executed common stock buyback programs in the past, we presently do not have one in place due to our tangible common equity ratio being at 6.58%(1). At March 31, 2024, the Company had approximately 17.1 million common shares outstanding.

The Basel III capital standards establish the minimum capital levels in addition to the well capitalized requirements under the federal banking regulations prompt corrective action. The capital rules also impose a 2.5% capital conservation buffer (CCB) on top of the three minimum risk-weighted asset ratios. Banking institutions that fail to meet the effective minimum ratios once the CCB is taken into account will be subject to constraints on capital distributions, including dividends and share repurchases, and certain discretionary executive compensation. The severity of the constraints depends on the amount of the shortfall and the institution's "eligible retained income" (four quarter trailing net income, net of distributions and tax effects not reflected in net income). The Company and the Bank meet all capital requirements, including the CCB, and continue to be committed to maintaining strong capital levels that exceed regulatory requirements while also supporting balance sheet growth and providing a return to our shareholders.

Under the Basel III capital standards, the minimum capital ratios are:

	MINIMUM CAPITAL RATIO	MINIMUM CAPITAL RATIO PLUS CAPITAL CONSERVATION BUFFER
Common equity tier 1 capital to risk-weighted assets	4.5 %	7.0 %
Tier 1 capital to risk-weighted assets	6.0	8.5
Total capital to risk-weighted assets	8.0	10.5
Tier 1 capital to total average consolidated assets	4.0	N/A

(1) Non-GAAP financial information, see "Reconciliation of Non-GAAP Financial Measures" later in this MD&A.

.....**INTEREST RATE SENSITIVITY**.....The following table presents an analysis of the sensitivity inherent in the Company's net interest income and market value of portfolio equity. The interest rate scenarios in the table compare the Company's base forecast, which was prepared using a flat interest rate scenario, to scenarios that reflect immediate interest rate changes of 100 and 200 basis points. Each rate scenario contains unique prepayment and repricing assumptions that are applied to the Company's existing balance sheet that was developed under the flat interest rate scenario.

INTEREST RATE SCENARIO	VARIABILITY OF NET INTEREST INCOME	CHANGE IN MARKET VALUE OF PORTFOLIO EQUITY
200 bp increase	(1.6)%	2.8 %
100 bp increase	(0.8)	2.4
100 bp decrease	0.3	(5.0)
200 bp decrease	0.2	(12.8)

The Company believes that its overall interest rate risk position is well controlled. The execution of \$70 million of interest rate hedges during 2023, in order to fix the cost of certain deposits that are indexed and move with short-term interest rates, reduced the Company's negative variability of net interest income in a rising interest rate environment and helped slow net interest margin compression. The fed funds rate is currently at a targeted range of 5.25% to 5.50% as the Federal Reserve has not changed interest rates since the third quarter of 2023.

Overall, the Company's interest rate risk position is relatively neutral. The variability of net interest income is slightly negative in the upward rate scenarios as the Company is marginally more exposed to liabilities repricing upward to a greater extent than assets. Specifically, the cost of funds is immediately impacted when short-term national interest rates increase because certain deposit products and overnight borrowed funds move with the market. This was partially offset by the Company's investment securities portfolio and the scheduled repricing of loans tied to an index, such as SOFR or prime. In addition to the interest rate hedges discussed above, the Company has effectively utilized interest rate swaps for interest rate risk management purposes. The interest rate swaps allow our customers to lock in fixed interest rates while the Company retains the benefit of interest rates moving with the market. Regarding interest bearing liabilities, the Company will continue its disciplined approach to price its core deposit accounts in a controlled but competitive manner and control the amount of overnight borrowed funds. The market value of portfolio equity increases in the upward rate shocks due to the improved value of the Company's core deposit base. Negative variability of market value of portfolio equity occurs in the downward rate shocks due to a reduced value for core deposits.

.....**OFF BALANCE SHEET ARRANGEMENTS**.....The Company incurs off-balance sheet risks in the normal course of business in order to meet the financing needs of its customers. These risks derive from commitments to extend credit and standby letters of credit. Such commitments and standby letters of credit involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. The Company had various outstanding commitments to extend credit approximating \$253.1 million and standby letters of credit of \$8.0 million as of March 31, 2024. The Company's exposure to credit loss in the event of nonperformance by the other party to these commitments to extend credit and standby letters of credit is represented by their contractual amounts. The Company uses the same credit and collateral policies in making commitments and conditional obligations as for all other lending.

.....**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES.....** This document contains certain financial information determined by methods other than in accordance with generally accepted accounting principles in the United States (GAAP). The tangible common equity ratio and tangible book value per share are considered to be non-GAAP measures and are calculated by dividing tangible common equity by tangible assets or shares outstanding. The Company believes that these non-GAAP financial measures provide information to investors that is useful in understanding its financial condition. This non-GAAP data should be considered in addition to results prepared in accordance with GAAP, and is not a substitute for, or superior to, GAAP results. Limitations associated with non-GAAP financial measures include the risks that persons might disagree as to the appropriateness of items included in these measures, and, because not all companies use the same calculation of tangible common equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies.

The following table sets forth the calculation of the Company's tangible common equity ratio and tangible book value per share at March 31, 2024 and December 31, 2023 (in thousands, except share and ratio data):

	March 31, 2024	December 31, 2023
Total shareholders' equity	\$ 103,933	\$ 102,277
Less: Intangible assets	13,705	13,712
Tangible common equity	90,228	88,565
Total assets	1,384,516	1,389,638
Less: Intangible assets	13,705	13,712
Tangible assets	1,370,811	1,375,926
Tangible common equity ratio (non-GAAP)	6.58 %	6.44 %
Total shares outstanding	17,147,270	17,147,270
Tangible book value per share (non-GAAP)	\$ 5.26	\$ 5.16

.....**CRITICAL ACCOUNTING POLICIES AND ESTIMATES.....** The accounting and reporting policies of the Company are in accordance with Generally Accepted Accounting Principles (GAAP) and conform to general practices within the banking industry. Accounting and reporting policies for the pension liability, allowance for credit losses (related to investment securities, loans, and unfunded commitments), and derivatives (interest rate swaps/hedges) are deemed critical because they involve the use of estimates and require significant management judgments. Application of assumptions different than those used by the Company could result in material changes in the Company's financial position or results of operation.

ACCOUNT — Pension liability

BALANCE SHEET REFERENCE — Other assets

INCOME STATEMENT REFERENCE — Salaries and employee benefits and Other expense

DESCRIPTION

Pension costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, benefits earned, interest costs, expected return on plan assets, mortality rates, and other factors. In accordance with GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation of future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect the Company's pension obligations and future expense. Additionally, pension expense can also be impacted by settlement accounting charges if the amount of employee selected lump sum distributions exceed the total amount of service and interest component costs of the net periodic pension cost in a particular year. Our pension benefits are described further in Note 15 of the Notes to Unaudited Consolidated Financial Statements.

ACCOUNT — Allowance for Credit Losses

BALANCE SHEET REFERENCE — Investment securities, net of allowance for credit losses, Allowance for credit losses – loans, Other liabilities
INCOME STATEMENT REFERENCE — Provision (recovery) for credit losses
DESCRIPTION

Effective January 1, 2023, the Company adopted ASC 326, *Financial Instruments - Credit Losses* and subsequent related updates. This standard requires the Company to measure the current expected credit losses (CECL) on financial assets measured at amortized cost, including loans and held to maturity (HTM) securities, and off-balance sheet credit exposures such as unfunded commitments. In addition, ASC 326 requires credit losses on available for sale (AFS) debt securities to be presented as an allowance rather than as a write-down when management does not intend to sell or believes that it is not more likely than not they will be required to sell the security.

The Company measures expected credit losses on held to maturity debt securities, which are comprised of U.S. government agency and mortgage-backed securities as well as taxable municipal, corporate, and other bonds. The Company's agency and mortgage-backed securities are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. As such, no allowance for credit losses has been established for these securities. The allowance for credit losses on the taxable municipal, corporate, and other bonds within the held to maturity securities portfolio is calculated using the PD/LGD method. The calculation is completed on a quarterly basis using the default studies provided by an industry leading source. Based on management judgment, certain qualitative adjustments, such as the Company's historical loss experience and/or the issuer's credit quality, may be applied.

The Company measures expected credit losses on available for sale debt securities when the Company does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available for sale debt securities that do not meet the aforementioned criteria, the 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 of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost, a credit loss exists and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis.

The allowance for credit losses (ACL) is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged-off against the ACL when they are deemed uncollectible.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period. The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is calculated with the objective of maintaining reserve levels believed by management to be sufficient to absorb current expected credit losses. Management's determination of the adequacy of the allowance is based on periodic evaluations of the credit portfolio and other relevant factors. However, this quarterly evaluation is inherently subjective as it requires material estimates. This process also considers economic conditions, for a reasonable and supportable forecast period of two years. All of these factors may be susceptible to significant change. To the extent actual outcomes differ from management estimates, additional provision for credit losses may be required that would adversely impact earnings in future periods.

The Company estimates expected credit losses over the contractual period in which it is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable. The estimate includes

consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

ACCOUNT — Derivatives (interest rate swaps/hedges)
BALANCE SHEET REFERENCE — Other assets and Other liabilities
INCOME STATEMENT REFERENCE — Other income
DESCRIPTION

The Company periodically enters into derivative instruments to meet the financing, interest rate and equity risk management needs of its customers or the Bank.

The Company recognizes all derivatives as either assets or liabilities on the Consolidated Balance Sheets and measures those instruments at fair value. For derivatives designated as fair value hedges, changes in the fair value of the derivative and hedged item related to the hedged risk are recognized in earnings. Changes in fair value of derivatives designated and accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive loss, net of deferred taxes and are subsequently reclassified to earnings when the hedged transaction affects earnings. Any hedge ineffectiveness would be recognized in the income statement line item pertaining to the hedged item.

To accommodate the needs of our customers and support the Company's asset/liability positioning, we may enter into interest rate swap agreements with customers and a large financial institution that specializes in these types of transactions. The Company enters into offsetting positions to minimize interest rate and equity risk to the Company. These derivative financial instruments are reported at fair value with any resulting gain or loss recorded in current period earnings in amounts that offset. These instruments and their offsetting positions are recorded in other assets and other liabilities on the Consolidated Balance Sheets.

.....FORWARD LOOKING STATEMENT.....

THE STRATEGIC FOCUS:

AmeriServ Financial is committed to improving shareholder value by striving for consistently improving financial performance; providing our customers with products and exceptional service for every step in their lifetime financial journey; cultivating an employee atmosphere rooted in trust, empowerment and growth; and serving our communities through employee involvement and a philanthropic spirit. We will strive to provide our shareholders with consistently improved financial performance; the products, services and know-how needed to forge lasting banking for life customer relationships; a work environment that challenges and rewards staff; and the manpower and financial resources needed to make a difference in the communities we serve. Our strategic initiatives will focus on these four key constituencies:

- Shareholders — We strive to increase earnings per share; identifying and managing revenue growth and expense control; and managing risk. Our goal is to increase value for AmeriServ shareholders by growing earnings per share and narrowing the financial performance gap between AmeriServ and its peer banks. We try to return earnings to shareholders through a combination of dividends and share repurchases (none currently authorized) subject to maintaining sufficient capital to support balance sheet growth and economic uncertainty. We strive to educate our employee base as to the meaning/importance of earnings per share as a performance measure. Our goal is to develop a value added combination for increasing revenue and controlling expenses that is rooted in developing and offering high-quality financial products and services; an existing branch network; electronic banking capabilities with 24/7 convenience; and providing truly exceptional customer service. We explore branch consolidation opportunities and further leverage union affiliated revenue streams, prudently manage the Company's risk profile to improve asset yields and increase profitability and continue to identify and implement technological opportunities and advancements to drive efficiency for the holding company and its affiliates.
- Customers — The Company expects to provide exceptional customer service, identifying opportunities to enhance the Banking for Life philosophy by providing products and services to meet the financial needs in

every step through a customer's life cycle, and further defining the role technology plays in anticipating and satisfying customer needs. We anticipate providing leading banking systems and solutions to improve and enhance customers' Banking for Life experience. We will provide customers with a comprehensive offering of financial solutions including retail and business banking, home mortgages and wealth management at one location. We have upgraded and modernized select branches to be more inviting and technologically savvy to meet the needs of the next generation of AmeriServ customers without abandoning the needs of our existing demographic.

- Staff — We are committed to developing high-performing employees, establishing and maintaining a culture of trust and effectively and efficiently managing staff attrition. We will employ a work force succession plan to manage anticipated staff attrition while identifying and grooming high performing staff members to assume positions with greater responsibility within the organization. We will employ technological systems and solutions to provide staff with the tools they need to perform more efficiently and effectively.
- Communities — We will continue to promote and encourage employee community involvement and leadership while fostering a positive corporate image. This will be accomplished by demonstrating our commitment to the communities we serve through assistance in providing affordable housing programs for low-to-moderate-income families; donations to qualified charities; and the time and talent contributions of AmeriServ staff to a wide-range of charitable and civic organizations.

This Form 10-Q contains various forward-looking statements and includes assumptions concerning the Company's beliefs, plans, objectives, goals, expectations, anticipations, estimates, intentions, operations, future results, and prospects, including statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "project," "plan" or similar expressions. These forward-looking statements are based upon current expectations, are subject to risk and uncertainties and are applicable only as of the dates of such statements. Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Form 10-Q, even if subsequently made available on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Form 10-Q. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides the following cautionary statement identifying important factors (some of which are beyond the Company's control) which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Such factors include the following: (i) the effect of changing regional and national economic conditions; (ii) the effects of trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve; (iii) significant changes in interest rates and prepayment speeds; (iv) inflation, stock and bond market, and monetary fluctuations; (v) credit risks of commercial, real estate, consumer, and other lending activities; (vi) changes in federal and state banking and financial services laws and regulations and supervisory actions by such regulators, including bank failures; (vii) the presence in the Company's market area of competitors with greater financial resources than the Company; (viii) the timely development of competitive new products and services by the Company and the acceptance of those products and services by customers and regulators (when required); (ix) the willingness of customers to substitute competitors' products and services for those of the Company and vice versa; (x) changes in consumer spending and savings habits; (xi) unanticipated regulatory or judicial proceedings; (xii) the ability to attract new or retain existing deposits or to retain or grow loans, including growth from unfunded closed loans; (xiii) the ability to generate future revenue growth or to control future growth in non-interest expense, including, but not limited to, those related to technological changes, including changes regarding artificial intelligence and cybersecurity, changes affecting oversight of the financial services industry, and changes intended to manage or mitigate climate and related environmental risks; (xiv) the impact of failure in, or breach of, our operational or security systems or those of third parties with whom we do business, including as a result of cyberattacks or an increase in the incidence of fraud, illegal payments, security breaches or other illegal acts impacting us or our customers; (xv) expense and reputational impact on the Company as a result of litigation and other continuing activities of an activist shareholder; (xvi) legal, reputational, and financial risks

resulting from the MOVEit cyber incident, our ongoing investigation of the incident, including the Company's potential discovery of additional information related to the incident in connection with this investigation, any potential regulatory inquiries and/or litigation to which the Company may become subject in connection with this incident, the extent of remediation and other additional costs that may be incurred by the Company in connection with this incident, the extent of insurance coverage and contractual indemnification, the potential that other third-party vendors may have been affected by the MOVEit vulnerability in a manner that may compromise client data, including personally identifiable information; and (xvii) other external developments which could materially impact the Company's operational and financial performance.

The foregoing list of important factors is not exclusive, and neither such list nor any forward-looking statement takes into account the impact that any future acquisition may have on the Company and on any such forward-looking statement.

Item 3.....QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.....

The Company manages market risk, which for the Company is primarily interest rate risk, through its asset liability management process and committee, see further discussion in the Interest Rate Sensitivity section of the MD&A.

Item 4.....CONTROLS AND PROCEDURES.....

(a) Evaluation of Disclosure Controls and Procedures. The Company's management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and the operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2024, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer along with the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of March 31, 2024 are effective.

(b) Changes in Internal Controls. There have been no changes in AmeriServ Financial, Inc.'s internal controls over financial reporting (as defined in Rule 13a-15(f)) that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

The Company is subject to various types of lawsuits and claims arising in the ordinary course of business. In the opinion of management, after review and consultation with counsel, there are no material legal proceedings currently pending to which the Company or any of its subsidiaries is a party or of which any of their property is the subject.

Item 1A. Risk Factors

Not applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Rule 10b5-1 Trading Plans

During the quarter ended March 31, 2024, no officer or director of the Company adopted or terminated any contract, instruction, or written plan for the purchase or sale of securities of the Company's common stock that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement as defined in 17 CFR § 229.408(c).

Item 6. Exhibits

- 3.1 [Amended and Restated Articles of Incorporation as amended through August 11, 2011 \(Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-8 \(File No. 333-176869\) filed on September 16, 2011\).](#)
- 3.2 [Bylaws, as amended and restated on April 2, 2020 \(Incorporated by reference to Exhibit 3.1 to the Current report on Form 8-K filed on April 6, 2020\).](#)
- 15.1 [Report of S.R. Snodgrass, P.C. regarding unaudited interim financial statement information.](#)
- 15.2 [Awareness Letter of S.R. Snodgrass, P.C.](#)
- 31.1 [Certification pursuant to Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification pursuant to Rule 13a-14\(a\)/15d-14\(a\), as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 Includes the following financial and related information from AMERISERV FINANCIAL, INC.'s Quarterly Report on Form 10-Q as of and for the quarter ended March 31, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statements of Changes in Stockholders' Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited), and (vi) Notes to the Unaudited Consolidated Financial Statements.
- 104 The cover page from this Quarterly Report on Form 10-Q formatted in Inline XBRL.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AmeriServ Financial, Inc.
Registrant

Date: May 13, 2024

/s/ Jeffrey A. Stopko
Jeffrey A. Stopko
President and Chief Executive Officer

Date: May 13, 2024

/s/ Michael D. Lynch
Michael D. Lynch
Executive Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors
AmeriServ Financial, Inc.

Results of Review of Interim Financial Statements

We have reviewed the accompanying consolidated balance sheet of AmeriServ Financial, Inc. and subsidiaries (the "Company") as of March 31, 2024, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the three-month periods ended March 31, 2024 and 2023, and the related notes to the consolidated financial statements (collectively, the interim financial statements). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2023, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended (not presented herein), and in our report dated March 27, 2024, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2023, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

Basis for Review Results

These interim financial statements are the responsibility of the Company's management. We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company, in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

/s/S.R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
May 13, 2024

May 13, 2024

AmeriServ Financial, Inc.
216 Franklin Street
P.O. Box 520
Johnstown, Pennsylvania 15901

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of AmeriServ Financial, Inc. and subsidiaries for the three-month periods ended March 31, 2024 and 2023, as indicated in our report dated May 13, 2024; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which was included in your quarterly reports on Form 10-Q for the quarter ended March 31, 2024, is incorporated by reference in the following Registration Statements:

- Registration Statement No. 333-176869 on Form S-8
- Registration Statement No. 333-268440 on Form S-8

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

Sincerely,

/s/S.R. Snodgrass, P.C.

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey A. Stopko, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AmeriServ Financial, Inc. (ASF);
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 statements made, in light of the circumstances under which such statements were made, not misleading with 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, results of operations and cash flows of ASF as of, and for, the periods presented in this report;
4. ASF's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for ASF 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 material information relating to ASF, including its consolidated subsidiaries, is made 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 regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of ASF's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in ASF's internal control over financial reporting that occurred during ASF's most recent fiscal quarter (ASF's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, ASF's internal control over financial reporting; and
5. ASF's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to ASF's auditors and the audit committee of ASF's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect ASF's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in ASF's internal control over financial reporting.

Date: May 13, 2024

/s/ Jeffrey A. Stopko

Jeffrey A. Stopko
President & CEO

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael D. Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AmeriServ Financial, Inc. (ASF);
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 statements made, in light of the circumstances under which such statements were made, not misleading with 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, results of operations and cash flows of ASF as of, and for, the periods presented in this report;
4. ASF's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for ASF 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 material information relating to ASF, including its consolidated subsidiaries, is made 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 regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of ASF's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in ASF's internal control over financial reporting that occurred during ASF's most recent fiscal quarter (ASF's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, ASF's internal control over financial reporting; and
5. ASF's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to ASF's auditors and the audit committee of ASF's board of directors:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect ASF's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in ASF's internal control over financial reporting.

Date: May 13, 2024

/s/ Michael D. Lynch
Michael D. Lynch
Executive Vice President & CFO

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 Quarterly Report of AmeriServ Financial, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey A. Stopko, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, 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.

/s/ Jeffrey A. Stopko

Jeffrey A. Stopko
President and Chief Executive Officer
May 13, 2024

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 Quarterly Report of AmeriServ Financial, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Lynch, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, 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.

/s/ Michael D. Lynch

Michael D. Lynch
Executive Vice President and Chief Financial Officer
May 13, 2024
