FIRST KEYSTONE CORP

FORM 10-Q
(Quarterly Report)

Filed 05/15/25 for the Period Ending 03/31/25

Address	111 W FRONT ST
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	BERWICK, PA, 18603
Telephone	570-752-3671 X 1150
CIK	0000737875
Symbol	FKYS
SIC Code	6022 - State Commercial Banks
Industry	Banks
Sector	Financials
Fiscal Year	12/31

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, 2025
or

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

For the transition period from ________ to ________

Commission File Number: 000-21344

FIRST KEYSTONE CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2249083**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
111 West Front Street, Berwick, PA	**18603**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (570) 752-3671

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, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "small 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 in Rule 12b-2 of the Act). Yes ☐ No ☒

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

Title of each class	Trading symbol	Name of each exchange on which registered
None	N/A	N/A

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

Common Stock, $2 Par Value, 6,218,781 shares as of May 14, 2025.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)	**(Unaudited) March 31, 2025**	December 31, 2024
ASSETS		
Cash and due from banks	**$ 10,484**	$ 9,933
Interest-bearing deposits in other banks	**8,308**	7,321
Total cash and cash equivalents	**18,792**	17,254
Debt securities available-for-sale, at fair value	**379,147**	390,288
Marketable equity securities, at fair value	**1,501**	1,587
Restricted investment in bank stocks, at cost	**9,335**	8,984
Loans	**963,622**	947,714
Loans held for sale	**559**	737
Allowance for credit losses	**(8,068)**	(7,672)
Net loans	**956,113**	940,779
Premises and equipment, net	**20,121**	20,272
Operating lease right-of-use assets	**1,407**	1,400
Accrued interest receivable	**5,069**	4,993
Cash surrender value of bank owned life insurance	**25,850**	26,679
Investments in low-income housing partnerships	**4,948**	5,152
Deferred income taxes	**7,721**	7,725
Other assets	**5,226**	3,470
TOTAL ASSETS	**$ 1,435,230**	$ 1,428,583
LIABILITIES		
Deposits:		
Non-interest bearing	**$ 209,184**	$ 203,583
Interest bearing	**836,209**	842,297
Total deposits	**1,045,393**	1,045,880
Short-term borrowings	**140,288**	134,426
Long-term borrowings	**106,000**	106,000
Subordinated debentures	**25,000**	25,000
Operating lease liabilities	**1,931**	1,920
Accrued interest payable	**2,538**	2,152
Other liabilities	**7,596**	6,423
TOTAL LIABILITIES	**1,328,746**	1,321,801
STOCKHOLDERS' EQUITY		
Preferred stock, par value $2.00 per share; authorized 1,000,000 shares as of March 31, 2025 and December 31, 2024; issued 0 as of March 31, 2025 and December 31, 2024	**—**	—
Common stock, par value $2.00 per share; authorized 20,000,000 shares as of March 31, 2025 and December 31, 2024; issued 6,450,392 as of March 31, 2025 and 6,450,392 as of December 31, 2024; outstanding 6,218,781 as of March 31, 2025 and 6,218,781 as of December 31, 2024	**12,901**	12,901
Surplus	**45,072**	45,072
Retained earnings	**79,460**	80,148
Accumulated other comprehensive loss	**(25,240)**	(25,630)
Treasury stock, at cost, 231,611 shares as of March 31, 2025 and December 31, 2024	**(5,709)**	(5,709)
TOTAL STOCKHOLDERS' EQUITY	**106,484**	106,782
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,435,230**	$ 1,428,583

See accompanying notes to consolidated financial statements (unaudited).

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
INTEREST INCOME		
Interest and fees on loans	**$ 13,769**	$ 12,020
Interest and dividend income on securities:		
Taxable	**3,933**	4,341
Tax-exempt	**244**	273
Dividends	**12**	12
Dividend income on restricted investment in bank stocks	**199**	235
Interest on interest-bearing deposits in other banks	**53**	65
Total interest income	**18,210**	16,946
INTEREST EXPENSE		
Interest on deposits	**6,386**	5,954
Interest on short-term borrowings	**1,557**	1,966
Interest on long-term borrowings	**1,224**	1,278
Interest on subordinated debt	**273**	273
Total interest expense	**9,440**	9,471
Net interest income	**8,770**	7,475
Provision for credit losses	**751**	264
Net interest income after provision for credit losses	**8,019**	7,211
NON-INTEREST INCOME		
Trust department	**261**	244
Service charges and fees	**546**	525
Increase in cash surrender value of life insurance	**165**	162
ATM fees and debit card income	**543**	517
Net gains on sales of mortgage loans	**20**	11
Net securities losses	**(86)**	(184)
Gains from life insurance proceeds	**235**	—
Other	**75**	69
Total non-interest income	**1,759**	1,344
NON-INTEREST EXPENSE		
Salaries and employee benefits	**4,630**	4,554
Occupancy, net	**610**	565
Furniture and equipment expense	**192**	152
Computer expense	**413**	369
Professional services	**378**	433
Pennsylvania shares tax	**221**	206
FDIC insurance, net	**309**	188
ATM and debit card fees	**247**	222
Data processing fees	**357**	289
Advertising	**105**	104
Goodwill impairment	**—**	19,133
Other	**1,187**	930
Total non-interest expense	**8,649**	27,145
Income (loss) before income tax (benefit) expense	**1,129**	(18,590)
Income tax (benefit) expense	**76**	(213)
NET INCOME (LOSS)	**$ 1,053**	$ (18,377)
PER SHARE DATA		
Net income (loss) per share:		
Basic	**$ 0.17**	$ (3.00)
Diluted	**0.17**	(3.00)
Dividends per share	**0.28**	0.28

See accompanying notes to consolidated financial statements (unaudited).

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Net income (loss)	**$ 1,053**	$ (18,377)
Other comprehensive income (loss):		
Unrealized net holding gain (loss) on debt securities available-for-sale arising during the period, net of income taxes of $427 and $(177), respectively	**1,607**	(667)
Fair value adjustment on derivatives, net of income taxes of $(316) and $586, respectively	**(1,217)**	2,393
Total other comprehensive income	**390**	1,726
Total comprehensive income (loss)	**$ 1,443**	$ (16,651)

See accompanying notes to consolidated financial statements (unaudited).

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

(Dollars in thousands, except per share data)	Common Stock Shares Issued	Common Stock Amount	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2025	6,450,392	$ 12,901	$ 45,072	$ 80,148	$ (25,630)	$ (5,709)	$ 106,782
Net income				1,053			1,053
Other comprehensive income, net of taxes					390		390
Issuance of common stock under dividend reinvestment plan	—	—	—				—
Dividends - $0.28 per share				(1,741)			(1,741)
Balance at March 31, 2025	6,450,392	$ 12,901	$ 45,072	$ 79,460	$ (25,240)	$ (5,709)	$ 106,484
Balance at January 1, 2024	6,352,665	$ 12,705	$ 44,004	$ 100,260	$ (29,645)	$ (5,709)	$ 121,615
Net (loss)				(18,377)			(18,377)
Other comprehensive income, net of taxes					1,726		1,726
Issuance of common stock under dividend reinvestment plan	32,229	65	396				461
Dividends - $0.28 per share				(1,714)			(1,714)
Balance at March 31, 2024	6,384,894	$ 12,770	$ 44,400	$ 80,169	$ (27,919)	$ (5,709)	$ 103,711

See accompanying notes to consolidated financial statements (unaudited).

FIRST KEYSTONE CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(Unaudited)

(Dollars in thousands)	**2025**	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	**$ 1,053**	$ (18,377)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for credit losses on loans	**751**	264
(Recapture) provision for credit losses on unfunded commitments	**(13)**	20
Goodwill impairment	**—**	19,133
Depreciation and amortization	**269**	278
Net premium amortization on securities	**50**	251
Deferred income tax benefit	**(105)**	(333)
Net gains on sales of mortgage loans	**(20)**	(11)
Proceeds from sales of mortgage loans originated for sale	**1,049**	463
Originations of mortgage loans originated for sale	**(857)**	(348)
Net securities losses	**86**	184
Increase in accrued interest receivable	**(76)**	(90)
Increase in cash surrender value of bank owned life insurance	**(165)**	(162)
Gains from life insurance proceeds	**(235)**	—
Net losses on disposals of premises and equipment	**—**	2
Increase in other assets	**(1,734)**	(500)
Amortization of investment in low-income housing partnerships	**214**	205
Increase in accrued interest payable	**386**	286
(Decrease) Increase in other liabilities	**(345)**	338
NET CASH PROVIDED BY OPERATING ACTIVITIES	**308**	1,603
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and redemptions of debt securities available-for-sale	**13,126**	21,990
Purchases of debt securities available-for-sale	**—**	(39,124)
Net change in restricted investment in bank stocks	**(351)**	(65)
Net (increase) decrease in loans	**(16,257)**	1,510
Proceeds from bank-owned life insurance	**1,229**	—
Purchase of premises and equipment	**(141)**	(446)
Purchase of investment in real estate venture	**(10)**	—
NET CASH USED IN INVESTING ACTIVITIES	**(2,404)**	(16,135)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease) increase in deposits	**(487)**	1,212
Net increase in short-term borrowings	**5,862**	12,817
Common stock issued	**—**	445
Dividends paid	**(1,741)**	(1,714)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**3,634**	12,760
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,538**	(1,772)
CASH AND CASH EQUIVALENTS, BEGINNING	**17,254**	17,013
CASH AND CASH EQUIVALENTS, ENDING	**$ 18,792**	$ 15,241
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	**$ 9,054**	$ 9,185
Income taxes paid	**(106)**	(331)
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Common stock subscription receivable	**—**	16
Right-of-use assets obtained in exchange for lease liabilities	**29**	33

See accompanying notes to consolidated financial statements (unaudited).

NOTE 1 — BASIS OF PRESENTATION, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SUBSEQUENT EVENTS

The consolidated financial statements include the accounts of First Keystone Corporation (the "Corporation") and its wholly owned subsidiary First Keystone Community Bank (the "Bank") (collectively the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2025, are not necessarily indicative of the results for the year ending December 31, 2025. For further information, refer to the consolidated financial statements and notes thereto included in First Keystone Corporation's Annual Report on Form 10-K for the year ended December 31, 2024.

Subsequent Events

The Company has evaluated events and transactions occurring subsequent to the consolidated balance sheet date of March 31, 2025 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

NOTE 2 — RECENT ACCOUNTING STANDARDS UPDATES ("ASU")

Adopted ASUs:

There were no ASUs adopted during the three months ended March 31, 2025.

Pending ASUs:

In December of 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 was issued to improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation table, as well as income taxes paid disaggregated by jurisdiction. The amendments in this ASU should be applied prospectively with an option of retrospective application to prior periods presented. The amendments in this update are effective for public business entities for annual reporting periods beginning after December 15, 2024. The Company is currently evaluating the provisions of ASU 2023-09 and does not expect the adoption of the standard to have a material impact on the Company's financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. ASU 2024-03 requires disclosure of specified information about certain costs and expenses in the notes to the financial statements. The amendments in this update are effective for public business entities for annual reporting periods beginning after December 15, 2026, and interim periods beginning after December 15, 2027. The requirements will be applied prospectively with the option for retrospective application. Early adoption is permitted. The Company is currently evaluating the impact that the new guidance will have on the Company's financial statements.

NOTE 3 — SECURITIES

Debt Securities

The Company classifies its securities as either “Held-to-Maturity” or “Available-for-Sale” at the time of purchase. Securities are accounted for on a trade date basis. Debt securities are classified as Held-to-Maturity when the Company has the ability and positive intent to hold the securities to maturity. Securities classified as Held-to-Maturity are carried at cost adjusted for amortization of premium and accretion of discount to maturity. At March 31, 2025 and December 31, 2024, all debt securities held were classified as available-for-sale.

Debt securities not classified as Held-to-Maturity are included in the Available-for-Sale category and are carried at fair value. The amount of any unrealized gain or loss, net of the effect of deferred income taxes, is reported as accumulated other comprehensive loss in the consolidated balance sheets and consolidated statements of changes in stockholders’ equity. Management’s decision to sell Available-for-Sale securities is based on changes in economic conditions, controlling the sources and applications of funds, terms, availability of and yield of alternative investments, interest rate risk and the need for liquidity.

The cost of debt securities classified as Held-to-Maturity or Available-for-Sale is adjusted for amortization of premiums to the earliest call date and accretion of discounts to expected maturity. Such amortization and accretion, as well as interest and dividends, are included in interest and dividend income from securities. Realized gains and losses are included in net securities gains and losses. The cost of securities sold, redeemed or matured is based on the specific identification method.

The Company invests in various forms of agency debt including residential and commercial mortgage-backed securities and callable debt. The mortgage-backed agency securities are issued by Federal Home Loan Mortgage Corporation (“FHLMC”), Federal National Mortgage Association (“FNMA”), Government National Mortgage Association (“GNMA”) or Small Business Administration (“SBA”). The other mortgage-backed securities consist of private (non-agency) residential and commercial mortgage-backed securities. The municipal securities consist of general obligations and revenue bonds. Asset-backed securities consist of private (non-agency) student loan pools backed by the Federal Family Education Loan Program (“FFELP”) which carry a 97% federal government guarantee. Corporate debt securities consist of senior debt and subordinated debt holdings.

There was no allowance for credit losses for Available-For-Sale debt securities as of March 31, 2025; therefore, it is not present in the table below. The amortized cost, related estimated fair value, and unrealized gains and losses for debt securities classified as Available-For-Sale were as follows at March 31, 2025 and December 31, 2024:

(Dollars in thousands)	**Debt Securities Available-for-Sale**			
March 31, 2025:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Treasury securities	**$ 7,918**	**$ —**	**$ (621)**	**$ 7,297**
Obligations of U.S. Government Agencies and Sponsored Agencies:				
Mortgage-backed	**147,692**	**133**	**(12,780)**	**135,045**
Other	**4,486**	**62**	**(31)**	**4,517**
Other mortgage backed securities	**45,445**	**112**	**(1,590)**	**43,967**
Obligations of state and political subdivisions	**89,959**	**32**	**(10,698)**	**79,293**
Asset-backed securities	**71,469**	**223**	**(379)**	**71,313**
Corporate debt securities	**41,136**	**208**	**(3,629)**	**37,715**
Total	**$ 408,105**	**$ 770**	**$ (29,728)**	**$ 379,147**

(Dollars in thousands)	Debt Securities Available-for-Sale			
December 31, 2024:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 7,911	$ —	$ (760)	$ 7,151
Obligations of U.S. Government Agencies and Sponsored Agencies:				
Mortgage-backed	150,999	170	(14,461)	136,708
Other	5,080	78	(36)	5,122
Other mortgage backed securities	48,336	65	(2,128)	46,273
Obligations of state and political subdivisions	93,809	19	(10,343)	83,485
Asset-backed securities	74,006	263	(402)	73,867
Corporate debt securities	41,139	204	(3,661)	37,682
Total	$ 421,280	$ 799	$ (31,791)	$ 390,288

Debt securities Available-for-Sale with an aggregate fair value of $211,047,000 at March 31, 2025 and $251,961,000 at December 31, 2024, were pledged to secure public funds, trust funds, securities sold under agreements to repurchase and the Federal Discount Window aggregating $170,877,000 at March 31, 2025 and $192,671,000 at December 31, 2024.

The amortized cost and estimated fair value of debt securities, by contractual maturity, are shown below at March 31, 2025. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2025					
	Debt Securities Available-For-Sale					
(Dollars in thousands)	U.S. Treasury Securities	U.S. Government Agency & Sponsored Agency Obligations[1]	Other Mortgage Backed Debt Securities[1]	Obligations of State & Political Subdivisions	Asset Backed Securities	Corporate Debt Securities
Within 1 Year:						
Amortized cost	$ —	$ —	$ 1,012	$ 6,439	$ —	$ —
Fair value	—	—	1,006	6,411	—	—
1 - 5 Years:						
Amortized cost	7,918	6,188	4,711	9,301	—	5,256
Fair value	7,297	6,160	4,688	9,098	—	5,007
5 - 10 Years:						
Amortized cost	—	3,444	1,031	29,007	2,530	30,656
Fair value	—	3,490	1,045	25,428	2,537	28,685
After 10 Years:						
Amortized cost	—	142,546	38,691	45,212	68,939	5,224
Fair value	—	129,912	37,228	38,356	68,776	4,023
Total:						
Amortized cost	$ 7,918	$ 152,178	$ 45,445	$ 89,959	$ 71,469	$ 41,136
Fair value	7,297	139,562	43,967	79,293	71,313	37,715

[1] Mortgage-backed securities are allocated for maturity reporting at their original maturity date.

At March 31, 2025 and December 31, 2024, the Corporation had holdings of securities from the following issuers in excess of ten percent of consolidated stockholders' equity (excluding holdings of the U.S. Government and U.S. Government Agencies and Corporations).

(Dollars in thousands)

March 31, 2025:	**Fair Value**
Issuer	
Sallie Mae Bank	**$ 25,453**
Velocity Commercial Capital	**22,308**
Nelnet Student Loan Trust	**14,518**

(Dollars in thousands)

December 31, 2024:	Fair Value
Issuer	
Sallie Mae Bank	$ 26,187
Velocity Commercial Capital	23,334
Nelnet Student Loan Trust	15,008
Navient Student Loan Trust	10,726

There were no proceeds from sales of Debt Securities Available-For-Sale for the three months ended March 31, 2025 and 2024. Therefore, there were no gains or losses realized during these periods.

The summary below shows the gross unrealized losses and fair value of the Company's debt securities. Totals are aggregated by investment category where individual securities have been in a continuous loss position for less than 12 months or 12 months or more as of March 31, 2025 and December 31, 2024:

March 31, 2025

(Dollars in thousands)	**Less Than 12 Months**		**12 Months or More**		**Total**	
Available-for-Sale:	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. Treasury securities	**$ —**	**$ —**	**$ 7,297**	**$ (621)**	**$ 7,297**	**$ (621)**
Obligations of U.S. Government Agencies and Sponsored Agencies:						
Mortgage-backed	**15,559**	**(319)**	**85,721**	**(12,461)**	**101,280**	**(12,780)**
Other	**—**	**—**	**1,695**	**(31)**	**1,695**	**(31)**
Other mortgage-backed debt securities	**4,792**	**(30)**	**27,567**	**(1,560)**	**32,359**	**(1,590)**
Obligations of state and political subdivisions	**1,000**	**(1)**	**75,870**	**(10,697)**	**76,870**	**(10,698)**
Asset-backed securities	**17,128**	**(72)**	**15,822**	**(307)**	**32,950**	**(379)**
Corporate debt securities	**4,987**	**(1,236)**	**27,834**	**(2,393)**	**32,821**	**(3,629)**
Total	**$ 43,466**	**$ (1,658)**	**$ 241,806**	**$ (28,070)**	**$ 285,272**	**$ (29,728)**

December 31, 2024

(Dollars in thousands)	Less Than 12 Months		12 Months or More		Total	
Available-for-Sale:	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury securities	$ —	$ —	$ 7,151	$ (760)	$ 7,151	$ (760)
Obligations of U.S. Government Agencies and Sponsored Agencies:						
Mortgage-backed	20,726	(570)	81,217	(13,891)	101,943	(14,461)
Other	—	—	1,927	(36)	1,927	(36)
Other mortgage-backed debt securities	21,700	(560)	19,001	(1,568)	40,701	(2,128)
Obligations of state and political subdivisions	243	(7)	79,684	(10,336)	79,927	(10,343)
Asset-backed securities	7,791	(33)	16,280	(369)	24,071	(402)
Corporate debt securities	7,209	(1,178)	25,594	(2,483)	32,803	(3,661)
Total	$ 57,669	$ (2,348)	$ 230,854	$ (29,443)	$ 288,523	$ (31,791)

There were 166 individual debt securities in an unrealized loss position as of March 31, 2025, with a combined decline in value representing 7.10% of the debt securities portfolio. There were 167 individual debt securities in an unrealized loss position as of December 31, 2024, with their combined decline in value representing 7.36% of the debt securities portfolio.

Available-for-sale debt securities are required to be individually evaluated for impairment in accordance with ASC 326, Financial Instruments – Credit Losses. Management evaluates debt securities for impairment where there has been a decline in fair value below the amortized cost basis of a debt security to determine whether there is a credit loss associated with the decline in fair value on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method, whereby Management compares the present value of expected cash flows with the amortized cost basis of the debt security. The credit loss component would be recognized through the provision for credit losses and the creation of an allowance for credit losses. Consideration is given to (1) the financial condition and near-term prospects of the issuer, (2) the outlook for receiving the contractual cash flows of the investments, (3) the length of time and the extent to which the fair value has been less than cost, (4) our intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value or whether it is more-likely-than-not that we will be required to sell the debt security prior to recovering its fair value, (5) the anticipated outlook for changes in the general level of interest rates, (6) credit ratings, (7) third party guarantees, and (8) collateral values. In analyzing an issuer's financial condition, management considers whether the debt securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, the results of reviews of the issuer's financial condition, and the issuer's anticipated ability to pay the contractual cash flows of the debt securities. All issues of U.S. Treasury and Agency-Backed debt securities have the full faith and credit backing of the United States Government or one of its agencies. All other debt securities that do not have a zero expected credit loss are evaluated quarterly to determine whether there is a credit loss associated with a decline in fair value.

The Company made a policy election to exclude accrued interest receivable from the amortized cost basis of debt securities available for sale. Accrued interest receivable on debt securities available for sale is reported as a component of accrued interest receivable on the Company's consolidated balance sheet and totaled $2,117,000 as of March 31, 2025. Accrued interest receivable on debt securities available for sale is excluded from the estimate of credit losses.

All debt securities available for sale in an unrealized loss position, as of March 31, 2025, continue to perform as scheduled and we do not believe that there is a credit loss or that a provision for credit losses is necessary. Also, as part of our evaluation of our intent and ability to hold debt securities for a period of time sufficient to allow for any anticipated recovery in the market, we consider our investment strategies, cash flow needs, liquidity position, capital adequacy and interest rate risk position. We do not currently intend to sell the debt securities within the portfolio and it is not more-likely-than-not that we will be required to sell the debt securities.

Management continues to monitor all of our debt securities with a high degree of scrutiny. There can be no assurance that we will not conclude in future periods that conditions existing at that time indicate some or all of its debt securities may be sold or would require a charge to earnings as a provision for credit losses in such periods.

Equity Securities

In accordance with ASC 321-10, equity securities with readily determinable fair values are stated at fair value with realized and unrealized gains and losses reported in income. Equity securities without readily determinable fair values are recorded at cost, adjusted for observable price changes and impairments, if any.

At March 31, 2025 and December 31, 2024, the Company had $1,501,000 and $1,587,000, respectively, in equity securities recorded at fair value. The following is a summary of realized gains and losses recognized in net income on equity securities during the three months ended March 31, 2025 and 2024:

(Dollars in thousands)	**Three months ended March 31, 2025**	Three months ended March 31, 2024
Net gains (losses) from market value fluctuations recognized during the period on equity securities	**$ (86)**	$ (184)
Less: Net gains recognized during the period on equity securities sold during the period	**—**	—
Net gains (losses) recognized during the reporting period on equity securities still held at the reporting date	**$ (86)**	$ (184)

Management evaluates equity securities for impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Equity securities without readily determinable fair values are generally evaluated for impairment under FASB ASC 321, Equity Securities. In determining impairment under the FASB ASC 321 model, management considers many factors, including (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the equity security or more likely than not will be required to sell the equity security before its anticipated recovery. The assessment of whether an impairment exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time. If an impairment loss on an equity security is considered to exist, a loss in the amount of the difference between the cost and fair value of the security is recognized. Once the impairment is recorded, this becomes the new cost basis of the equity security and cannot be adjusted upward if there is a subsequent recovery in the fair value of the security.

The Company monitors the equity securities portfolio monthly with particular attention given to securities in a continuous loss position of at least ten percent for over twelve months. Based on the factors described above, management did not consider any equity securities to be impaired at March 31, 2025 or December 31, 2024.

NOTE 4 — LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans

Net loans are stated at their outstanding recorded investment, net of deferred fees and costs, unearned income and the allowance for credit losses. Interest on loans is recognized as income over the term of each loan, generally, by the accrual method. Loan origination fees and certain direct loan origination costs have been deferred with the net amount amortized using the straight line method or the interest method over the contractual life of the related loans as an interest yield adjustment.

The loans receivable portfolio is segmented into the following segments: Real Estate (including both commercial and residential loans), Agricultural, Commercial and Industrial, Consumer, and State and Political Subdivisions.

Real Estate Lending

The Company engages in real estate lending to commercial borrowers in its primary market area and surrounding areas. The commercial component of the Company’s Real Estate portfolio is secured primarily by commercial retail space, commercial office buildings, residential housing and hotels. Generally, these loans have terms that do not exceed twenty years, have loan-to-value ratios of up to eighty percent of the value of the collateral property, and are typically supported by personal guarantees of the borrowers.

In underwriting these loans, the Company performs a thorough analysis of the financial condition of the borrower, the borrower’s credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. The value of the property is determined by either independent appraisers or internal evaluations performed by Bank officers.

Real estate loans secured by commercial properties generally present a higher level of risk than loans secured by residential real estate. Repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related real estate project and/or the effect of the general economic conditions on income producing properties.

The residential component of the Company’s Real Estate portfolio is comprised of one-to-four family residential mortgage loan originations, home equity term loans and home equity lines of credit. These loans are generated by the Company’s marketing efforts, its present customers, walk-in customers and referrals. These loans are originated primarily with customers from the Company’s market area.

The Company’s one-to-four family residential mortgage originations are secured principally by properties located in its primary market area and surrounding areas. The Company offers fixed-rate mortgage loans with terms up to a maximum of thirty years for both permanent structures and those under construction. Loans with terms of thirty years are normally held for sale and sold without recourse; most of the residential mortgages held in the Company’s residential real estate portfolio have maximum terms of twenty years. Generally, the majority of the Company’s residential mortgage loans originate with a loan-to-value of eighty percent or less, or those with private mortgage insurance at ninety-five percent or less. Home equity term loans are secured by the borrower's primary residence and typically have a maximum loan-to-value of eighty percent and a maximum term of fifteen years. In general, home equity lines of credit are secured by the borrower's primary residence with a maximum loan-to-value of eighty percent and a maximum term of twenty years.

In underwriting one-to-four family residential mortgage loans, the Company evaluates the borrower's ability to make monthly payments, the borrower's prior loan repayment history and the value of the property securing the loan. The ability and willingness to repay is assessed based upon the borrower's employment history, current financial conditions and credit background. A majority of the properties securing residential real estate loans made by the Company are appraised by independent appraisers. The Company generally requires mortgage loan borrowers to obtain an attorney's title opinion or title insurance and fire and property insurance, including flood insurance, if applicable.

Residential mortgage loans, home equity term loans and home equity lines of credit generally present a lower level of risk than consumer loans because they are secured by the borrower's primary residence. Risk is increased when the Company is in a subordinate position, especially to another lender, for the loan collateral.

Residential mortgage loans held for sale are carried at the lower of cost or market on an aggregate basis determined by independent pricing from appropriate federal or state agency investors. These loans are sold without recourse. Loans held for sale amounted to $559,000 and $737,000 at March 31, 2025 and December 31, 2024, respectively.

Agricultural Lending

The Company originates agricultural loans to individuals in the farming industry for funding the production of crops or to purchase or refinance capital assets such as farmland, livestock, machinery, equipment, and farm real estate improvements. Agricultural loans are typical secured by collateral related to the farming activities. These loans originate from customers within the Company's primary market area or the surrounding areas.

In underwriting agricultural loans, an analysis is performed regarding the borrower's ability to repay the loan, the borrower's capital and collateral, and the past, present, and future cash flows of the borrower, as well as the agricultural industry as a whole. In general, these loans would be secured by cropland, pastureland, orchardland, or timberland that is committed to ongoing management and agricultural production, with a maximum loan-to-value ratio of seventy percent and a maximum term of ten years.

Commercial and Industrial Lending

The Company originates commercial and industrial loans principally to businesses located in its primary market area and surrounding areas. These loans are used for various business purposes, which include short-term loans and lines of credit to finance machinery and equipment, inventory and accounts receivable. Generally, the maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Most business lines of credit are written on demand and are reviewed annually.

Commercial and industrial loans are generally secured with short-term assets; however, in many cases, additional collateral such as real estate is provided as additional security for the loan. Loan-to-value maximum thresholds have been established by the Company and are specific to the type of collateral. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, business financial statements, collateral appraisals or internal evaluations, etc. Commercial and industrial loans are typically supported by personal guarantees of the borrower.

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

Commercial and industrial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions. Commercial and industrial loans are typically made on the basis of the borrower's ability to make repayment from cash flows from the borrower's primary business activities. As a result, the availability of funds for the repayment of commercial and industrial loans is dependent on the success of the business itself, which in turn, is likely to be dependent upon the general economic environment.

As an addition to the commercial loans receivable portfolio, the Company may purchase the guaranteed portion of loans secured by the U.S. Government. The originating bank retains the unguaranteed portion of the loan. The loans are sponsored by one of the various government agencies including the SBA, United States Department of Agriculture ("USDA"), and the Farm Service Agency ("FSA"). Government Guaranteed Loans ("GGLs") carry no credit risk due to an unconditional and irrevocable guarantee (which is supported by the full faith and credit of the U.S. Government) on all principal and the balance of interest accruing through ninety days beyond the date that demand is made to the originating bank for repurchase of the loan. As of March 31, 2025, the Company's balance of GGLs was $4,267,000, compared to $4,306,000 at December 31, 2024.

Consumer Lending

The Company offers a variety of secured and unsecured consumer loans, including vehicle loans, stock secured loans and loans secured by financial institution deposits. These loans originate primarily with customers from the Company's market area.

Consumer loan terms vary according to the type and value of collateral and creditworthiness of the borrower. In underwriting personal loans, a thorough analysis is performed regarding the borrower's willingness and financial ability to repay the loan as agreed. The ability and willingness to repay is assessed based upon the borrower's employment history, current financial condition and credit background.

Consumer loans may entail greater credit risk than residential real estate loans, particularly in the case of personal loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, repossessed collateral for a defaulted personal loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, personal loan collections are dependent on the borrower's continuing financial stability and therefore, are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

State and Political Subdivisions Lending

The Company, from time to time, may originate loans to state and political subdivisions that are within the Company's primary market area or surrounding areas. These loans may be either taxable or tax-free. These loans may be issued for the purpose of land improvement, infrastructure changes, bond refinances, or the purchase of equipment. State and political loans are typically secured by the taxing power of the borrowing entity. In some cases, the loans may also be secured by the property/item being purchased. Audited financial statements are required as part of the underwriting for all state and political loans and a full analysis of all components of the audited statements is performed. If the loan is to be classified as tax-free, a letter from the entity's solicitor stating such is required, as well.

The risk associated with these types of loans is considerably less than commercial loan transactions. Repayment is based on the full faith, credit, and ability of the borrowing entity to tax and then collect the payments. Delinquency or loss on these types of loans is de minimus.

Delinquent Loans

Generally, a loan is considered to be past-due when scheduled loan payments are in arrears 10 days or more. Delinquent notices are generated automatically when a loan is 10 or 15 days past-due, depending on loan type. Collection efforts continue on past-due loans that have not been brought current, when it is believed that some chance exists for improvement in the status of the loan. Past-due loans are continually evaluated with the determination for charge-off being made when no reasonable chance remains that the status of the loan can be improved.

Commercial and industrial loans and real estate loans issued for commercial purpose are charged off in whole or in part when they become sufficiently delinquent based upon the terms of the underlying loan contract and when a collateral deficiency exists. Because all or part of the contractual cash flows are not expected to be collected, the loan is designated for individual evaluation to determine expected credit losses based on an analysis of the cash flows or collateral estimated at fair value less cost to sell. Should a GGL default, demand is made to the originating bank for repurchase of the loan. If the originating bank does not repurchase the loan, demand for repurchase is then made to the appropriate government agency which has provided the guarantee for the loan.

Real estate loans issued for residential purposes and consumer loans are charged off when they become sufficiently delinquent based upon the terms of the underlying loan contract and when the value of the underlying collateral is not sufficient to support the loan balance and a loss is expected. At that time, the amount of estimated collateral deficiency, if any, is charged off for loans secured by collateral, and all other loans are charged off in full. Loans with collateral are written down to the estimated fair value of the collateral less cost to sell.

Existing loans in which the borrower has declared bankruptcy are considered on a case by case basis to determine whether repayment is likely to occur (e.g. reaffirmation by the borrower with demonstrated repayment ability). Otherwise, loans are charged off in full or written down to the estimated fair value of collateral less cost to sell.

Generally, a loan is classified as non-accrual and the accrual of interest on such a loan is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest. A loan may remain on accrual status if it is well secured (or supported by a strong guarantee) and in the process of collection. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against interest income. Certain non-accrual loans may continue to perform; that is, payments are still being received. Generally, the payments are applied to principal. These loans remain under constant scrutiny, and if performance continues, interest income may be recorded on a cash basis based on management's judgment regarding the collectability of principal.

Allowance for Credit Losses - Loans

The allowance for credit losses (“ACL”) is an estimate of losses arising from borrowers’ inability to make loan payments as required, which is calculated via a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the loan portfolio. All adjustments will be established through provisions for credit losses charged against income. Loans deemed to be uncollectible are charged against the ACL and subsequent recoveries, if any, are credited to the allowance.

The ACL is maintained at a level estimated by management to be adequate to absorb potential loan losses. Management’s periodic evaluation of the adequacy of the ACL is based on specific expectations for the future economic environment that are incorporated in the projection, with loss expectations to revert to the long-run historical mean after such time as management can make or obtain a reasonable and supportable forecast. Management also considers the Company’s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may impact the borrower’s ability to repay (including the timing of future payments), the estimated value of any underlying collateral (if the loan is collateral dependent), composition of the loan portfolio, and other relevant factors. This evaluation is inherently subjective as it requires material estimates based on management’s judgment regarding the projection of expected credit losses over the contractual lifetime of the loans.

Modeling of the ACL uses sophisticated statistical techniques to arrive at reasonable and supportable forecasts of expected losses. The Company has contracted with a third-party vendor to assist in developing models for the ACL related to the Company’s loan portfolio under ASC 326. The Company has opted to utilize the Weighted Average Remaining Maturity (“WARM”) method to calculate the ACL which uses an average annual charge-off rate. This average annual charge-off rate contains loss content over several vintages and is used as a foundation for estimating the credit loss content for loans by segmented pools at the balance sheet date and is used to determine a historical charge-off rate. When estimating expected credit losses, the Company considers forward-looking information that is reasonable, supportable, and relevant to assessing the collectability of cash flows. Reasonable and supportable forecasts may extend over the entire contractual term of a loan or a period shorter than the contractual term. Reasonable and supportable forecasts may vary by portfolio segment or individual forecast input. These forecasts may include data from internal sources, external sources, or a combination of both.

When the contractual term of a loan extends beyond the reasonable and supportable period, ASC Topic 326 requires reverting to historical loss information, or an appropriate proxy, for those periods beyond the reasonable and supportable forecast period (often referred to as the reversion period). The Company may revert to historical loss information for each individual forecast input or based on the entire estimate of loss. Reversion to historical loss information may be immediate, occur on a straight-line basis, or use any systematic/rational method. Management may apply different reversion techniques depending on the economic environment or applicable loan portfolio.

The methodology used to determine the ACL also includes a qualitative component in which the Company adjusts expected credit loss estimates for information not already captured in the loss estimation process. These qualitative factor adjustments may increase or decrease management's estimate of expected credit losses. Changes in the level of the Company's ACL may not always be directionally consistent with changes in the level of qualitative factor adjustments due to the incorporation of reasonable and supportable forecasts in estimating expected losses. Management considers qualitative factors that are relevant to the Company as of the reporting date, which may include but are not limited to: 1) changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere; 2) changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the loan portfolio, including the condition of various market segments; 3) changes in the nature and volume of the loan portfolio; 4) changes in the experience, ability, and depth of management and other relevant staff; 5) changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans; 6) changes in the quality of the Company's loan review system; 7) changes in the value of underlying collateral for collateral dependent loans; 8) the existence and effect of any concentrations of credit and changes in the level of such concentrations; and 9) the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's existing loan portfolio.

The Company's ACL is calculated by collectively evaluating and individually evaluating loans. The Company collectively evaluates applicable loans based on segments according to their homogeneous characteristics, aligned with the segmentation of the FDIC Bank Call Report. The Company collectively evaluates loans and determines applicable loss rates based on the following segments/classes:

Real Estate

- Construction, land development, and other land loans
- Residential construction (loans to build homes, both speculative and owner-occupied, and 1-4 family lot loans)
- Agribusiness, farmland, or secured by farmland
- Revolving, open-end, 1-4 family residential properties (and extended under lines of credit)
- Loans secured by first liens
- Loans secured by junior liens
- Secured by multifamily (5 or more) residential properties
- Loans secured by owner occupied, non-farm, non-residential properties
- Loans secured by other non-farm, non-residential properties

Agricultural

- Loans to finance agricultural production and other loans for farmers

Commercial and Industrial

- Commercial and industrial loans

Consumer

- Other revolving credit plans
- Automobile loans
- Other consumer loans

State and Political Subdivisions

- Obligations (other than securities or leases) of states and political subdivisions in the U.S.

In accordance with ASC 326-20-30-2, the Company will evaluate individual loans for expected credit losses when the loans do not share similar risk characteristics with loans evaluated using the collective method. Management may evaluate loans on an individual basis even when no specific expectation of collectability is in place. Loans for which individual evaluation has been deemed necessary are then analyzed to determine if a reserve is required for the loan. A loan would be individually evaluated under the following circumstances (a) if it is on non-accrual status, (b) if a distressed loan is determined to be collateral dependent, or (c) if the Company has other concerns regarding the viability of the loan. 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. Once identified as a loan requiring individual evaluation, the loan is analyzed based on the fair market value of the underlying collateral.

Loans that have been individually evaluated for expected credit losses may have a portion of the reserve allocated to cover the calculated collateral deficiency or the amount of the collateral deficiency may be charged off. Loans individually evaluated for expected credit losses may have zero specific allocation if the evaluation/analysis shows that no collateral deficiency exists for the loan and no loss is expected.

ASC 326-20, *Loan Modifications Experiencing Financial Difficulty,* eliminated the accounting guidance for Troubled Debt Restructurings ("TDRs") while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. In accordance with the new guidance, the Company no longer evaluates loans with modifications made to borrowers experiencing financial difficulty individually for impairment, nor establishes a related specific reserve for such loans, but rather these loans are included in their respective portfolio segment and evaluated collectively for impairment to establish an allowance for credit losses. Any modifications of loans to borrowers experiencing financial difficulty that are classified as non-accrual or are otherwise designated as collateral dependent are individually evaluated for determination of expected credit losses.

The most common types of concessions granted upon modification of a loan to a borrower experiencing financial difficulties include: (a) a reduction in the interest rate for the remaining life of the debt, (b) an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, (c) a temporary period of interest-only payments, and (d) a reduction in the contractual payment amount for either a short period or for the remaining term of the loan. A less common concession would be forgiveness of a portion of the loan's principal. Loans so modified remain collectively evaluated for determination of expected credit losses, unless, during the process of evaluation, it is determined that the loan should be placed on non-accrual status until the Company determines that future collection of principal and interest is reasonably assured or the loan is otherwise deemed to be collateral dependent.

There may be certain types of loans for which the expectation of credit loss is zero after evaluating historical loss information, making necessary adjustments for current conditions and reasonable and supportable forecasts, and considering any collateral or guarantee arrangements that are not free-standing contracts. Factors considered by management when evaluating whether expectations of zero credit loss are appropriate may include, but are not limited to: 1) a long history of zero credit loss; 2) full securitization by cash or cash equivalents; 3) high credit ratings from rating agencies with no expected future downgrade; 4) principal and interest payments that are guaranteed by the U.S. government; 5) the issuer, guarantor, or sponsor can print its own currency and the currency is held by other central banks as reserve currency; and 6) the interest rate on the security is recognized as a risk-free rate.

A loan that is fully secured by cash or cash equivalents, such as a certificate of deposit issued by the lending institution, would likely have zero credit loss expectations. Similarly, the guaranteed portion of an SBA loan purchased on the secondary market through the SBA's fiscal and transfer agent would likely have zero credit loss expectations because these financial assets are unconditionally guaranteed by the U.S. government.

A reserve for unfunded lending commitments is provided for possible credit losses on off-balance sheet credit exposures. Off-balance sheet credit exposures primarily include undrawn portions of revolving lines of credit and standby letters of credit. The reserve for unfunded lending commitments represents management's estimate of losses inherent in its unfunded loan commitments and, if necessary, is recorded in other liabilities on the consolidated balance sheets. As of March 31, 2025 and December 31, 2024, the amount of the reserve for unfunded lending commitments was $89,000 and $102,000, respectively.

The Company made a policy election to exclude accrued interest receivable from the amortized cost basis of loans. Accrued interest receivable on loans is reported as a component of accrued interest receivable on the Company's consolidated balance sheets and totaled $2,685,000 as of March 31, 2025 compared to $2,575,000 at December 31, 2024. Accrued interest receivable on loans is excluded from the estimate of credit losses.

The Company is subject to periodic examination by its federal and state examiners, and may be required by such regulators to recognize additions to the ACL based on their assessment of credit information available to them at the time of their examinations.

The Company utilizes a risk grading matrix as a tool for managing credit risk in the loan portfolio and assigns an asset quality rating (risk grade) to all loans. An asset quality rating is assigned using the guidance provided in the Company's loan policy. Primary responsibility for assigning the asset quality rating rests with the credit department. The asset quality rating is validated periodically by both an internal and external loan review process.

The commercial loan grading system focuses on a borrower's financial strength and performance, experience and depth of management, primary and secondary sources of repayment, the nature of the business and the outlook for the particular industry. Primary emphasis is placed on financial condition and trends. The grade also reflects current economic and industry conditions; as well as other variables such as liquidity, cash flow, revenue/earnings trends, management strengths or weaknesses, quality of financial information, and credit history.

The loan grading system for residential real estate secured and consumer loans focuses on the borrower's credit score and credit history, debt-to-income ratio and income sources, collateral position and loan-to-value ratio.

Risk grade characteristics are as follows:

Risk Grade 1 – MINIMAL RISK through Risk Grade 6 – MANAGEMENT ATTENTION (Pass Grade Categories)

Risk is evaluated via examination of several attributes including but not limited to financial trends, strengths and weaknesses, likelihood of repayment when considering both cash flow and collateral, sources of repayment, leverage position, management expertise, and repayment history.

At the low-risk end of the rating scale, a risk grade of 1 – Minimal Risk is the grade reserved for loans with exceptional credit fundamentals and virtually no risk of default or loss. Loan grades then progress through escalating ratings of 2 through 6 based upon risk. Risk Grade 2 – Modest Risk are loans with sufficient cash flows; Risk Grade 3 – Average Risk are loans with key balance sheet ratios slightly above the borrower's peers; Risk Grade 4 – Acceptable Risk are loans with key balance sheet ratios usually near the borrower's peers, but one or more ratios may be higher; and Risk Grade 5 – Marginally Acceptable are loans with strained cash flow, increasing leverage and/or weakening markets. Risk Grade 6 – Management Attention are loans with weaknesses resulting from declining performance trends and the borrower's cash flows may be temporarily strained. Loans in this category are performing according to terms, but present some type of potential concern.

Risk Grade 7 − SPECIAL MENTION (Non-Pass Category)

Assets in this category are adequately collateralized but have potential weakness which may, if not checked or corrected, weaken the asset or inadequately protect the Company's credit position at some future date. The loans may constitute increased credit risk, but not to the point of justifying a classification of substandard. No loss of principal or interest is envisioned, but risk is increasing beyond that at which the loan originally would have been granted. Historically, cash flows are inconsistent; financial trends show some deterioration. Liquidity and leverage are above industry averages. Financial information could be incomplete or inadequate. A Special Mention asset has potential weaknesses that deserve management's close attention.

Risk Grade 8 − SUBSTANDARD (Non-Pass Category)

Generally, these assets are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have "well-defined" weaknesses that jeopardize the full liquidation of the debt.

These loans are characterized by the distinct possibility that the Company will sustain some loss if the aggregate amount of substandard assets is not fully covered by the liquidation of the collateral used as security. Substandard loans have a high probability of payment default and require more intensive supervision by Company management.

Risk Grade 9 − DOUBTFUL (Non-Pass Category)

Generally, loans graded doubtful have all the weaknesses inherent in a substandard loan with the added factor that the weaknesses are pronounced to a point whereby the basis of current information, conditions, and values, collection or liquidation in full is deemed to be highly improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to strengthen the asset, its classification is deferred until, for example, a proposed merger, acquisition, liquidation procedure, capital injection, perfection of liens on additional collateral and/or refinancing plan is completed. Loans are graded doubtful if they contain weaknesses so serious that collection or liquidation in full is questionable.

The following table presents outstanding loan balances by loan class prior to allocation of net deferred fees and costs, as well as the balance of total gross loans after allocation of net deferred fees and costs and net loans after allocation of the allowance for credit losses as of March 31, 2025 and December 31, 2024.

(Dollars in thousands)	March 31, 2025	December 31, 2024
Real Estate	**$ 863,384**	$ 851,393
Agricultural	**1,112**	936
Commercial and Industrial	**67,832**	66,706
Consumer	**6,478**	6,390
State and Political Subdivisions	**24,622**	22,138
Subtotal:	**963,428**	947,563
Net Deferred Fees and Costs	**753**	888
Subtotal: Total Loans	**964,181**	948,451
Allowance for Credit Losses	**(8,068)**	(7,672)
Loans, Net	**$ 956,113**	$ 940,779

The following tables present the classes of the loan portfolio summarized by risk rating and year of origination and year-to-date gross charge-offs by loan portfolio summarized by year of origination as of March 31, 2025 and December 31, 2024.

March 31, 2025:

(Dollars in thousands)

Real Estate:	2025	2024	2023	2022	2021	Prior	Total
1-6 Pass	$ 33,233	105,065	111,904	160,081	117,799	308,144	$ 836,226
7 Special Mention	—	—	—	69	225	1,219	1,513
8 Substandard	—	—	—	4,503	567	20,575	25,645
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	(5)	37	(96)	128	118	98	280
Total Real Estate Loans	$ 33,228	$ 105,102	$ 111,808	$ 164,781	$ 118,709	$ 330,036	$ 863,664

Agricultural:	2025	2024	2023	2022	2021	Prior	Total
1-6 Pass	$ 29	239	208	35	—	601	$ 1,112
7 Special Mention	—	—	—	—	—	—	—
8 Substandard	—	—	—	—	—	—	—
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	1	2	1	1	—	—	5
Total Agricultural Loans	$ 30	$ 241	$ 209	$ 36	$ —	$ 601	$ 1,117

Commercial and Industrial:	2025	2024	2023	2022	2021	Prior	Total
1-6 Pass	$ 2,186	8,066	17,155	8,479	4,214	27,698	$ 67,798
7 Special Mention	—	—	—	—	—	—	—
8 Substandard	—	—	—	—	—	34	34
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	19	74	44	54	4	196	391
Total Commercial and Industrial Loans	$ 2,205	$ 8,140	$ 17,199	$ 8,533	$ 4,218	$ 27,928	$ 68,223

Consumer:	2025	2024	2023	2022	2021	Prior	Total
1-6 Pass	$ 806	2,647	1,146	620	492	757	$ 6,468
7 Special Mention	—	—	—	—	—	—	—
8 Substandard	—	—	—	—	—	10	10
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	7	33	16	8	2	—	66
Total Consumer Loans	$ 813	$ 2,680	$ 1,162	$ 628	$ 494	$ 767	$ 6,544

State and Political Subdivisions:	2025	2024	2023	2022	2021	Prior	Total
1-6 Pass	$ 2,571	—	1,226	2,739	13,338	4,748	$ 24,622
7 Special Mention	—	—	—	—	—	—	—
8 Substandard	—	—	—	—	—	—	—
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	2	—	2	1	3	3	11
Total State and Political Subdivision Loans	$ 2,573	$ —	$ 1,228	$ 2,740	$ 13,341	$ 4,751	$ 24,633

Total Loans:	2025	2024	2023	2022	2021	Prior	Total
1-6 Pass	$ 38,825	$ 116,017	$ 131,639	$ 171,954	$ 135,843	$ 341,948	$ 936,226
7 Special Mention	—	—	—	69	225	1,219	1,513
8 Substandard	—	—	—	4,503	567	20,619	25,689
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	24	146	(33)	192	127	297	753
Total Loans	$ 38,849	$ 116,163	$ 131,606	$ 176,718	$ 136,762	$ 364,083	$ 964,181

	2025	2024	2023	2022	2021	Prior	Total
Gross Charge Offs:							
Real Estate	$ —	—	—	—	—	—	$ —
Agricultural	—	—	—	—	—	—	—
Commercial and Industrial	—	—	361	—	—	—	361
Consumer	—	—	—	—	2	8	10
State and Political Subdivisions	—	—	—	—	—	—	—
Total Gross Charge Offs	$ —	$ —	$ 361	$ —	$ 2	$ 8	$ 371

As of December 31, 2024:

(Dollars in thousands)

Real Estate:	2024	2023	2022	2021	2020	Prior	Total
1-6 Pass	$ 103,734	114,854	167,390	119,406	101,748	216,890	$ 824,022
7 Special Mention	—	—	76	225	—	1,239	1,540
8 Substandard	—	—	4,529	568	4,093	16,641	25,831
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	76	(30)	133	123	93	13	408
Total Real Estate Loans	$ 103,810	$ 114,824	$ 172,128	$ 120,322	$ 105,934	$ 234,783	$ 851,801

Agricultural:	2024	2023	2022	2021	2020	Prior	Total
1-6 Pass	$ 59	223	43	—	—	611	$ 936
7 Special Mention	—	—	—	—	—	—	—
8 Substandard	—	—	—	—	—	—	—
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	2	1	—	—	—	—	3
Total Agricultural Loans	$ 61	$ 224	$ 43	$ —	$ —	$ 611	$ 939

Commercial and Industrial:	2024	2023	2022	2021	2020	Prior	Total
1-6 Pass	$ 8,481	16,252	8,888	4,544	3,086	24,998	$ 66,249
7 Special Mention	—	—	—	—	—	—	—
8 Substandard	—	420	—	—	12	25	457
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	86	49	59	5	8	192	399
Total Commercial and Industrial Loans	$ 8,567	$ 16,721	$ 8,947	$ 4,549	$ 3,106	$ 25,215	$ 67,105

Consumer:	2024	2023	2022	2021	2020	Prior	Total
1-6 Pass	$ 2,962	1,292	718	577	71	764	$ 6,384
7 Special Mention	—	—	—	—	—	—	—
8 Substandard	—	—	—	—	—	6	6
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	38	18	10	3	—	—	69
Total Consumer Loans	$ 3,000	$ 1,310	$ 728	$ 580	$ 71	$ 770	$ 6,459

State and Political Subdivisions:	2024	2023	2022	2021	2020	Prior	Total
1-6 Pass	$ —	1,232	2,739	13,338	—	4,829	$ 22,138
7 Special Mention	—	—	—	—	—	—	—
8 Substandard	—	—	—	—	—	—	—
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	—	2	1	3	—	3	9
Total State and Political Subdivision Loans	$ —	$ 1,234	$ 2,740	$ 13,341	$ —	$ 4,832	$ 22,147

Total Loans:	2024	2023	2022	2021	2020	Prior	Total
1-6 Pass	$ 115,236	$ 133,853	$ 179,778	$ 137,865	$ 104,905	$ 248,092	$ 919,729
7 Special Mention	—	—	76	225	—	1,239	1,540
8 Substandard	—	420	4,529	568	4,105	16,672	26,294
9 Doubtful	—	—	—	—	—	—	—
Unearned discount	—	—	—	—	—	—	—
Net deferred loan fees and costs	202	40	203	134	101	208	888
Total Loans	$ 115,438	$ 134,313	$ 184,586	$ 138,792	$ 109,111	$ 266,211	$ 948,451

	2024	2023	2022	2021	2020	Prior	Total
Gross Charge Offs:							
Real Estate	$ —	—	—	—	—	345	$ 345
Agricultural	—	—	—	—	—	—	—
Commercial and Industrial	—	—	—	20	—	504	524
Consumer	—	15	29	11	8	6	69
State and Political Subdivisions	—	—	—	—	—	—	—
Total Gross Charge Offs	$ —	$ 15	$ 29	$ 31	$ 8	$ 855	$ 938

State and Political Subdivision Loans include loans categorized as tax-free in the amount of $24,633,000 at March 31, 2025 and $22,147,000 at December 31, 2024. Commercial and Industrial Loans include $4,267,000 of GGLs as of March 31, 2025 and $4,306,000 of GGLs as of December 31, 2024. Loans held for sale are included in the Real Estate Loans category and amounted to $559,000 at March 31, 2025 and $737,000 at December 31, 2024.

The activity in the allowance for credit losses by loan class is summarized below for the three months ended March 31, 2025 and 2024 and the year ended December 31, 2024.

(Dollars in thousands)	Real Estate	Agricultural	Commercial and Industrial	Consumer	State and Political Subdivisions	Total
As of and for the three months ended March 31, 2025:						
Allowance for Credit Losses:						
Beginning balance January 1, 2025	$ 7,215	$ 2	$ 313	$ 98	$ 44	$ 7,672
Charge-offs	—	—	(361)	(10)	—	(371)
Recoveries	—	—	15	1	—	16
Provision	357	—	374	5	15	751
Ending Balance	$ 7,572	$ 2	$ 341	$ 94	$ 59	$ 8,068
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 7,572	$ 2	$ 341	$ 94	$ 59	$ 8,068
Reserve for Unfunded Lending Commitments	$ 73	$ —	$ 16	$ —	$ —	$ 89
Loans Receivable:						
Ending Balance	$ 863,664	$ 1,117	$ 68,223	$ 6,544	$ 24,633	$ 964,181
Ending balance: individually evaluated for impairment	$ 4,718	$ 309	$ —	$ —	$ —	$ 5,027
Ending balance: collectively evaluated for impairment	$ 858,946	$ 808	$ 68,223	$ 6,544	$ 24,633	$ 959,154

(Dollars in thousands)	Real Estate	Agricultural	Commercial and Industrial	Consumer	Political Subdivisions	Total
As of and for the three months ended March 31, 2024:						
Allowance for Credit Losses:						
Beginning balance January 1, 2024	6,539	1	265	78	42	6,925
Charge-offs	—	—	—	(12)	—	(12)
Recoveries	18	—	—	1	—	19
Provision	168	—	57	18	21	264
Ending Balance	$ 6,725	$ 1	$ 322	$ 85	$ 63	$ 7,196
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 6,725	$ 1	$ 322	$ 85	$ 63	$ 7,196
Reserve for Unfunded Lending Commitments	$ 155	$ —	$ 30	$ —	$ 1	$ 186
Loans Receivable:						
Ending Balance	$ 813,044	$ 641	$ 63,753	$ 5,843	$ 26,190	$ 909,471
Ending balance: individually evaluated for impairment	$ 3,993	$ 309	$ 611	$ —	$ —	$ 4,913
Ending balance: collectively evaluated for impairment	$ 809,051	$ 332	$ 63,142	$ 5,843	$ 26,190	$ 904,558

(Dollars in thousands)	Real Estate	Agricultural	Commercial and Industrial	Consumer	State and Political Subdivisions	Total
As of and for the year ended December 31, 2024:						
Allowance for Credit Losses:						
Beginning balance January 1, 2024	6,539	1	265	78	42	6,925
Charge-offs	(345)	—	(524)	(69)	—	(938)
Recoveries	21	—	19	5	—	45
Provision	1,000	1	553	84	2	1,640
Ending Balance	$ 7,215	$ 2	$ 313	$ 98	$ 44	$ 7,672
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 7,215	$ 2	$ 313	$ 98	$ 44	$ 7,672
Reserve for Unfunded Lending Commitments	$ 85	$ —	$ 17	$ —	$ —	$ 102
Loans Receivable:						
Ending Balance	$ 851,801	$ 939	$ 67,105	$ 6,459	$ 22,147	$ 948,451
Ending balance: individually evaluated for impairment	$ 4,214	$ 309	$ —	$ —	$ —	$ 4,523
Ending balance: collectively evaluated for impairment	$ 847,587	$ 630	$ 67,105	$ 6,459	$ 22,147	$ 943,928

The Company's activity in the allowance for credit losses on unfunded commitments for the three months ended March 31, 2025 and 2024 was as follows:

(Dollars in thousands)

	2025	2024
Balance at January 1	**$ 102**	$ 166
(Recapture) provision for credit losses on unfunded commitments	**(13)**	20
Balance at March 31	**$ 89**	$ 186

During the three months ended March 31, 2025, there were no modifications granted on loans to borrowers experiencing financial difficulty. There was one loan modification granted on a loan to a borrower experiencing financial difficulty during the three months ended March 31, 2024 which was completed to allow a period of interest-only payments of six months and carried a post modification recorded investment of $9,455,000.

The outstanding recorded investment of loans to borrowers experiencing financial difficulty was $10,193,000 at December 31, 2024. There were no unfunded commitmenst on modified loans to borrowers experiencing financial difficulty as of December 31, 2024. At December 31, 2024, there were no modifications of loans to borrowers experiencing financial difficulty that were not in compliance with the terms of there restructure. There were no modifications granted on loans to borrowers experiencing financial difficulty during the three months ended March 31, 2025.

The following table presents the outstanding recorded investment and number of modifications of loans to borrowers experiencing financial difficulty at December 31, 2024.

Modifications of Loans to Borrowers Experiencing Financial Difficulty:	December 31, 2024		
	Number of Contracts	Recorded Investment	Recorded Investment % of Loan Segment
Real Estate:			
Non-Accrual	—	$ —	0.00%
Accruing	4	10,193	1.20%
Subtotal - Real Estate:	4	10,193	1.20%
Total	4	$ 10,193	1.07%

Of the modifications of loans to borrowers experiencing difficulty that were completed during the twelve months preceding March 31, 2025, two loans experienced payment defaults during the three months ended March 31, 2025. One loan carrying a balance of $120,000 experienced a payment default during the three months ended March 31, 2025 but was paid current by the customer as of March 31, 2025. A loan carrying a balance of $425,000 experienced a payment default during the three months ended March 31, 2025 and remained in past due status as of March 31, 2025. Of the modifications of loans to borrowers experiencing financial difficulty that were completed during the twelve months preceding March 31, 2024, one loan carrying a balance of $9,455,000 experienced a payment default during the three months ended March 31, 2024 but was paid current by the customer as of March 31, 2024.

The following table presents information regarding modifications of loans to borrowers experiencing financial difficulty that were completed during the three months ended March 31, 2024. There were no modifications of loans to borrowers experiencing financial difficulty completed during the three months ended March 31, 2025.

(Dollars in thousands)	For the Three Months Ended March 31, 2024			
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Recorded Investment
Real Estate	1	$ 9,455	$ 9,455	$ 9,455
Total	1	$ 9,455	$ 9,455	$ 9,455

The following table provides detail regarding the types of loan modifications made for borrowers experiencing financial difficulty during the three months ended March 31, 2024. There were no modifications of loans to borrowers experiencing financial difficulty completed during the three months ended March 31, 2025.

	For the Three Months Ended March 31, 2024				
	Rate Modification	Term Modification	Payment Modification	Release of Collateral	Number Modified
Real Estate	—	—	1	—	1
Total	—	—	1	—	1

The recorded investment, unpaid principal balance, and the related allowance of the Company's non-accrual loans are summarized below at March 31, 2025 and December 31, 2024:

(Dollars in thousands)	**March 31, 2025**						
	Recorded Investment With Related Allowance	**Recorded Investment With No Related Allowance**	**Total Recorded Investment**	**Unpaid Principal Balance With Related Allowance**	**Unpaid Principal Balance With No Related Allowance**	**Total Unpaid Principal Balance**	**Related Allowance**
Real Estate	**$ —**	**$ 4,718**	**$ 4,718**	**$ —**	**$ 6,707**	**$ 6,707**	**$ —**
Total	**$ —**	**$ 4,718**	**$ 4,718**	**$ —**	**$ 6,707**	**$ 6,707**	**$ —**

(Dollars in thousands)	December 31, 2024						
	Recorded Investment With Related Allowance	Recorded Investment With No Related Allowance	Total Recorded Investment	Unpaid Principal Balance With Related Allowance	Unpaid Principal Balance With No Related Allowance	Total Unpaid Principal Balance	Related Allowance
Real Estate	$ —	$ 4,214	$ 4,214	$ —	$ 6,203	$ 6,203	$ —
Total	$ —	$ 4,214	$ 4,214	$ —	$ 6,203	$ 6,203	$ —

The recorded investment represents the loan balance reflected on the consolidated balance sheets net of any charge-offs. The unpaid balance is equal to the gross amount due on the loan.

The following table presents the Company's individually evaluated, collateral-dependent loans by segment as of March 31, 2025 and December 31, 2024.

(Dollars in thousands)

March 31, 2025		
Loan Segment/Collateral Type	**Real Estate**	**Other**
Real Estate:		
1-4 Family Real Estate	**$ 246**	**$ —**
Multifamily Real Estate	**3,044**	**—**
Owner Occupied, Non-Farm, Non-Residential Real Estate	**1,428**	**—**
Subtotal - Real Estate:	**4,718**	**—**
Agricultural:		
Stock	**$ —**	**$ 309**
Subtotal - Agricultural:	**—**	**309**
Total	**$ 4,718**	**$ 309**

(Dollars in thousands)

December 31, 2024		
Loan Segment/Collateral Type	**Real Estate**	**Other**
Real Estate:		
1-4 Family Real Estate	**$ 247**	**$ —**
Multifamily Real Estate	**3,044**	**—**
Owner Occupied, Non-Farm, Non-Residential Real Estate	**923**	**—**
Subtotal - Real Estate:	**4,214**	**—**
Agricultural:		
Stock	**$ —**	**$ 309**
Subtotal - Agricultural:	**—**	**309**
Total	**$ 4,214**	**$ 309**

At March 31, 2025 and December 31, 2024, there were no commitments to lend additional funds with respect to individually evaluated loans.

Total non-performing assets (which includes loans receivable on non-accrual status, foreclosed assets held for resale and loans past-due 90 days or more and still accruing interest) as of March 31, 2025 and December 31, 2024 were as follows:

(Dollars in thousands)	**March 31, 2025**	December 31, 2024
Real Estate	**$ 4,718**	$ 4,214
Agricultural	**—**	—
Commercial and Industrial	**—**	—
Consumer	**—**	—
State and Political Subdivisions	**—**	—
Total non-accrual loans	**4,718**	4,214
Foreclosed assets held for resale	**—**	—
Loans past-due 90 days or more and still accruing interest	**1,212**	756
Total non-performing assets	**$ 5,930**	$ 4,970

There were no foreclosed assets held for resale at March 31, 2025 or December 31, 2024. Consumer mortgage loans secured by residential real estate for which the Company has entered into formal foreclosure proceedings but for which physical possession has yet to be obtained amounted to $0 at March 31, 2025 and December 31, 2024. When applicable, consumer mortgage loans secured by residential real estate for which the Company has entered into formal foreclosure proceedings but for which physical possession has yet to be obtained are not included in foreclosed asset balances.

The following tables present the classes of the loan portfolio, including individually evaluated loans, summarized by past-due status at March 31, 2025 and December 31, 2024.

(Dollars in thousands)

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current-29 Days Past Due	Total Loans	90 Days Or Greater Past Due and Still Accruing Interest
March 31, 2025:							
Real Estate	**$ 4,365**	**$ 703**	**$ 5,850**	**$ 10,918**	**$ 852,746**	**$ 863,664**	**$ 1,212**
Agricultural	**—**	**—**	**—**	**—**	**1,117**	**1,117**	**—**
Commercial and Industrial	**61**	**—**	**80**	**141**	**68,082**	**68,223**	**—**
Consumer	**29**	**—**	**—**	**29**	**6,515**	**6,544**	**—**
State and Political Subdivisions	**—**	**—**	**—**	**—**	**24,633**	**24,633**	**—**
Total	**$ 4,455**	**$ 703**	**$ 5,930**	**$ 11,088**	**$ 953,093**	**$ 964,181**	**$ 1,212**

(Dollars in thousands)

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current-29 Days Past Due	Total Loans	90 Days Or Greater Past Due and Still Accruing Interest
December 31, 2024:							
Real Estate	$ 4,247	$ 221	$ 4,970	$ 9,438	$ 842,363	$ 851,801	$ 756
Agricultural	—	—	—	—	939	939	—
Commercial and Industrial	378	—	—	378	66,727	67,105	—
Consumer	11	2	—	13	6,446	6,459	—
State and Political Subdivisions	—	—	—	—	22,147	22,147	—
Total	$ 4,636	$ 223	$ 4,970	$ 9,829	$ 938,622	$ 948,451	$ 756

NOTE 5 — DEPOSITS

Major classifications of deposits at March 31, 2025 and December 31, 2024 consisted of:

(Dollars in thousands)	**March 31, 2025**	December 31, 2024
Non-interest bearing demand	**$ 209,184**	$ 203,583
Interest bearing demand	**250,430**	278,869
Savings	**185,975**	195,310
Time certificates of deposits less than $250,000	**348,854**	327,236
Time certificates of deposits $250,000 or greater	**49,657**	39,782
Other time	**1,293**	1,100
Total deposits	**$ 1,045,393**	$ 1,045,880

NOTE 6 — BORROWINGS

Short-Term Borrowings

Short-term borrowings include federal funds purchased, securities sold under agreements to repurchase, the Federal Discount Window, and Federal Home Loan Bank of Pittsburgh ("FHLB") advances, which generally represent overnight or less than 30-day borrowings.

Short-term borrowings and weighted–average interest rates at March 31, 2025 and December 31, 2024 are as follows:

(Dollars in thousands)	**March 31, 2025**		December 31, 2024	
	Amount	**Average Rate**	Amount	Average Rate
Federal funds purchased	**$ —**	**— %**	$ —	6.56 %
Securities sold under agreements to repurchase	**32,438**	**3.86 %**	32,932	4.34 %
Federal Discount Window	**—**	**4.50 %**	—	5.46 %
Federal Home Loan Bank of Pittsburgh	**107,850**	**4.77 %**	101,494	5.60 %
Total	**$ 140,288**	**4.56 %**	$ 134,426	5.37 %

Securities Sold Under Agreements to Repurchase ("Repurchase Agreements")

The Company enters into agreements under which it sells securities subject to an obligation to repurchase the same or similar securities. Under these arrangements, the Company may transfer legal control over the assets but still retain effective control through an agreement that both entitles and obligates the Company to repurchase the assets.

As a result, these repurchase agreements are accounted for as collateralized financing agreements (i.e., secured borrowings) and not as a sale and subsequent repurchase of securities. The obligation to repurchase the securities is reflected as a liability on the Company's consolidated balance sheets, while the securities underlying the repurchase agreements remain in the respective investment securities asset accounts. In other words, there is not offsetting or netting of the investment securities assets with the repurchase agreement liabilities. In addition, as the Company does not enter into reverse repurchase agreements, there is no such offsetting to be done with the repurchase agreements.

The right of setoff for a repurchase agreement resembles a secured borrowing, whereby the collateral would be used to settle the fair value of the repurchase agreement should the Company be in default (e.g., fails to make an interest payment to the counterparty). The collateral is held by a correspondent bank in the counterparty's custodial account. The counterparty has the right to sell or repledge the investment securities.

The following table presents the repurchase agreements subject to enforceable master netting arrangements as of March 31, 2025 and December 31, 2024.

(Dollars in thousands)				Gross Amounts Not Offset in the Consolidated Balance Sheet		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Pledge	Net Amount
March 31, 2025						
Repurchase agreements (a)	**$ 32,438**	**$ —**	**$ 32,438**	**$ (32,438)**	**$ —**	**$ —**
December 31, 2024						
Repurchase agreements (a)	$ 32,932	$ —	$ 32,932	$ (32,932)	$ —	$ —

(a) As of March 31, 2025 and December 31, 2024, the fair value of securities pledged in connection with repurchase agreements was $35,662,000 and $36,216,000, respectively.

The following table presents the remaining contractual maturity of the master netting arrangement or repurchase agreements as of March 31, 2025:

(Dollars in thousands)	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	Greater 30 -90 Days	Greater than 90 Days	Total
March 31, 2025:					
Repurchase agreements and repurchase-to-maturity transactions:					
U.S. Treasury and/or agency securities	**$ 32,438**	**$ —**	**$ —**	**$ —**	**$ 32,438**
Total	**$ 32,438**	**$ —**	**$ —**	**$ —**	**$ 32,438**

Long-Term Borrowings and Letters of Credit

Long-term borrowings are comprised of advances from the FHLB. The Company's long-term borrowings consist of notes at fixed interest rates. Upon any default, under the terms of a master agreement, the FHLB may declare all indebtedness of the Company immediately due. In addition, the FHLB shall not be required to fund advances under any outstanding commitments. As of March 31, 2025 and December 31, 2024, the Company had $106,000,000 in long-term borrowings outstanding with the FHLB.

Irrevocable standby letters of credit may be issued to a customer/beneficiary by the FHLB on the Company's behalf in order to secure public/municipal unit deposits, provide credit enhancement to certain transaction types, or to support payment obligations to third parties. These irrevocable standby letters of credit are supported by an irrevocable and independent guarantee by the FHLB for the Company's pledging obligation to secure public/municipal unit deposits which eliminates the need for the Company to pledge collateral in the amount necessary to secure these funds. There were no irrevocable standby letters of credit which could be drawn on through the FHLB's close of business on March 31, 2025 or December 31, 2024. Any irrevocable standby letters of credit are issued as necessary in an amount appropriate to secure specific public/municipal unit deposits.

Under terms of a blanket agreement, collateral for the FHLB loans and letters of credit consists of certain qualifying assets of the Bank. Principal qualifying assets are certain real estate mortgages and investment securities. As of March 31, 2025, loans of $766,289,000 were pledged to the FHLB which resulted in a FHLB maximum borrowing capacity of $534,842,000. As of March 31, 2025, no securities were pledged as collateral to the FHLB to secure FHLB loans and letters of credit.

NOTE 7 — SUBORDINATED DEBT

On December 10, 2020, the Corporation issued $25,000,000 aggregate principal amount of Subordinated Notes due 2030 (the "2020 Notes") to accredited investors. The 2020 Notes are intended to be treated as Tier 2 capital for regulatory capital purposes. The Company utilized the net proceeds it received from the sale of the 2020 Notes to support organic growth and for general corporate purposes.

The 2020 Notes bear a fixed interest rate of 4.375% per year for the first five years and then float based on a benchmark rate (as defined). Interest is payable semi-annually in arrears on June 30 and December 31 of each year, which began on June 30, 2021, for the first five years after issuance and will be payable quarterly in arrears thereafter on March 31, June 30, September 30 and December 31. The 2020 Notes will mature on December 31, 2030 and are redeemable in whole or in part, without premium or penalty, at any time on or after December 31, 2025 and prior to December 31, 2030. Additionally, if all or any portion of the 2020 Notes cease to be deemed Tier 2 capital, the Corporation may redeem, in whole and not in part, at any time upon giving not less than ten days' notice, an amount equal to one hundred percent (100%) of the principal amount outstanding plus accrued but unpaid interest to but excluding the date fixed for redemption.

Holders of the 2020 Notes may not accelerate the maturity of the 2020 Notes, except upon the bankruptcy, insolvency, liquidation, receivership or similar law of the Corporation or the Bank.

NOTE 8 — COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various pending legal actions and proceedings that are not reflected in the consolidated financial statements. Management does not believe the outcome of these actions and proceedings will have a material effect on the consolidated financial position or results of operations of the Company.

The Company currently leases two branch banking facilities and one parcel of land under operating leases. At March 31, 2025, right-of-use assets and lease liabilities were recorded related to these operating leases totaling $1,407,000 and $1,931,000, respectively. At December 31, 2024, right-of-use assets and lease liabilities stood at $1,400,000 and $1,920,000, respectively, in the consolidated balance sheets. Options to extend or terminate a lease may be included in the Company's lease agreements. When it is reasonably certain that the Company will exercise those options, the right-of-use asset and lease liability will reflect the renewal or termination option. No significant assumptions or judgements were made in determining whether a contract contained a lease or in the consideration of lease versus non-lease components. None of the leases contained an implicit rate; therefore, the Company's incremental borrowing rate was used for each of the leases.

The Company recognized total operating lease costs for the three months ended March 31, 2025 and 2024 of $48,000 and $53,000, respectively. Operating lease costs are included in occupancy, net in the accompanying statements of income. Cash payments totaled $44,000 and $49,000, respectively, for the three months ended March 31, 2025 and 2024.

The following table displays the weighted-average term and discount rates for operating leases outstanding as of March 31, 2025 and December 31, 2024.

	March 31, 2025	December 31, 2024
Weighted-average term (years)	**18.81**	18.95
Weighted-average discount rate	**4.19%**	4.19%

A maturity analysis of operating lease liabilities and reconciliation of the undiscounted cash flows to the total operating lease liability is as follows:

(Dollars in thousands)

Minimum Lease Payments due:	March 31, 2025	December 31, 2024
Within one year	**$ 166**	$ 175
After one but within two years	**144**	140
After two but within three years	**155**	154
After three but within four years	**157**	157
After four but within five years	**157**	157
After five years	**2,120**	2,160
Total undiscounted cash flows	**2,899**	2,943
Discount on cash flows	**(968)**	(1,023)
Total lease liability	**$ 1,931**	$ 1,920

NOTE 9 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company uses various financial instruments, including derivatives, to manage its exposure to interest rate risk. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and cash payments principally related to specific assets and short-term wholesale funding positions. The Company entered into four swap contracts effective September 20, 2023 and one additional swap contract effective September 4, 2024.

Net Fair Values of Derivative Instruments on the Statement of Financial Condition

The tables below present the net fair value of the Company's derivative financial instruments as well as the classification on the Consolidated Balance Sheets as of March 31, 2025 and December 31, 2024:

(Dollars in thousands)

	March 31, 2025			
	Derivative Assets		**Derivative Liabilities**	
	Location	**Fair Value**	**Location**	**Fair Value**
Derivatives designated as hedging instruments:				
Interest rate swaps	**Other Assets**	**$ —**	**Other Liabilities**	**$ 2,995**
Total		**$ —**		**$ 2,995**

(Dollars in thousands)

	December 31, 2024			
	Derivative Assets		Derivative Liabilities	
	Location	Fair Value	Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate swaps	Other Assets	$ —	Other Liabilities	$ 1,463
Total		$ —		$ 1,463

The following table presents the derivative liabilities subject to an enforceable master netting arrangement as of March 31, 2025 and December 31, 2024:

(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
				Financial Instruments	Cash Collateral Pledged	Net Amount
March 31, 2025						
Derivatives	**$ 2,995**	**$ —**	**$ 2,995**	**$ —**	**$ (2,995)**	**$ —**
December 31, 2024						
Derivatives	$ 1,463	$ —	$ 1,463	$ —	$ (1,463)	$ —

The following table presents the remaining contractual maturity of the master netting arrangements as of March 31, 2025:

(Dollars in thousands)	Remaining Contractual Maturity of the Agreements				
	Up to 1 Year	1 to 3 Years	3 to 5 Years	Greater than 5 Years	Total
March 31, 2025:					
Derivative Assets	**$ —**	**$ 120**	**$ —**	**$ —**	**$ 120**
Derivative Liabilities	**—**	**(2,038)**	**(1,077)**	**—**	**(3,115)**
Total net derivatives	**$ —**	**$ (1,918)**	**$ (1,077)**	**$ —**	**$ (2,995)**

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its fixed-rate assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rates. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. Such derivatives are used to hedge the changes in fair value of certain of its pools of fixed rate assets. As of March 31, 2025, the Company had a total of two interest rate swaps with a combined notional amount of $50,000,000 hedging fixed-rate available-for-sale debt securities and one interest rate swap with a notional amount of $75,000,000 hedging fixed-rate loans.

As of March 31, 2025 and December 31, 2024, the following amounts were recorded on the balance sheet related to the cumulative basis adjustment for fair value hedges:

(Dollars in thousands)	**March 31, 2025**	December 31, 2024
Carrying amount of hedged assets:	**Closed Portfolio Amount**	Closed Portfolio Amount
Fixed Rate Loans	$ **131,167**	$ 134,878
Available-for-sale - Municipals	**50,574**	50,653
Available-for-sale - MBS	**32,085**	32,821
Total	$ **213,826**	$ 218,352
Interest rate swaps notional amount	$ **125,000**	$ 125,000

(Dollars in thousands)	March 31, 2025	December 31, 2024
Cumulative amount of fair value hedging adjustment included in the carrying amount of assets:		
Fixed Rate Loans	$ **128**	$ 823
Available-for-sale - Municipals	**(840)**	(375)
Available-for-sale - MBS	**(275)**	(122)
Total	$ **(987)**	$ 326

The table below presents the pre-tax effects of the Company's derivative instruments designated as fair value hedges on the Consolidated Statements of Income for the year-to-date periods ended March 31, 2025 and 2024:

(Dollars in thousands)	March 31, 2025	March 31, 2024
Amount of loss recognized in other comprehensive loss	$ **(881)**	$ (452)
Amount of gain, net of fair value re-measurements, included in interest income	**164**	123

Cash Flow Hedges of Interest Rate Risk

The Company uses derivatives to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company has entered into interest rate swaps as part of its interest rate risk management strategy. These interest rate products are designated as cash flow hedges. As of March 31, 2025, the Company had a total of two interest rate swaps with a combined notional amount of $100,000,000 hedging specific short-term wholesale funding positions.

For derivatives designated as cash flow hedges, the gain or loss on the derivatives is recorded in other comprehensive loss and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings. During the next twelve months, it is estimated that an additional $399,000 will be reclassified as interest expense.

Interest rate swaps designated as cash flow hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount. For cash flow hedges on the Company's short-term wholesale funding positions, amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's hedged variable rate short-term wholesale funding positions. During the year-to-date period ended March 31, 2025, the Company reclassified $1,000 as a reduction in interest expense.

The table below presents the pre-tax effects of the Company's derivative instruments designated as cash flow hedges on the Consolidated Statements of Income for the year-to-date periods ended March 31, 2025 and 2024:

(Dollars in thousands)	March 31, 2025	March 31, 2024
Amount of loss recognized in other comprehensive loss	$ **(1,508)**	$ (766)
Amount of gain reclassified from accumulated other comprehensive loss to interest expense	**1**	248
Interest rate swaps notional amount	$ **100,000**	$ 100,000

Credit Risk-Related Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, then the Company could also be declared in default on its derivative obligations and could be required to terminate its derivative positions with the counterparty. The Company also has agreements with its derivative counterparties that contain a provision where if the Company fails to maintain its status as a well-capitalized institution, then the Company could be required to terminate its derivative positions with the counterparty. As of March 31, 2025 and December 31, 2024, the Company's derivatives were in a net liability position resulting in the Company having collateral in the amount of $6,570,000 posted with the counterparty at March 31, 2025 and December 31, 2024.

NOTE 10 — FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments. The Company does not engage in trading activities with respect to any of its financial instruments with off-balance sheet risk.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments.

The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Company may require collateral or other security to support financial instruments with off-balance sheet credit risk.

The contract or notional amounts at March 31, 2025 and December 31, 2024 were as follows:

(Dollars in thousands)

	March 31, 2025	December 31, 2024
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	**$ 109,835**	$ 111,793
Financial standby letters of credit	**$ 2,364**	$ 2,665
Performance standby letters of credit	**$ 5,260**	$ 5,530

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses that may require payment of a fee. Since some of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, owner-occupied income-producing commercial properties, and residential real estate.

Standby letters of credit are conditional commitments issued by the Company to guarantee payment to a third party when a customer either fails to repay an obligation or fails to perform some non-financial obligation. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company may hold collateral (similar to the items held as collateral for commitments to extend credit) to support standby letters of credit for which collateral is deemed necessary.

Financial Instruments with Concentrations of Credit Risk

The Company originates primarily commercial and residential real estate loans to customers predominately in the Company's primary, Pennsylvania market area. The ability of the majority of the Company's customers to honor their contractual loan obligations is dependent on the economy and real estate market in this area. At March 31, 2025, the Company had $863,664,000 in loans secured by real estate, which represented 89.6% of total loans. The real estate loan portfolio is largely secured by lessors of residential buildings and dwellings, lessors of non-residential buildings, and lessors of hotels/motels. As of March 31, 2025 and December 31, 2024, management is of the opinion that there were no concentrations exceeding 10% of total loans with regard to loans to borrowers who were engaged in similar activities that were similarly impacted by economic or other conditions.

As all financial instruments are subject to some level of credit risk, the Company requires collateral and/or guarantees for all loans. Collateral may include, but is not limited to property, plant, and equipment, commercial and/or residential real estate property, land, and pledge of securities. In the event of a borrower's default, the collateral supporting the loan may be seized in order to recoup losses associated with the loan. The Company also establishes an allowance for credit losses that constitutes the amount available to absorb losses within the loan portfolio that may exist due to deficiencies in collateral values.

NOTE 11 — FAIR VALUE MEASUREMENTS

Fair value measurement and disclosure guidance defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This guidance provides additional information on determining when the volume and level of activity for the asset or liability has significantly decreased. The guidance also includes information on identifying circumstances when a transaction may not be considered orderly.

Fair value measurement and disclosure guidance provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with the fair value measurement and disclosure guidance.

This guidance clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The guidance provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own belief about the assumptions market participants would use in pricing the asset or liability based upon the best information available. Fair value measurement and disclosure guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Inputs: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 Inputs: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth as follows.

Financial Assets Measured at Fair Value on a Recurring Basis

At March 31, 2025 and December 31, 2024, securities measured at fair value on a recurring basis and the valuation methods used are as follows:

(Dollars in thousands)

March 31, 2025	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt Securities Available-for-Sale:				
U.S. Treasury securities	**$ 7,297**	**$ —**	**$ —**	**$ 7,297**
Obligations of U.S. Government Agencies and Sponsored Agencies:				
Mortgaged-backed	**—**	**135,045**	**—**	**135,045**
Other	**—**	**4,517**	**—**	**4,517**
Other mortgage backed debt securities	**—**	**43,967**	**—**	**43,967**
Obligations of state and political subdivisions	**—**	**79,293**	**—**	**79,293**
Asset-backed securities	**—**	**71,313**	**—**	**71,313**
Corporate debt securities	**—**	**37,715**	**—**	**37,715**
Total debt securities available-for-sale	**7,297**	**371,850**	**—**	**379,147**
Marketable equity securities	**1,501**	**—**	**—**	**1,501**
Total recurring fair value measurements	**$ 8,798**	**$ 371,850**	**$ —**	**$ 380,648**

(Dollars in thousands)

December 31, 2024	Level 1	Level 2	Level 3	Total
Debt Securities Available-for-Sale:				
U.S. Treasury securities	$ 7,151	$ —	$ —	$ 7,151
Obligations of U.S. Government Agencies and Sponsored Agencies:				
Mortgaged-backed	—	136,708	—	136,708
Other	—	5,122	—	5,122
Other mortgage backed debt securities	—	46,273	—	46,273
Obligations of state and political subdivisions	—	83,485	—	83,485
Asset-backed securities	—	73,867	—	73,867
Corporate debt securities	—	37,682	—	37,682
Total debt securities available-for-sale	7,151	383,137	—	390,288
Marketable equity securities	1,587	—	—	1,587
Total recurring fair value measurements	$ 8,738	$ 383,137	$ —	$ 391,875

The estimated fair values of equity securities and US Treasury debt securities classified as Level 1 are derived from quoted market prices in active markets; the equity securities consist mainly of stocks held in other banks. The estimated fair values of all debt securities classified as Level 2 are obtained from nationally-recognized third-party pricing agencies. The estimated fair values are derived primarily from cash flow models, which include assumptions for interest rates, credit losses, and prepayment speeds. The significant inputs utilized in the cash flow models are based on market data obtained from sources independent of the Company (observable inputs), and are therefore classified as Level 2 within the fair value hierarchy. The Company does not have any Level 3 inputs for securities. There were no transfers between Level 1 and Level 2 during 2025 or 2024.

Financial Assets Measured at Fair Value on a Nonrecurring Basis

Periodically, non-recurring adjustments may be applied to the carrying value of loans based on the fair value measurements for partial charge-offs of the uncollectible portions of those loans. Non-recurring adjustments can also include certain specific allocation amounts for individually evaluated collateral-dependent loans as calculated when establishing the allowance for credit losses. The Company's valuation procedure for any individually evaluated loans greater than $250,000 requires an appraisal to be obtained and reviewed annually at year end unless the Board of Directors waives such requirement for a specific loan, in favor of obtaining a Certificate of Inspection instead, defined as an internal evaluation completed by the Company. A quarterly collateral evaluation is performed which may include a site visit, property pictures and discussions with realtors and other similar business professionals to ascertain current values. For individually evaluated loans less than $250,000 upon classification and annually at year end, the Company completes a Certificate of Inspection, which includes an onsite inspection, and considers value indicators such as insured values, tax assessed values, recent sales comparisons and a review of the previous evaluations.These assets are included as Level 3 fair values, based upon the lowest level that is significant to the fair value measurements. The fair value consists of the individually evaluated loan balances less the valuation allowance and/or charge-offs. There were no transfers between valuation levels in 2025 and 2024.

Individually evaluated loans measured at fair value on a nonrecurring basis as of March 31, 2025 and December 31, 2024 are as follows:

(Dollars in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at March 31, 2025				
Individually evaluated loans:				
Real Estate	**$ —**	**$ —**	**$ 1,603**	**$ 1,603**
Total individually evaluated loans	**$ —**	**$ —**	**$ 1,603**	**$ 1,603**

(Dollars in thousands)	Level 1	Level 2	Level 3	Total
Assets at December 31, 2024				
Individually evaluated loans:				
Real Estate	$ —	$ —	$ 1,603	$ 1,603
Total individually evaluated loans	$ —	$ —	$ 1,603	$ 1,603

Nonfinancial Assets Measured at Fair Value on a Nonrecurring Basis

There were no foreclosed assets held for resale measured at fair value on a nonrecurring basis at March 31, 2025 and December 31, 2024.

The Company's foreclosed asset valuation procedure requires an appraisal or a Certificate of Inspection, which considers the sales prices of similar properties in the proximate vicinity, to be completed periodically with the exception of those cases in which the Bank has obtained a sales agreement. These assets are included as Level 3 fair values, based upon the lowest level that is significant to the fair value measurements. There were no transfers between valuation levels in 2025 and 2024.

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has utilized Level 3 inputs to determine the fair value:

(Dollars in thousands)	Quantitative Information about Level 3 Fair Value Measurements				
March 31, 2025	Estimate	Valuation Technique	Unobservable Input	Range	Average
Individually evaluated loans - collateral dependent	**$ 1,603**	**Appraisal of collateral[1,3] Certificate of Inspection[1,3]**	**Appraisal adjustments[2] Qualitative Adjustments[4]**	**(5%) – (5%)**	**(5%)**
December 31, 2024					
Individually evaluated loans - collateral dependent	$ 1,603	Appraisal of collateral[1,3] Certificate of Inspection[1,3]	Appraisal adjustments[2] Qualitative Adjustments[4]	(5%) – (5%)	(5%)

1. Fair value is generally determined through independent appraisals or Certificates of Inspection of the underlying collateral, as defined by Bank regulators.
2. Appraisals may be adjusted downward by management for qualitative factors such as economic conditions and estimated liquidation expenses. The typical range of appraisal adjustments are presented as a percent of the appraisal value.
3. Includes qualitative adjustments by management and estimated liquidation expenses.
4. Collateral values may be adjusted downward by management for qualitative factors such as economic conditions and estimated liquidation expenses.

Fair Value of Financial Instruments Measured on a Nonrecurring Basis

(Dollars in thousands)	**Carrying Amount**	**Fair Value Measurements at March 31, 2025**			
		Level 1	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS:					
Cash and due from banks	**$ 10,484**	**$ 10,484**	**$ —**	**$ —**	**$ 10,484**
Interest-bearing deposits in other banks	**8,308**	**—**	**8,308**	**—**	**8,308**
Restricted investment in bank stocks	**9,335**	**—**	**9,335**	**—**	**9,335**
Net loans	**956,113**	**—**	**—**	**954,859**	**954,859**
Mortgage servicing rights	**210**	**—**	**—**	**210**	**210**
Accrued interest receivable	**5,069**	**—**	**5,069**	**—**	**5,069**
FINANCIAL LIABILITIES:					
Demand, savings and other deposits	**645,588**	**—**	**645,588**	**—**	**645,588**
Time deposits	**399,804**	**—**	**398,570**	**—**	**398,570**
Short-term borrowings	**140,288**	**—**	**140,340**	**—**	**140,340**
Long-term borrowings	**106,000**	**—**	**108,427**	**—**	**108,427**
Subordinated debentures	**25,000**	**—**	**21,134**	**—**	**21,134**
Accrued interest payable	**2,538**	**—**	**2,538**	**—**	**2,538**
Derivative liabilities	**2,995**	**—**	**2,995**	**—**	**2,995**

(Dollars in thousands)	Carrying Amount	Fair Value Measurements at December 31, 2024			
		Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:					
Cash and due from banks	$ 9,933	$ 9,933	$ —	$ —	$ 9,933
Interest-bearing deposits in other banks	7,321	—	7,321	—	7,321
Restricted investment in bank stocks	8,984	—	8,984	—	8,984
Net loans	940,779	—	—	929,302	929,302
Mortgage servicing rights	218	—	—	218	218
Accrued interest receivable	4,993	—	4,993	—	4,993
FINANCIAL LIABILITIES:					
Demand, savings and other deposits	677,762	—	677,762	—	677,762
Time deposits	368,118	—	366,772	—	366,772
Short-term borrowings	134,426	—	134,541	—	134,541
Long-term borrowings	106,000	—	107,728	—	107,728
Subordinated debentures	25,000	—	20,618	—	20,618
Accrued interest payable	2,152	—	2,152	—	2,152
Derivative liabilities	2,280	—	2,280	—	2,280

NOTE 12 — REVENUE RECOGNITION

In accordance with ASC 606, the main types of revenue contracts included in non-interest income within the consolidated statements of income are as follows:

Deposits related fees and service charges

Service charges and fees on deposits, which are included as liabilities in the consolidated balance sheets, consist of fees related to monthly fees for various retail and business checking accounts, ATM fees (charged for withdrawals by our deposit customers from other bank ATMs) and insufficient funds fees (“NSF”) (which are charged when customers overdraw their accounts beyond available funds). All deposit liabilities are considered to have one-day terms and therefore related fees are recognized in income at the time when the services are provided to the customers. The Company elected to adopt the practical expedient related to incremental costs of obtaining deposit contracts. As such, any costs associated with acquiring the deposits, except for certificate of deposits (“CDs”) with maturities in excess of one year, are recognized as an expense within non-interest expense in the consolidated statements of income when incurred as the amortization period of the deposit liabilities that otherwise would have been recognized is one year or less.

Wealth/Asset/Trust Management Fees

Wealth management services are delivered to individuals, corporations and retirement funds located primarily within our geographic markets. The Trust Department of the Company conducts the wealth management operations, which provides a broad range of personal and corporate fiduciary services, including the administration of estates.

Assets held in a fiduciary capacity by the Trust Department are not assets of the Company and, therefore, are not included in our consolidated financial statements. Wealth management fees, which are contractually agreed with each customer, are earned each month and recognized on a cash basis based on average fair value of the trust assets under management. The services provided under such a contract are considered a single performance obligation under ASC 606 because they embody a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Wealth management fees charged by the Trust Department follow a tiered structure based on the type and size of the assets under management. Wealth management fees are included within non-interest income in the consolidated statements of income. As of March 31, 2025 and December 31, 2024, the fair value of trust assets under management was $120,315,000 and $120,857,000, respectively. The costs of acquiring asset management customers are incremental and recognized within non-interest expense in the consolidated statements of income.

Interchange Fees and Surcharges

Interchange fees are related to the acceptance and settlement of debit card transactions, both point-of-sale and ATM, to cover operating costs and risks associated with the approval and settlement of the transactions. Interchange fees vary by type of transaction and each merchant sector. Net income recognized from interchange fees is included in non-interest income on the consolidated statements of income. A surcharge is assessed for use of the Company's ATMs by non-customers. All interchange fees and surcharges are recognized as received on a daily basis for the prior business day's transactions. All expenses related to the settlement of debit card transactions (both point-of-sale and ATM) are recognized on a monthly basis and included in non-interest expense on the consolidated statements of income.

NOTE 13 — EARNINGS (LOSSES) PER SHARE

Basic earnings (losses) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted earnings (losses) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Corporation. At March 31, 2025 and 2024, there were no potential dilutive common shares outstanding. The following table sets forth the computation of basic and diluted earnings (losses) per share.

(In thousands, except earnings per share)	Three Months Ended March 31,	
	2025	2024
Net income (loss)	**$ 1,053**	$ (18,377)
Weighted-average common shares outstanding	**6,219**	6,121
Basic and diluted earnings (losses) per share	**$ 0.17**	$ (3.00)

NOTE 14 — GOODWILL

Goodwill resulted from the acquisition of the Pocono Community Bank in November 2007 and of certain fixed and operating assets acquired and deposit liabilities assumed of the branch of another financial institution in Danville, Pennsylvania, in January 2004. Such goodwill represents the excess cost of the acquired assets relative to the assets' fair value at the dates of acquisition. In accordance with current accounting standards, goodwill is not amortized. Goodwill totaled $0 at March 31, 2025 and December 31, 2024.

When applicable, impairment testing is performed on an annual basis, using either a qualitative or quantitative approach. The assumptions used in the impairment test of goodwill are susceptible to change based on changes in economic conditions and other factors, including our stock price. Any change in the assumptions utilized to determine the carrying value of goodwill could adversely affect our results of operations.

Goodwill was evaluated for impairment using a qualitative impairment test at December 31, 2023, and it was determined that goodwill was not impaired. Due primarily to the decrease in the Company's stock price during the first quarter of 2024 as a triggering event, management evaluated the need for an interim goodwill impairment analysis. The decrease prompted the Company to assess its goodwill utilizing a quantitative impairment test and determined it was more likely than not the fair value of the Company was less than the carrying amount as of March 31, 2024. Based on the results of the impairment test, the Company recorded a goodwill impairment charge of $19,133,000 effective March 31, 2024.

Item 2. First Keystone Corporation Management's Discussion and Analysis of Financial Condition and Results of Operation

In addition to historical information, this Form 10-Q may contain forward-looking statements. Examples of forward-looking statements include, but are not limited to, (a) projections or statements regarding future earnings, expenses, net interest income, noninterest income, earnings or loss per share, asset mix and quality, growth prospects, capital structure, and other financial terms, (b) statements of plans and objectives of Management or the Board of Directors, and (c) statements of assumptions, such as economic conditions in the Company's market areas. Such forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "intends", "will", "should", "anticipates", or the negative of any of the foregoing or other variations thereon or comparable terminology, or by discussion of strategy. Forward-looking statements are subject to certain risks and uncertainties such as national, regional and local economic conditions, competitive factors, and regulatory limitations. Actual results may differ materially from those projected in the forward-looking statements.

Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following: short-term and long-term effects of inflation and rising costs on the Company, customers and economy; legislative and regulatory changes; banking system instability caused by failures and continuing financial uncertainty of various banks which may adversely impact the Company and its securities and loan values, deposit stability, capital adequacy, financial condition, operations, liquidity, and results of operations; effects of governmental and fiscal policies, as well as legislative and regulatory changes; effects of new laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) and their application with which the Company and its subsidiaries must comply; impacts of the capital and liquidity requirements of the Basel III standards or any similar standards; effects of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters; ineffectiveness of the business strategy due to changes in current or future market conditions; future actions or inactions of the United States government, including the effects of short-term and long-term federal budget and tax negotiations and a failure to increase the government debt limit or a prolonged shutdown of the federal government; effects of economic conditions particularly with regard to the negative impact of any pandemic, epidemic or health-related crisis and the responses thereto on the operations of the Company and current customers, specifically the effect of the economy on loan customers' ability to repay loans; effects of competition, and of changes in laws and regulations on competition, including industry consolidation and development of competing financial products and services; inflation, securities market and monetary fluctuations; risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities, and interest rate protection agreements, as well as interest rate risks; difficulties in acquisitions and integrating and operating acquired business operations, including information technology difficulties; challenges in establishing and maintaining operations in new markets; effects of technology changes; effects of general economic conditions and more specifically in the Company's market areas; failure of assumptions underlying the establishment of reserves for credit losses and estimations of values of collateral and various financial assets and liabilities; acts of war or terrorism or geopolitical instability; disruption of credit and equity markets; ability to manage current levels of impaired assets; loss of certain key officers; ability to maintain the value and image of the Company's brand and protect the Company's intellectual property rights; continued relationships with major customers; and, potential impacts to the Company from continually evolving cybersecurity and other technological risks and attacks, including additional costs, reputational damage, regulatory penalties, and financial losses.

Management considers subsequent events occurring after the balance sheet date for matters which may require adjustments to, or disclosure in, the consolidated financial statements. We caution readers not to place undue reliance on these forward-looking statements. They only reflect Management's analysis as of this date. The Company does not revise or update these forward-looking statements to reflect events or changed circumstances. Please carefully review the risk factors described in other documents the Company files from time to time with the SEC, including the Annual Reports on Form 10-K and the Quarterly Reports on Form 10-Q. Please also carefully review any Current Reports on Form 8-K filed by the Company with the SEC.

CRITICAL ACCOUNTING POLICIES

The Company has chosen accounting policies that it believes are appropriate to accurately and fairly report its operating results and financial position, and the Company applies those accounting policies in a consistent manner. The Significant Accounting Policies are summarized in Note 1 to the consolidated financial statements included in the 2024 Annual Report on Form 10-K.

RESULTS OF OPERATIONS

Quarter ended March 31, 2025 compared to quarter ended March 31, 2024

First Keystone Corporation realized earnings for the three months ended March 31, 2025 of $1,053,000, an increase of $19,430,000 from the first quarter of 2024. The increase in net income for the three months ended March 31, 2025 was primarily due to the Company recognizing goodwill impairment expense of $19,133,000 during the first quarter of 2024.

On a per share basis, for the three months ended March 31, 2025, net income was $0.17 compared to a net loss of $3.00 per share for the same three month period of 2024. Quarterly regular cash dividends amounted to $0.28 per share for the three months ended March 31, 2025 and 2024.

NET INTEREST INCOME

The major source of operating income for the Company is net interest income, defined as interest and loan fee income less interest expense. In the three months ended March 31, 2025, interest income amounted to $18,210,000, an increase of $1,264,000 or 7.5% from the three months ended March 31, 2024, while interest expense amounted to $9,440,000 in the three months ended March 31, 2025, a decrease of $31,000 or 0.3% from the three months ended March 31, 2024. As a result, net interest income increased $1,295,000 or 17.3% to $8,770,000 from $7,475,000 for the same period in 2024.

The Company's net interest margin for the three months ended March 31, 2025 was 2.58% compared to 2.25% for the same period in 2024. The increase in net interest margin was primarily a result of increased interest and fees on loans.

PROVISION FOR CREDIT LOSSES

The provision for credit losses for the three months ended March 31, 2025 and 2024 was $751,000 and $264,000, respectively. The increase in the provision for credit losses resulted from the Company's analysis of the current loan portfolio, including historic losses, past-due trends, current economic conditions, loan portfolio growth, and other relevant factors. The provision for credit losses for the three months ended March 31, 2025 is also reflective of management's assessment of the continued credit risk associated with the uncertainty surrounding geopolitical and economic concerns. Charge-off and recovery activity in the allowance for credit losses resulted in net charge-offs of $355,000 and net recoveries of $7,000 for the three months ended March 31, 2025 and 2024, respectively. The increase in net charge-offs for the three months ended March 31, 2025 was mainly the result of two charge-offs completed during the first quarter of 2025. A charge-off of $116,000 was completed on a loan to a trucking transportation business and $245,000 was charged off on a loan to a manufacturer of hemp-based biodegradable plastic food containers. See Allowance for Credit Losses on page 49 for further discussion.

NON-INTEREST INCOME

Total non-interest income was $1,759,000 for the three months ended March 31, 2025, as compared to $1,344,000 for the same period in 2024, an increase of $415,000, or 30.9%.

Net securities losses decreased $98,000 to $86,000 for the three months ended March 31, 2025 as compared to $184,000 for the three months ended March 31, 2024. The decrease in net securities losses was the result of an improvement in the mark-to-market adjustment on held equity securities during the quarter ended March 31, 2025 compared to the quarter ended March 31, 2024.

Trust department income increased $17,000 or 7.0% to $261,000 for the three months ended March 31, 2025 as compared to the same period in 2024. Service charges and fee income was $546,000 for the first quarter of 2025, an increase of $21,000 or 4.0% from the first quarter of 2024. ATM fees and debit card income increased $26,000 or 5.0% to $543,000 for the three months ended March 31, 2025. Bank owned life insurance income increased $3,000 or 1.9% for the three months ended March 31, 2024. There were also gains from life insurance proceeds in the first quarter of 2025 in the amount of $235,000 as compared the first quarter of 2024 when no gains from life insurance proceeds were recognized.

Net gains on sales of mortgage loans were $20,000 for the first quarter of 2025, an increase of $9,000 or 81.8% as compared to the same period in 2024. The increase was due to more loans sold in the first quarter of 2025 as compared to the first quarter of 2024. Other non-interest income increased $6,000 or 8.7% to $75,000 for the three months ended March 31, 2025.

NON-INTEREST EXPENSE

Total non-interest expense was $8,649,000 for the three months ended March 31, 2025, as compared to $27,145,000 for the three months ended March 31, 2024. The large decrease in total non-interest expense was due to a one-time goodwill impairment charge recognized by the Company in the first quarter of 2024 in the amount of $19,133,000.

Salaries and benefits amounted to $4,630,000 or 53.5% of total non-interest expense for the three months ended March 31, 2025, as compared to $4,554,000 or 16.8% of total non-interest expense for the three months ended March 31, 2024. The increase was mainly due to increased salaries in the first quarter of 2025 as compared to the same period in 2024 in an effort to offer more competitive wages in our various markets, increase retention and support the Company's growth.

Net occupancy, furniture and equipment, and computer expense amounted to $1,215,000 for the three months ended March 31, 2025, an increase of $129,000 or 11.9% which was mainly due to increased depreciation on furniture and equipment resulting from the replacement of the Bank's ATM fleet and an increase in disaster recovery expense as the Bank put new disaster recovery systems in place in late 2024. Professional services decreased $55,000 or 12.7% to $378,000 as of the quarter ended March 31, 2025 compared to the same quarter of 2024. The decrease was due to higher audit expense recognized in the first quarter of 2024 related to the adoption of CECL and the goodwill impairment analysis. Pennsylvania shares tax expense amounted to $221,000 for the three months ended March 31, 2025, an increase of $15,000 or 7.3% as compared to the three months ended March 31, 2024.

Federal Deposit Insurance Corporation ("FDIC") insurance expense amounted to $309,000 for the three months ended March 31, 2025, an increase of $121,000 or 64.4% as compared to the same period in 2024. FDIC insurance expense varies with changes in net asset size, risk ratings, and FDIC derived assessment rates.

ATM and debit card fees expense amounted to $247,000 for the three months ended March 31, 2025, an increase of $25,000 or 11.3% as compared to the three months ended March 31, 2024. The increase was mainly due to increased electronic funds transfer fees and an increase in debit card loss expense in the first quarter of 2025. Data processing expenses amounted to $357,000 for the three months ended March 31, 2025 as compared to $289,000 for the same period of 2024, an increase of $68,000 or 23.5% mainly due to increases in internet banking and core service fees.

Advertising expense amounted to $105,000 in the first quarter of 2025, an increase of $1,000 or 1.0% as compared to the three months ended March 31, 2024.

Other non-interest expense amounted to $1,187,000 for the three months ended March 31, 2025, an increase of $257,000 or 27.6% as compared to the three months ended March 31, 2024. The increase was mainly the result of $307,000 related to a fraud write-off in the first quarter of 2025.

Management of the Company believes that investors' understanding of the Company's performance is enhanced by disclosing non-GAAP financial measures without the effects of the impairment as a reasonable basis for comparison of the Company's ongoing results of operations. These non-GAAP measures should not be considered a substitute for GAAP-basis measures and results. The Company's non-GAAP measures may not be comparable to non-GAAP measures of other companies. The following Non-GAAP Reconciliation Schedule provides a reconciliation of these non-GAAP financial measures to the most closely analogous measure determined in accordance with GAAP.

NON-GAAP RECONCILIATION SCHEDULE
FIRST KEYSTONE AND SUBSIDIARY

(Dollars in thousands)	**Three Months Ended March 31, 2025**	**Three Months Ended March 31, 2024**
Net interest income after provision for credit losses	**$ 8,019**	**$ 7,211**
Total non-interest income	**1,759**	**1,344**
Total non-interest expense	**(8,649)**	**(27,145)**
Income tax (expense) benefit	**(76)**	**213**
Net income (loss)	**1,053**	**(18,377)**
Adjustments		
Other expense:		
Goodwill impairment	—	**19,133**
Income tax (expense) benefit	—	**(258)**
After tax adjustment to GAAP	—	**18,875**
Adjusted net income	**$ 1,053**	**$ 498**

INCOME TAXES

Income tax expense amounted to $76,000 for the three months ended March 31, 2025, as compared to income tax benefit of $213,000 for the three months ended March 31, 2024, an increase of $289,000. The effective total income tax rate was 6.7% for the three months ended March 31, 2025 as compared to 1.1% for the three months ended March 31, 2024. The increase in the effective tax rate was mainly due to higher overall operating income in relation to tax-exempt income. The Company recognized $210,000 of tax credits from low-income housing partnerships in the three months ended March 31, 2025 and 2024.

FINANCIAL CONDITION

SUMMARY

Total assets increased to $1,435,230,000 as of March 31, 2025, an increase of $6,647,000 from year-end 2024. Total assets as of December 31, 2024 amounted to $1,428,538,000.

Total debt securities available-for-sale decreased $11,141,000 or 2.9% to $379,147,000 as of March 31, 2025 from $390,288,000 at December 31, 2024 mainly due to $13,126,000 in maturities, paydowns, and calls completed during the three months ended March 31, 2025, offset by $1,988,000 in securities purchased during the same period.

Total loans increased $15,730,000 or 1.7% to $964,181,000 as of March 31, 2025 from December 31, 2024. Real estate loans, the largest segment of the Company's loan portfolio, increased by $11,863,000 during the three months ended March 31, 2025.

Total deposits decreased $487,000 or 0.1% to $1,045,393,000 as of March 31, 2025 from December 31, 2024, mainly due to a decrease of $6,088,000 in interest bearing deposits, offset by an increase of $5,601,000 in non-interest bearing deposits.

The Company continues to maintain and manage its asset growth. The Company's strong equity capital position provides an opportunity to further leverage its asset growth. Total borrowings increased in the three months ended March 31, 2025 by $5,862,000 to $246,288,000 from $240,426,000 as of December 31, 2024. Borrowings increased mainly due to the $15,730,000 in loan growth offset by the $11,141,000 decrease in debt securities available-for-sale of which the net impact was not supported by growth in the deposit portfolio.

Total stockholders' equity amounted to $106,484,000 at March 31, 2025, a decrease of $298,000 or 0.3% from December 31, 2024 mainly due to a decrease in retained earnings of $688,000, offset by an improvement of $390,000 in accumulated other comprehensive loss.

SEGMENT REPORTING

Currently, management measures the performance and allocates the resources of the Company as a single segment.

EARNING ASSETS

Earning assets are defined as those assets that produce interest income. By maintaining a healthy asset utilization rate, i.e., the volume of earning assets as a percentage of total assets, the Company maximizes income. The earning asset ratio (average interest earning assets divided by average total assets) equaled 95.0% at March 31, 2025 and 93.6% at March 31, 2024. This indicates that the management of earning assets is a priority and non-earning assets, primarily cash and due from banks, fixed assets and other assets, are maintained at minimal levels. The primary earning assets are loans and securities.

Our primary earning asset, total loans, increased to $964,181,000 as of March 31, 2025, up $15,730,000 or 1.7% since year-end 2024. The loan portfolio continues to be well diversified. Although non-performing assets increased since year-end 2024, overall asset quality has remained consistent. Total non-performing assets were $5,930,000 as of March 31, 2025, an increase of $960,000, or 19.3% from $4,970,000 reported in non-performing assets as of December 31, 2024. Total allowance for credit losses to total non-performing assets was 136.05% as of March 31, 2025 and 154.37% at December 31, 2024. See the Non-Performing Assets section on page 50 for more information.

In addition to loans, another primary earning asset is our overall securities portfolio, which decreased in size from December 31, 2024 to March 31, 2025 mainly due to normal activity in the securities portfolio. Debt securities available-for-sale amounted to $379,147,000 as of March 31, 2025, a decrease of $11,141,000 from year-end 2024. The decrease in debt securities available-for-sale is mainly due to $13,126,000 in principal paydowns, maturities, and calls, offset by $1,988,000 in securities purchased during the three months ended March 31, 2025.

Interest-bearing deposits in other banks increased as of March 31, 2025, to $8,308,000 from $7,321,000 at year-end 2024 mainly due to increased balances held at PNC for derivative margin collateral.

LOANS

Total loans increased to $964,181,000 as of March 31, 2025 as compared to $948,451,000 as of December 31, 2024. The table on page 20 provides data relating to the composition of the Company's loan portfolio on the dates indicated. Total loans increased by $15,730,000 or 1.7%.

The Real Estate portfolio increased $11,863,000 or 1.4% from $851,801,000 at December 31, 2024 to $863,664,000 at March 31, 2025. The increase in the Real Estate portfolio for the three months ended March 31, 2025 was mainly the result of an increase of $33,233,000 in new loan originations, which were offset by a decrease in utilization of existing real estate lines of credit of $7,982,000 and loan payoffs of $13,190,000, along with regular principal payments and other typical fluctuations in the Real Estate portfolio. The Agricultural portfolio increased $178,000 or 19.0% from $939,000 at December 31, 2024 to $1,117,000 at March 31, 2025. The increase in the Agricultural portfolio for the three months ended March 31, 2025 was mainly the result of one new loan origination in the amount of $29,000 and two loans totaling $236,000 that were reclassed from the Commercial and Industrial portfolio to the Agricultural portfolio during the three months ended March 31, 2025, offset with a decrease of $38,000 in utilization of existing agricultural lines of credit and regular principal payments and other typical fluctuations in the Agricultural portfolio. The Commercial and Industrial portfolio increased $1,118,000 or 1.7% from $67,105,000 at December 31, 2024 to $68,223,000 at March 31, 2025. The increase was attributable to an increase of $2,172,000 in new loan originations and $2,219,000 in utilization of existing commercial and industrial lines of credit, offset by loan payoffs of $1,010,000 and regular principal payments and other typical amortization in the Commercial and Industrial portfolio. The Consumer portfolio increased $85,000 or 1.3% from $6,459,000 at December 31, 2024 to $6,544,000 at March 31, 2025. The increase is mainly attributable to new loan originations of $819,000, offset by a decrease of $70,000 in utilization of existing consumer lines of credit, loan payoffs of $274,000 and regular principal payments. The State and Political Subdivisions portfolio increased $2,486,000 or 11.2% from $22,147,000 at December 31, 2024 to $24,633,000 at March 31, 2025. The increase is mainly the result of two new loan originations totaling $2,571,000, offset by regular principal payments on state and political subdivisions loans completed during the three months ended March 31, 2025.

The Company continues to originate and sell certain long-term fixed rate residential mortgage loans, which conform to secondary market requirements, when the market pricing is favorable. The Company derives ongoing income from the servicing of mortgages sold in the secondary market. The Company continues its efforts to lend to creditworthy borrowers. Management believes that the loan portfolio is well diversified.

Overall, the portfolio risk profile as measured by loan grade is considered low risk, as $936,226,000 or 97.2% of gross loans are graded Pass; $1,513,000 or 0.2% are graded Special Mention; $25,689,000 or 2.7% are graded Substandard; and $0 are graded Doubtful. The rating is intended to represent the best assessment of risk available at a given point in time, based upon a review of the borrower's financial statements, credit analysis, payment history with the Bank, credit history and lender knowledge of the borrower. See Note 4 — Loans and Allowance for Credit Losses for risk grading tables. Overall, non-pass grades decreased $632,000 to $27,202,000 at March 31, 2025, as compared to $27,834,000 at December 31, 2024. Real Estate non-pass grades decreased $213,000 to $27,158,000 as of March 31, 2025 as compared to $27,371,000 as of December 31, 2024. Commercial and Industrial non-pass grades decreased $423,000 to $34,000 as of March 31, 2025 as compared to $457,000 as of December 31, 2024. Consumer non-pass grades increased $4,000 to $10,000 as of March 31, 2025 as compared to $6,000 as of December 31, 2024. There were no Agricultural or State and Political Subdivision non-pass grades at March 31, 2025 or December 31, 2024.

The Company continues to internally underwrite each of its loans to comply with prescribed policies and approval levels established by its Board of Directors.

Total Loans

(Dollars in thousands)	**March 31, 2025**	December 31, 2024
Real Estate	**$ 863,664**	$ 851,801
Agricultural	**1,117**	939
Commercial and Industrial	**68,223**	67,105
Consumer	**6,544**	6,459
State and Political Subdivisions	**24,633**	22,147
Total Loans	**$ 964,181**	$ 948,451

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses constitutes the amount available to absorb losses within the loan portfolio. As of March 31, 2025, the allowance for credit losses was $8,068,000 as compared to $7,672,000 as of December 31, 2024. The allowance for credit losses is established through a provision for credit losses charged to expenses. Loans are charged against the allowance for possible credit losses when management believes that the collectability of the principal is unlikely. The risk characteristics of the loan portfolio are managed through various control processes, including credit evaluations of individual borrowers, periodic reviews, and diversification by industry. Risk is further mitigated through the application of lending procedures such as the holding of adequate collateral and the establishment of contractual guarantees.

Management performs a quarterly analysis to determine the adequacy of the allowance for credit losses. The methodology in determining adequacy incorporates quantitative and qualitative allocations together with a risk/loss analysis on various segments of the portfolio according to an internal loan review process. This assessment results in an allocated allowance. Management maintains its loan review and loan classification standards consistent with those of its regulatory supervisory authority.

Management considers, based upon its methodology, that the allowance for credit losses is adequate to cover foreseeable future losses. However, there can be no assurance that the allowance for credit losses will be adequate to cover significant losses, if any, that might be incurred in the future. On a quarterly basis, management evaluates the qualitative factors utilized in the calculation of the Company's allowance for credit losses and various adjustments are made to these factors as deemed necessary at the time of evaluation. The following table summarizes the qualitative factor adjustments made during the quarter ended March 31, 2025.

Quarter Ended March 31, 2025:

Loan Segment	Qualitative Factor	Basis Point Increase (Decrease)
Loans secured by first liens	Delinquency Trends	4
Loans secured by owner occupied, non-farm, non-residential properties	Delinquency Trends	4
Loans secured by other non-farm, non-residential properties	Delinquency Trends	4
Commercial and industrial loans	Delinquency Trends	4
Other revolving credit plans	Delinquency Trends	4
Automobile loans	Delinquency Trends	8
Other revolving credit plans	Volume Trends	8
Obligations of states and political subdivisions	Volume Trends	4

The Analysis of Allowance for Credit Losses table contains an analysis of the allowance for credit losses indicating charge-offs and recoveries for the three months ended March 31, 2025 and 2024. Net charge-offs as a percentage of average loans was 0.037% for the three months ended March 31, 2025, compared to net recoveries of 0.001% for the three months endede March 31, 2024. Net charge-offs amounted to $355,000 for the three months ended March 31, 2025 and net recoveries amounted to $7,000 for the three months ended March 31, 2024. The increase in net charge-offs for the three months ended March 31, 2025 was mainly the result of two charge-offs completed during the three months ended March 31, 2025, one in the amount of $116,000 on a loan to a trucking transportation business and $245,000 on a loan to a manufacturer of hemp-based biodegradable plastic food containers and utensils.

For the three months ended March 31, 2025, the provision for credit losses was $751,000, compared to the three months ended March 31, 2024, when the provision carried a balance of $264,000. The provision, net of charge-offs and recoveries, resulted in the quarter end allowance for credit losses of $8,068,000, of which 93.9% was attributed to the Real Estate component, 0.0% attributed to the Agricultural component, 4.2% attributed to the Commercial and Industrial component, 1.2% attributed to the Consumer component, and 0.7% attributed to the State and Political Subdivisions component (refer to the activity in Note 4 – Loans and Allowance for Credit Losses on page 13).

Analysis of Allowance for Credit Losses

(Dollars in thousands)

As of and for the year ended:	March 31, 2025	March 31 2024
Beginning Balance	$ **7,672**	$ 6,925
Charge-offs:		
Real Estate	**—**	—
Agricultural	**—**	—
Commercial and Industrial	**361**	—
Consumer	**10**	12
State and Political Subdivisions	**—**	—
	371	12
Recoveries:		
Real Estate	**—**	18
Agricultural	**—**	—
Commercial and Industrial	**15**	—
Consumer	**1**	1
State and Political Subdivisions	**—**	—
	16	19
Net charge-offs	**355**	(7)
Provision (credit) charged to operations	**751**	264
Balance at end of period	$ **8,068**	$ 7,196
Ratio of net charge-offs during the period to average loans outstanding during the period	**0.037 %**	(0.001)%
Allowance for credit losses to average loans outstanding during the period	**0.844 %**	0.793 %

It is the policy of management and the Company's Board of Directors to make a provision for both identified and unidentified losses inherent in its loan portfolio. A provision for credit losses is charged to operations based upon an evaluation of the potential losses in the loan portfolio. This evaluation takes into account such factors as portfolio concentrations, delinquency trends, trends of non-accrual and classified loans, economic conditions, and other relevant factors.

The loan review process, which is conducted quarterly, is an integral part of the Bank's evaluation of the loan portfolio. A detailed quarterly analysis to determine the adequacy of the Company's allowance for credit losses is reviewed by the Board of Directors.

With the Bank's manageable level of net charge-offs and recoveries along with the additions to the reserve from the provision out of operations, the allowance for credit losses as a percentage of year-to-date average loans amounted to 0.844% and 0.793% at March 31, 2025 and 2024, respectively.

NON-PERFORMING ASSETS

The table on page 53 details the Company's non-performing assets and individually evaluated loans as of the dates indicated. Generally, a loan is classified as non-accrual and the accrual of interest on such a loan is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against current period income. Foreclosed assets held for resale represent property acquired through foreclosure, or considered to be an in-substance foreclosure.

Total non-performing assets amounted to $5,930,000 as of March 31, 2025, as compared to $4,970,000 as of December 31, 2024. The economic growth for the first quarter of 2025 was higher than expected. Consumer spending remains at high levels. The inflation rate remained high in March at 2.4%, above the Federal Reserve Board's desired rate of 2.0%. Business sentiment saw a slight improvement as rates were lowered during the fourth quarter of 2024. This was stalled in the first quarter of 2025, as inflation remained high and imposed tariffs threatened to push inflation higher. Additionally, mass layoffs from the federal government increased unemployment levels. Many economists and influential thinkers still believe that the economy is moving forward in spite of certain forecasts and predictors. The concern of a recession, however, has lessened. Inflation had been receding in the middle of 2024, although it has seen a slow but steady rise in the last few quarters. This has the Federal Reserve looking very cautiously at their next move. This will all depend on which direction inflation and unemployment rates are trending. The war between Ukraine and Russia continues to deeply pierce the landscape of the world. The heightened conflict with Israel and Palestine has caused much hostility throughout the world. The continuing dispute over whether to continue US support of Ukraine and Israel in ongoing efforts has been a strain on the economy. Values of new and used homes and automobiles have remained high. Although, there would seem to be a dynamic shift in the automobile industry where inventories are increasing and sales are slowing, this may lead to a reduced profit margin. Higher interest rates have added to the curtailed borrowing. Consumer savings is dwindling, and credit balances are growing. Supply chains are back up and running efficiently in many areas. Labor continues to remain costly and unpredictable. These forces have had a direct effect on the Company's non-performing assets. The Company is closely monitoring all segments of its loan portfolio because of the current uncertain economic environment. Non-accrual loans totaled $4,718,000 as of March 31, 2025, as compared to $4,214,000 as of December 31, 2024. There were no foreclosed assets held for resale as of March 31, 2025 and December 31, 2024. There were ten loans past-due 90 days or more and still accruing interest at March 31, 2025 that carried an aggregate balance of $1,212,000, compared to December 31, 2024 when there were six loans past-due 90 days or more and still accruing interest which carried an aggregate balance of $756,000. The loans past-due 90 days or more and still accruing interest as of March 31, 2025 were secured by commercial real estate, residential real estate, and other commercial business assets, all of which were well secured and in the process of collection.

Non-performing assets to total loans was 0.62% at March 31, 2025 and 0.52% at December 31, 2024. Non-performing assets to total assets was 0.41% at March 31, 2025 and 0.35% at December 31, 2024. The allowance for credit losses to total non-performing assets was 136.05% as of March 31, 2025 as compared to 154.37% as of December 31, 2024. Additional detail can be found on page 53 in the Non-Performing Assets and Individually Evaluated Loans table and page 28 in the Non-Performing Assets table. Asset quality is a priority and the Company retains a full-time loan review officer to closely track and monitor overall loan quality, along with a full-time loan workout department to manage collection and liquidation efforts and engages an annual external loan review.

Performing substandard loans, which have not been designated for individual evaluation to determine expected credit losses, have characteristics that cause management to have doubts regarding the ability of the borrower to perform under present loan repayment terms and which may result in reporting these loans as non-performing loans in the future. Performing substandard loans not designated for individual evaluation amounted to $20,928,000 at March 31, 2025 and $20,080,000 at December 31, 2024.

Individually evaluated loans were $5,027,000 at March 31, 2025, compared to $4,523,000 at December 31, 2024. The largest individually evaluated loan relationship at March 31, 2025 consisted of a non-performing loan to a student housing holding company which is secured by commercial real estate. At March 31, 2025, the loan carried a balance of $1,603,000, net of $1,989,000 that had been charged off to date. The second largest individually evaluated loan relationship at March 31, 2025 consisted of two non-performing loans granted to an individual for the purpose of renovating a multi-use property slated to be converted into apartments and a retail storefront. Both loans are secured by commercial real estate, and carried an aggregate balance of $1,441,000 at March 31, 2025. The third largest individually evaluated loan relationship at March 31, 2025 consisted of a non-performing loan to the owner of a golf course and catering venue which is secured by commercial real estate. At March 31, 2025, the loan carried a balance of $582,000.

The Company determines the need for individual evaluation of loans based on its analysis of the cash flows or collateral estimated at fair value less cost to sell. For collateral dependent loans, the estimated appraisal or other qualitative adjustments and cost to sell percentages are determined based on the market area in which the real estate securing the loan is located, among other factors, and therefore, can differ from one loan to another. Of the $5,027,000 in individually evaluated loans at March 31, 2025, none were located outside of the Company's primary market area.

There were no modifications of loans to borrowers experiencing financial difficulty completed during the three months ended March 31, 2025. The outstanding recorded investment of modified loans to borrowers experiencing financial difficulty as of December 31, 2024 amounted to $10,193,000, with $10,019,000 classified in the Real Estate portfolio and $174,000 classified in the Commercial and Industiral portfolio. The loan modifications to borrowers experiencing financial difficulty as of December 31, 2024 consisted of term modifictions on two loans which allowed an extension of the maturity date for each respective loan, one payment modification which allowed a period of interest-only payments on the loan, and one loan experienced the release of a piece of collateral securing the loan.There were no unfunded commitments on modified loans to borrowers experiencing financial difficulty as of December 31, 2024. At December 31, 2024, there were no modifications of loans to borrowers experiencing financial difficulty that were not in compliance with the terms of their restructure.

Of the modifications of loans to borrowers experiencing financial difficulty that were completed during the twelve months preceding March 31, 2025, there were two loans that experienced payment defaults during the three months ended March 31, 2025. One loan carrying a balance of $120,000 experienced a payment default during the three months ended March 31, 2025 but was paid current by the customer as of March 31, 2025. A loan carrying a balance of $425,000 experienced a payment default during the three months ended March 31, 2025 and remained in past due status as of March 31, 2025. Of the modifications of loans to borrowers experiencing financial difficulty that were completed during the twelve months preceding March 31, 2024, one loan carrying a balance of $9,455,000 experienced a payment default during the three months ended March 31, 2024, but the loan was paid current by the customer as of March 31, 2024.

The Company's non-accrual loan valuation procedure for any loans greater than $250,000 requires an appraisal to be obtained and reviewed annually at year end, unless the Board of Directors waives such requirement for a specific loan, in favor of obtaining a Certificate of Inspection instead, defined as an internal evaluation completed by the Company. A quarterly collateral evaluation is performed which may include a site visit, property pictures and discussions with realtors and other similar business professionals to ascertain current values.

For non-accrual loans less than $250,000 upon classification and typically at year end, the Company completes a Certificate of Inspection, which includes the results of an onsite inspection, and may consider value indicators such as insured values, tax assessed values, recent sales comparisons and a review of the previous evaluations.

Improving loan quality is a priority. The Company actively works with borrowers to resolve credit problems and will continue its close monitoring efforts in 2025. Excluding the assets disclosed in the Non-Performing Assets and Individually Evaluated Loans table below and the Non-Performing Assets table in Note 4 – Loans and Allowance for Credit Losses, management is not aware of any information about borrowers' possible credit problems which cause serious doubt as to their ability to comply with present loan repayment terms.

In addition, regulatory authorities, as an integral part of their examinations, periodically review the allowance for possible loan losses. They may require additions to allowances based upon their judgments about information available to them at the time of examination.

The economic climate remains unstable. The war between Ukraine and Russia moves into its fourth year and the Israeli conflict in the Gaza strip has intensified and incited worldwide hostilities. Inflationary pressures remain elevated and have seen an increase in the last few months based in large part on newly enacted presidential policies. This continues to create much debate, speculation, and concern regarding the appropriate actions to be taken to overcome the effects of monetary policy adjustments, tariffs, and mass federal layoffs, that have been and will be made to affect the change. Intense political turmoil, commodity prices remaining high, gas prices fluctuating widely from week to week, small businesses closing, larger corporations cutting jobs, unprecedented weather conditions seen around the world, and the uncertainty of where the Federal Reserve may go from here in regards to rates have all exacerbated the difficulties in the national and state economy. Experts at all levels continue to ascertain the intermediate or long term effects of such issues. The Company may experience difficulties collecting payments on time from its borrowers, and certain types of loans may need to be modified, which could cause a rise in the level of individually evaluated loans, non-performing assets, charge-offs, and delinquencies. Should such metrics increase, additions to the balance of the Company's allowance for credit losses could be required. The extent of the impact of these stressors on the Company's operational and financial performance will depend on certain developments including reactions to inflationary controls enacted, the labor force, the longevity of the wars, the ongoing political landscape, and the looming worldwide discord, and any after-effects of these factors. These factors may not immediately impact the Company's operational and financial performance, as the effects of these factors may lag into the future. The Company is also susceptible to the impact of economic and fiscal policy factors that may evolve in the current economic environment.

A concentration of credit exists when the total amount of loans to borrowers, who are engaged in similar activities that are similarly impacted by economic or other conditions, exceed 10% of total loans. As of March 31, 2025 and December 31, 2024, management is of the opinion that there were no loan concentrations exceeding 10% of total loans.

Non-Performing Assets and Individually Evaluated Loans

(Dollars in thousands)	**March 31, 2025**	December 31, 2024
Non-performing assets		
Non-accrual loans	**$ 4,718**	$ 4,214
Foreclosed assets held for resale	**—**	—
Loans past-due 90 days or more and still accruing interest	**1,212**	756
Total non-performing assets	**$ 5,930**	$ 4,970
Individually evaluated loans		
Non-accrual loans	**$ 4,718**	$ 4,214
Other Individually Evaluated loans	**309**	309
Total individually evaluated loans	**5,027**	4,523
Allocated allowance for credit losses	**—**	—
Net investment in individually evaluated loans	**$ 5,027**	$ 4,523
Individually evaluated loans with a valuation allowance	**$ —**	$ —
Individually evaluated loans without a valuation allowance	**5,027**	4,523
Total individually evaluated loans	**$ 5,027**	$ 4,523
Allocated valuation allowance as a percent of individually evaluated loans	**— %**	— %
Individually evaluated loans to total loans	**0.52 %**	0.48 %
Non-performing assets to total loans	**0.62 %**	0.52 %
Non-performing assets to total assets	**0.41 %**	0.35 %
Allowance for credit losses to individually evaluated loans	**160.49 %**	169.62 %
Allowance for credit losses to total non-performing assets	**136.05 %**	154.37 %

Real estate mortgages comprise 89.6% of the loan portfolio as of March 31, 2025, as compared to 89.8% as of December 31, 2024. Real estate mortgages consist of both loans secured by residential and commercial real estate. The Real Estate loan portfolio is well diversified in terms of borrowers, collateral, interest rates, and maturities. Also, the residential component of the Real Estate loan portfolio is largely comprised of fixed rate mortgages. The real estate loans are concentrated primarily in the Company's market area and are subject to risks associated with the local economy. The loans secured by commercial real estate typically reprice approximately every three to five years and are also concentrated in the Company's market area. The Company's loss exposure on its individually evaluated loans continues to be mitigated by collateral positions on these loans. The allocated allowance for credit losses associated with individually evaluated loans is generally computed based upon the related collateral value of the loans. The collateral values are determined by recent appraisals or Certificates of Inspection, but are generally discounted by management based on historical dispositions, changes in market conditions since the last valuation and management's expertise and knowledge of the borrower and the borrower's business.

DEPOSITS, OTHER BORROWED FUNDS AND SUBORDINATED DEBT

Consumer and commercial retail deposits are attracted primarily by the Company's nineteen full service office locations and through its internet banking presence. The Company offers a broad selection of deposit products and continually evaluates its interest rates and fees on deposit products. The Company regularly reviews competing financial institutions' interest rates, especially when establishing interest rates on certificates of deposit and municipal deposits.

Total deposits decreased $487,000 to $1,045,393,000 as of March 31, 2025 as non-interest bearing deposits increased by $5,601,000 and interest bearing deposits decreased by $6,088,000 from year-end 2024. The overall decrease in interest bearing deposits was mainly the result of a decrease in interest bearing demand deposits of $28,439,000 and a decrease of $9,355,000 in savings deposits, offset by an increase of $31,493,000 in the balance of time deposits as the result of new higher rate CD promotions during the first three months of 2025.

Total short-term and long-term borrowings increased to $246,288,000 as of March 31, 2025, from $240,426,000 at year-end 2024, an increase of $5,862,000 or 2.4%. Total borrowings increased mainly as a result of the lack of growth in the deposit portfolio from year-end 2024.

On December 10, 2020, the Corporation issued $25,000,000 aggregate principal amount of Subordinated Notes due December 31, 2030 (the "2020 Notes"). The 2020 Notes are intended to be treated as Tier 2 capital for regulatory capital purposes. The 2020 Notes bear a fixed interest rate of 4.375% per year for the first five years and then float based on a benchmark rate (as defined).

CAPITAL STRENGTH

Normal increases in capital are generated by net income, less dividends paid out. During the three months ended March 31, 2025, continued payment of dividends net against net income for the period decreased capital by $688,000. Accumulated other comprehensive loss derived from net unrealized gains on debt securities available-for-sale and interest rate derivatives also impacts capital. At December 31, 2024 accumulated other comprehensive loss was $25,630,000. Accumulated other comprehensive loss stood at $25,240,000 at March 31, 2025, an improvement of $390,000. Fluctuations in interest rates have regularly impacted the gain/loss position in the Bank's securities portfolio, as well as its decision to sell securities at a gain or loss. The fluctuations from net unrealized gains on debt securities available-for-sale and derivatives do not affect regulatory capital, as the Bank elected to opt-out of the inclusion of this item with the filing of the March 31, 2015 Call Report.

The Company held 231,611 shares of common stock as treasury stock at March 31, 2025 and December 31, 2024, respectively. This had an effect of reducing our total stockholders' equity by $5,709,000 as of March 31, 2025 and December 31, 2024.

Total stockholders' equity was $106,484,000 as of March 31, 2025, and $106,782,000 as of December 31, 2024.

At March 31, 2025 the Bank met the definition of a "well-capitalized" institution under the regulatory framework for prompt corrective action and the minimum capital requirements under Basel III. The following table presents the Bank's capital ratios as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024	Minimum Capital Adequacy with Capital Buffer
Tier 1 leverage ratio (to average assets)	**10.26 %**	10.24 %	4.00 %
Common Equity Tier 1 capital ratio (to risk-weighted assets)	**14.66 %**	14.92 %	7.00 %
Tier 1 risk-based capital ratio (to risk-weighted assets)	**14.66 %**	14.92 %	8.50 %
Total risk-based capital ratio	**15.46 %**	15.69 %	10.50 %

Under the final capital rules that became effective on January 1, 2015, there was a requirement for a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets which is in addition to the other minimum risk-based capital standards in the rule. Institutions that do not maintain this required capital buffer will become subject to progressively more stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to senior executive management. The capital buffer requirement was phased in over three years beginning in 2016. The capital buffer requirement effectively raises the minimum required common equity Tier 1 capital ratio to 7.0%, the Tier 1 capital ratio to 8.5%, and the total capital ratio to 10.5% on a fully phased-in basis as of January 1, 2019. As of March 31, 2025, the Bank meets all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis.

The Corporation's capital ratios are not materially different than those of the Bank.

LIQUIDITY

The Company's objective is to maintain adequate liquidity to meet funding needs at a reasonable cost and provide contingency plans to meet unanticipated funding needs or a loss of funding sources, while minimizing interest rate risk. Adequate liquidity is needed to provide the funding requirements of depositors' withdrawals, loan growth, and other operational needs.

Sources of liquidity are as follows:

- Growth in the core deposit base;
- Proceeds from sales or maturities of securities;
- Payments received on loans and mortgage-backed and asset-backed securities;
- Correspondent bank borrowings on various overnight credit lines, notes, etc., with various levels of capacity;
- Securities sold under agreements to repurchase; and
- Brokered CDs.

At March 31, 2025, the Company had $534,842,000 in maximum borrowing capacity at FHLB (inclusive of the outstanding balances of FHLB long-term notes, FHLB short-term borrowings, and irrevocable standby letters of credit issued by FHLB); the maximum borrowing capacity at ACBB was $15,000,000 and the maximum borrowing capacity of the Federal Discount Window was $7,767,000.

The Company enters into "Repurchase Agreements" in which it agrees to sell securities subject to an obligation to repurchase the same or similar securities. Because the agreement both entitles and obligates the Company to repurchase the assets, the Company may transfer legal control of the securities while still retaining effective control. As a result, the repurchase agreements are accounted for as collateralized financing agreements (secured borrowings) and act as an additional source of liquidity. Securities sold under agreements to repurchase were $32,438,000 at March 31, 2025.

Asset liquidity is provided by securities maturing in one year or less, other short-term investments, federal funds sold, and cash and due from banks. The liquidity is augmented by repayment of loans and cash flows from mortgage-backed and asset-backed securities. Liability liquidity is accomplished primarily by maintaining a core deposit base, acquired by attracting new deposits and retaining maturing deposits. Also, short-term borrowings provide funds to meet liquidity needs.

Net cash flows provided by operating activities were $308,000 for the three months ended March 31, 2025, compared to net cash flows provided by operating activities of $2,048,000 for the three months ended March 31, 2024. Net income amounted to $1,053,000 for the three months ended March 31, 2025, compared to a net loss of $18,377,000 for the three months ended March 31, 2024. The goodwill impairment recorded during the first quarter of 2024 was a non-cash charge and amounted to $19,133,000 for the three months ended March 31, 2024; therefore, it had no effect on liquidity. For the three months ended March 31, 2025, there was no goodwill impairment. During the three months ended March 31, 2025 and 2024, net premium amortization on securities amounted to $50,000 and $251,000, respectively. Net gains on sales of mortgage loans amounted to $20,000 for the three months ended March 31, 2025 and $11,000 for the three months ended March 31, 2024. Proceeds (net of gains/losses) from sales of mortgage loans originated for sale exceeded originations of mortgage loans originated for resale by $192,000 and $115,000 for the three months ended March 31, 2025 and 2024, respectively. Net securities losses amounted to $86,000 and $184,000 for the three months ended March 31, 2025 and 2024, respectively. Accrued interest receivable increased by $76,000 and $90,000 for the three months ended March 31, 2025 and 2024, respectively. Accrued interest payable increased by $386,000 for the three months ended March 31, 2025 and increased by $286,000 for the three months ended March 31, 2024. Amortization of investment in real estate ventures amounted to $214,000 for the three months ended March 31, 2025 and $205,000 for the three months ended March 31, 2024. Other assets increased $1,734,000 for the three months ended March 31, 2025, compared to an increase of $500,000 for the three months ended March 31, 2024. Other liabilities decreased $345,000 during the three months ended March 31, 2025, compared to a increase of $338,000 during the three months ended March 31, 2024.

Investing activities used cash of $2,404,000 and $16,135,000 during the three months ended March 31, 2025 and 2024, respectively. Net activity in the available-for-sale securities portfolio (including proceeds from sale, maturities, and redemptions, net against purchases) provided cash of $13,126,000 during the three months ended March 31, 2025 and used cash of $17,134,000 during the three months ended March 31, 2024. Changes in restricted investment in bank stocks used cash of $351,000 and $65,000 during the three months ended March 31, 2025 and 2024, respectively. Net cash used to originate loans amounted to $16,257,000 for the three months ended March 31, 2025, compared to net cash provided from a decrease in loans of $1,510,000 for the three months ended March 31, 2024. Proceeds from bank-owned life insurance provided cash of $1,229,000 for the three months ended March 31, 2025, compared to the three months ended March 31, 2024 when there were no proceeds from bank-owned life insurance. Purchases of premises and equipment used cash of $141,000 and $446,000 during the three months ended March 31, 2025 and 2024, respectively. Purchase of investment in real estate ventures used cash of $10,000 and $0 during the three months ended March 31, 2025 and 2024, respectively.

Financing activities provided cash of $3,634,000 and $12,315,000 during the three months ended March 31, 2025 and 2024, respectively. Deposits decreased by $487,000 during the three months ended March 31, 2025 and increased by $1,212,000 during the three months ended March 31, 2024. Short-term borrowings increased by $5,862,000 and $12,817,000 during the three months ended March 31, 2025 and 2024, respectively. Dividends paid amounted to $1,741,000 for the three months ended March 31, 2025, compared to $1,714,000 for the three months ended March 31, 2024.

Managing liquidity remains an important segment of asset/liability management. The overall liquidity position of the Company is maintained by an active asset/liability management committee. The Company believes that its core deposit base is stable even in periods of changing interest rates. Liquidity and funds management are governed by policies and are measured on a monthly basis. These measurements indicate that liquidity generally remains stable and exceeds the Company’s minimum defined levels of adequacy. Other than the trends of continued competitive pressures and volatile interest rates, there are no known demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, liquidity increasing or decreasing in any material way. Given our financial strength, we expect to be able to maintain adequate liquidity as we manage through the current environment, utilizing current funding options and possibly utilizing new options.

MARKET RISK

Market risk is the risk of loss arising from adverse changes in the fair value of financial instruments due to changes in interest rates, exchange rates and equity prices. The Company's market risk is composed primarily of interest rate risk. The Company's interest rate risk results from timing differences in the repricing of assets, liabilities, off-balance sheet instruments, and changes in relationships between rate indices and the potential exercise of explicit or embedded options.

Increases in the level of interest rates also may adversely affect the fair value of the Company's securities and other earning assets. Generally, the fair value of fixed-rate instruments fluctuates inversely with changes in interest rates. As a result, increases in interest rates could result in further decreases in the fair value of the Company's interest-earning assets, which could adversely affect the Company's results of operations if sold, or, in the case of interest-earning assets classified as available-for-sale, the Company's stockholders' equity, if retained. Under FASB ASC 320-10, *Investments – Debt Securities*, changes in the unrealized gains and losses, net of taxes, on debt securities classified as available-for-sale are reflected in the Company's stockholders' equity. The Company does not own any trading assets.

Asset/Liability Management

The principal objective of asset/liability management is to manage the sensitivity of the net interest margin to potential movements in interest rates and to enhance profitability through returns from managed levels of interest rate risk. The Company actively manages the interest rate sensitivity of its assets and liabilities. Several techniques are used for measuring interest rate sensitivity. Interest rate risk arises from the mismatches in the repricing of rates on assets and liabilities within a given time period, referred to as a rate sensitivity gap. If more assets than liabilities mature or reprice within the time frame, the Company is asset sensitive. This position would contribute positively to net interest income in a rising rate environment. Conversely, if more liabilities mature or reprice, the Company is liability sensitive. This position would contribute positively to net interest income in a falling rate environment. The Company's cumulative gap at one year indicates the Company is liability sensitive at March 31, 2025.

Earnings at Risk

The Bank's Asset/Liability Committee ("ALCO") is responsible for reviewing the interest rate sensitivity position and establishing policies to monitor and limit exposure to interest rate risk. The guidelines established by ALCO are reviewed by the Company's Board of Directors. The Company recognizes that more sophisticated tools exist for measuring the interest rate risk in the balance sheet beyond interest rate sensitivity gap. Although the Company continues to measure its interest rate sensitivity gap, the Company utilizes additional modeling for interest rate risk in the overall balance sheet. Earnings at risk and economic values at risk are analyzed.

Earnings simulation modeling addresses earnings at risk and net present value estimation addresses economic value at risk. While each of these interest rate risk measurements has limitations, taken together they represent a reasonably comprehensive view of the magnitude of interest rate risk to the Company.

Earnings Simulation Modeling

The Company's net income is affected by changes in the level of interest rates. Net income is also subject to changes in the shape of the yield curve. For example, a flattening of the yield curve would result in a decline in earnings due to the compression of earning asset yields and increased liability rates, while a steepening would result in increased earnings as earning asset and interest-bearing liability yields widen.

Earnings simulation modeling is the primary mechanism used in assessing the impact of changes in interest rates on net interest income. The model reflects management's assumptions related to asset yields and rates paid on liabilities, deposit sensitivity, size and composition of the balance sheet. The assumptions are based on what management believes at that time to be the most likely interest rate environment. Earnings at risk is the change in net interest income from a base case scenario under various scenarios of rate shock increases and decreases in the interest rate earnings simulation model.

The table below presents an analysis of the changes in net interest income and net present value of the balance sheet resulting from various increases or decreases in the level of interest rates, such as two percentage points (200 basis points) in the level of interest rates. The calculated estimates of change in net interest income and net present value of the balance sheet are compared to current limits approved by ALCO and the Board of Directors. The earnings simulation model projects net interest income would decrease 1.05%, 1.49%, and 1.64% in the 100, 200 and 300 basis point increasing rate scenarios presented. In addition, the earnings simulation model projects net interest income would decrease 0.23%, 3.15%, and 6.15% in the 100, 200 and 300 basis point decreasing rate scenarios presented. All of the forecasts in the increasing and decreasing rate scenarios presented are within the Company's policy guidelines.

The analysis and model used to quantify the sensitivity of net interest income becomes less reliable in a decreasing rate scenario given the current interest rate environment with federal funds trading in the 425-450 basis point range and many deposit accounts still lagging at markedly lower rates. Results of the decreasing basis point declining scenarios are affected by the fact that many of the Company's interest-bearing liabilities are at rates below 1% and therefore likely may not decline 100 or more basis points. However, the Company's interest-sensitive assets are able to decline by these amounts. For the three months ended March 31, 2025 the cost of interest-bearing liabilities averaged 3.40%, and the yield on interest-earning assets, on a fully taxable equivalent basis, averaged 5.36%.

Net Present Value Estimation

The net present value measures economic value at risk and is used for helping to determine levels of risk at a point in time present in the balance sheet that might not be taken into account in the earnings simulation model. The net present value of the balance sheet is defined as the discounted present value of asset cash flows minus the discounted present value of liability cash flows. At March 31, 2025, net present value is projected to increase 0.83% in the 100 basis point immediate increase scenario and decrease 0.61%, and 3.47% in the 200, and 300 basis point immediate increase scenarios, respectively. Additionally, the 100, 200 and 300 basis point immediate decreases in rates are estimated to affect net present value with decreases of 3.06%, 11.50%, and 26.78%. All scenarios presented are within the Company's policy limits.

The computation of the effects of hypothetical interest rate changes are based on many assumptions. They should not be relied upon solely as being indicative of actual results, since the computations do not account for actions management could undertake in response to changes in interest rates.

Effect of Change in Interest Rates

March 31, 2025:	**Projected Change**
Effect on Net Interest Income	
1-Year Net Interest Income Simulation Projection	
+300 bp Shock vs. Stable Rate	(1.64)%
+200 bp Shock vs. Stable Rate	(1.49)%
+100 bp Shock vs. Stable Rate	(1.05)%
Flat rate	
–100 bp Shock vs. Stable Rate	(0.23)%
–200 bp Shock vs. Stable Rate	(3.15)%
–300 bp Shock vs. Stable Rate	(6.15)%
Effect on Net Present Value of Balance Sheet	
Static Net Present Value Change	
+300 bp Shock vs. Stable Rate	(3.47)%
+200 bp Shock vs. Stable Rate	(0.61)%
+100 bp Shock vs. Stable Rate	0.83 %
Flat rate	
–100 bp Shock vs. Stable Rate	(3.06)%
–200 bp Shock vs. Stable Rate	(11.50)%
–300 bp Shock vs. Stable Rate	(26.78)%

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information with respect to quantitative and qualitative disclosures about market risk is included in the information under Management's Discussion and Analysis in Item 2.

Item 4. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures. First Keystone Corporation maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those disclosure controls and procedures performed as of the end of the period covered by this report, the Chief Executive Officer and Interim Chief Financial Officer of the Company concluded that the Company's disclosure controls and procedures were effective as of March 31, 2025.

b) Changes in internal control over financial reporting. There were no other changes in the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2025, that 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

Although the Company is subject to various claims and legal actions that occur from time to time in the ordinary course of business, the Company is not party to any pending legal proceedings that management believes could have a material adverse effect on its business, results of operations, financial condition or cash flows. In addition, no material preceedings are pending or are known to be threatened or contemplated against the Company and the Bank by government authorities or others.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

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

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 - January 31, 2025	—	—	—	120,000
February 1 - February 28, 2025	—	—	—	120,000
March 1 - March 31, 2025	—	—	—	120,000
Total	—	—	—	120,000

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended March 31, 2025, no director or officer of the Corporation adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

(a) Exhibits required by Item 601 Regulation S-K

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation, as amended (Incorporated by reference to Exhibit 3.1 to the Registrant's Report on Form 8-K dated August 28, 2018).
3.2	By-Laws, as amended and restated (Incorporated by reference to Exhibit 3.2 to the Registrant's Report on Form 8-K dated January 26, 2021).
10.1(a)	Supplemental Employee Retirement Plan – J. Gerald Bazewicz (Incorporated by reference to Exhibit 10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).*
10.1(b)	Supplemental Employee Retirement Plan – David R. Saracino (Incorporated by reference to Exhibit 10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).*
10.1(d)	Supplemental Employee Retirement Plan – Elaine Woodland (Incorporated by reference to Exhibit 10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2013).*
10.2	Management Incentive Compensation Plan (Incorporated by reference to Exhibit 10 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2018).*
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.**
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.**
32.1	Section 1350 Certification of Chief Executive Officer.**
32.2	Section 1350 Certification of Chief Financial Officer.**
101.INS	Inline XBRL Instance Document.**
101.SCH	Inline XBRL Taxonomy Extension Schema Document.**
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.**
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.**
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.**
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.**
104	Cover Page Interactive Data File (Formatted as Inline XBRL and Contained in Exhibit 101)

* Denotes a compensatory plan.
** Filed herewith.

The Company will provide a copy of any exhibit upon receipt of a written request for the particular exhibit or exhibits desired. All requests should be addressed to the Company's principal executive offices.

FIRST KEYSTONE CORPORATION
SIGNATURES

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

	FIRST KEYSTONE CORPORATION Registrant
May 15, 2025	/s/ Jack W. Jones Jack W. Jones President and Chief Executive Officer (Principal Executive Officer)
May 15, 2025	/s/ Stacy L. Gordner Stacy L. Gordner Assistant Vice President and Interim Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

FIRST KEYSTONE CORPORATION
CERTIFICATION

I, Jack W. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2025, of First Keystone Corporation;

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 the registrant as of, and for, the periods presented in this report;

4. The registrant'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 the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant'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 the registrant's internal control over financial reporting.

/s/ Jack W. Jones
Jack W. Jones
President and Chief Executive Officer

Date: May 15, 2025

EXHIBIT 31.2

FIRST KEYSTONE CORPORATION
CERTIFICATION

I, Stacy L. Gordner, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2025, of First Keystone Corporation;

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 the registrant as of, and for, the periods presented in this report;

4. The registrant'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 the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant'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 the registrant's internal control over financial reporting.

/s/ Stacy L. Gordner
Stacy L. Gordner
Assistant Vice President and Interim Chief Financial Officer

Date: May 15, 2025

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
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 on Form 10-Q of First Keystone Corporation (the “Corporation”) for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jack W. Jones, President and Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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 Corporation as of and for the period covered by the Report.

/s/ Jack W. Jones
Jack W. Jones
President and Chief Executive Officer

May 15, 2025

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to First Keystone Corporation and will be retained by First Keystone Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
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 on Form 10-Q of First Keystone Corporation (the "Corporation") for the period ended March 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stacy L. Gordner, Interim Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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 Corporation as of and for the period covered by the Report.

/s/ Stacy L. Gordner
Stacy L. Gordner
Assistant Vice President and
Interim Chief Financial Officer

May 15, 2025

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to First Keystone Corporation and will be retained by First Keystone Corporation and furnished to the Securities and Exchange Commission or its staff upon request.