

Noninterest income is up 3.8% over the prior year and we have strategies in place for continued improvement.

I would label the current operating environment as “challenging” for the banking industry. It will be important for us to navigate the year wisely and be positioned for the next growth cycle. Fortunately, we have the foundation, talent level, operating markets, business lines, and nearly 151 years of organizational experience to put us in a very good position for success.



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President & Chief Executive Officer

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1ST QUARTER REPORT MARCH 31 2024



LETTER TO SHAREHOLDERS

I am pleased to report that the Board of Directors has declared a first quarter dividend of 25 cents per share for shareholders of record as of April 22, 2024, and payable on April 26, 2024. We are proud of our strong dividend history and happy to return a portion of profits to our shareholders. The company produced earnings of \$1,307,000 or \$0.54 per share versus \$1,525,000 or \$0.63 per share in the first quarter of the prior year.

In many ways, the start to this year strongly resembles the latter half of the prior one. Although liquidity concerns in the industry have eased, there is still pressure on margins and the beginning evidence of increases in credit issues – particularly in the automotive sector. Borrowers who purchased cars at higher prices (due to supply chain problems) during the pandemic while stimulus payments were flowing are now being squeezed by inflationary pressures, resumed student loan payments, and higher credit card interest rate costs. Used car values have fallen as inventory has rebalanced. Our provision in the first quarter of 2023 was largely related to loan growth while the provision for the first quarter of 2024 is more representative of charged-off auto loans.

We have managed to improve our liquidity position finishing the quarter with \$83 million in cash and due from banks. At the same time, we have been focused on maintaining our margin in this competitive environment. We aim to continue to carefully manage and deploy these funds as part of our overall balance sheet management strategy.

Deposit competition remains strong, but we have been able to grow deposits 2.3% year-over-year and 4.3% since the beginning of 2024. Many funds are heading into time deposits after spending years in lower, or zero, intertest rate products. We remain focused on earning new business and growing households. Our new household acquisition is off to a good start this year as we are slightly ahead of our projections. Typically, the winter months (i.e. first quarter) is a slower period for new accounts, so this is an encouraging sign.

We have pulled back and become more selective in our lending – particularly in the indirect market. This is a result of leveraging our funding efficiently, the aforementioned credit performance issues, and market forces.

Continued >

Balance Sheet

(Unaudited)
(Dollars in thousands)

As of March 31,
2024 2023

Assets

Cash and due from banks	\$ 83,858	\$ 28,803
Securities	36,187	31,814
Loans, net of allowance	762,478	802,240
Premises/equipment, net	8,849	9,126
Other assets	32,163	27,151
Total assets	\$ 923,535	\$ 899,134

Liabilities and Shareholders' Equity

Liabilities

Non-interest bearing deposits	\$ 132,656	\$ 129,594
Interest bearing deposits	617,375	602,870
Total deposits	750,031	732,464
FHLB advances	79,125	77,683
Subordinated debentures	9,918	9,908
Other liabilities	8,298	7,588
Total liabilities	\$ 847,372	\$ 827,643

Shareholders' equity

Common stock; par value \$2.00 per share, 6,000,000 authorized shares, issued and outstanding 2,433,696 shares	\$ 4,867	\$ 4,867
Surplus	7,394	7,394
Undivided profits	66,089	60,912
Accumulated other comprehensive income	(2,187)	(1,682)
Total shareholders' equity	\$ 76,163	\$ 71,491

Total liabilities and shareholders' equity

\$ 923,535 **\$ 899,134**

SELECTED FINANCIAL DATA

March 31,	2024	2023
Return on assets	0.58%	0.70%
Return on equity	6.94%	8.72%
Book value per share	\$31.30	\$29.38
Earnings per share (basic and diluted)	\$0.54	\$0.63

Income Statement

(Unaudited)
(Dollars in thousands)

3 Months Ended March 31,
2024 2023

Interest Income

Loans receivable	\$ 10,554	\$ 9,523
Taxable securities	323	263
Tax-exempt securities	35	28
Other	733	270
Total interest income	11,645	10,084

Interest Expense

Deposits	2,941	1,497
FHLB advances	977	698
Subordinated debentures	96	96
Total interest expense	4,014	2,291
Net interest income	7,631	7,793

Credit loss expense	670	906
Net interest income after credit loss expense	6,961	6,887

Other Income

Service charges on deposits	422	431
Net gains on sale of loans	14	-
Other income	615	582
Total other income	1,051	1,013

Other Expenses

Salaries/employee benefits	3,365	3,137
Occupancy	400	386
Equipment	160	156
Marketing	230	264
Other operating expenses	2,256	2,084
Total other expenses	6,411	6,027
Income before income taxes	1,601	1,873
Federal income taxes	294	348
Net income	\$ 1,307	\$ 1,525