First National Bank

You. First. Always.

2022

Pandora Bancshares Inc.

ANNUAL REPORT

PANDORA BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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January 31, 2023

Dear Shareholders and Friends:

It is hard to believe we have reached another January and have the opportunity to look back at another year and appreciate where the Bank started and finished. 2022 started with the backdrop of COVID, and it marked the beginning of the end of significant economic stimulus that included the Paycheck Protection Program (PPP). FNB supported small businesses through PPP, and that activity coupled with record low interest rates in 2020 and 2021 contributed to a refinance boom and robust activity in the housing market that ultimately contributed to record years financially for Pandora Bancshares, Inc.

Pandora Bancshares Directors and Management planned for a very different year in 2022 in terms of profitability, but FNB still had an excellent year, exceeded budget for income, and found new ways to live our mission of "Improving Lives Through Community Banking." Loan balances grew 10.7% year over year, Deposits increased 2.8%, Assets grew by 1%, and our Pandora Bancshares stock market price has also appreciated 7.9% since December 31, 2021. We are also pleased because this strong performance allowed us to increase dividends 6.25% year over year.

The real highlight, however, was how our team of employees came together and renewed our commitment to community involvement. Over the course of 2022, FNB team members volunteered over 2,100 hours at numerous events in all our local communities. While FNB has always prioritized giving back and service, the number of hours logged in 2022 was a record truly worth noting and it perfectly exemplified what living our mission of "Improving Lives Through Community Banking" looks like. Without our great team, First National Bank would not be thriving, and we know our success is a direct result of their dedication.

We share our team's passion for serving the community, and we will continue to find ways to make banking easier for all of our customers. In the spirit of this ongoing effort, we constructed a new full-service branch on Eastown Road in Lima that opened for business January 17, 2023. We look forward to serving both new and existing customers in the Limaland area.

Jennifer McFarland, from Community Banc Investments, is the market maker for our stock. Community Banc Investments deals only with community bank stocks in Ohio. Since we began working with Community Banc Investments in 2015, we have seen an average annual increase of 14.3% in our stock price. If you are interested in purchasing or selling Pandora Bancshares, Inc. stock, please contact Jennifer McFarland at jennifer@cbibankstocks.com or by phone at 800-224-1013.

Our Directors, Management, and Staff are very excited about the continued positive direction of First National Bank and the ongoing strategy to increase shareholder value. We thank you for your investment, your business, and your future business. We look forward to you joining us for our Annual Shareholder Meeting on Saturday April 29, 2023, at 10:00 AM via Zoom.

Respectfully,

Todd A. Mason — J. Peter Suter

Todd A. Mason	J. Peter Suter	John Arnold
President and CEO	Chairman	Chairman
First National Bank	Pandora Bancshares, Inc.	First National Bank

Pandora Bancshares, Inc.
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PANDORA BANCSHARES, INC.
FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA (UNAUDITED)

	Years Ended December 31,				
	2022	2021	2020	2019	2018
	(Dollars in Thousands, Except per Share Data)				
Statements of Operations:					
Total Interest Income	$ 8,459	$ 8,749	$ 8,908	$ 8,442	$ 7,447
Total Interest Expense	896	574	1,457	1,876	1,354
Net Interest Income	7,563	8,175	7,451	6,566	6,093
Provision (Credit) for Loan Losses	(200)	90	325	130	105
Net Interest Income After Provision (Credit) for Loan Losses	7,763	8,085	7,126	6,436	5,988
Total Noninterest Income	898	1,716	2,135	1,085	986
Total Noninterest Expenses	6,662	7,057	6,641	5,967	5,671
Income Before Federal Income Taxes	1,999	2,744	2,620	1,554	1,303
Federal Income Taxes	216	449	425	199	139
Net Income	$ 1,783	$ 2,295	$ 2,195	$ 1,355	$ 1,164
Per Share of Common Stock:					
Net Income	$ 7.07	$ 9.10	$ 8.68	$ 5.37	$ 4.61
Dividends	1.70	1.60	1.50	1.40	1.25
Book Value	57.98	77.04	74.78	64.53	57.43
Year-End Balances:					
Loans, Net (A)	$ 157,310	$ 142,842	$ 140,281	$ 127,464	$ 116,146
Securities and Other Investments	64,621	73,561	63,019	44,727	41,854
Total Assets	241,943	239,773	221,473	190,349	178,510
Deposits	221,892	215,816	198,306	168,445	157,928
Stockholders' Equity	14,575	19,407	18,896	16,261	14,448
Average Balances:					
Loans, Net (A)	$ 146,595	$ 143,100	$ 135,188	$ 122,718	$ 114,250
Securities and Other Investments	69,342	65,547	49,642	41,731	37,913
Total Assets	240,177	231,793	204,809	181,682	167,352
Deposits	220,863	208,833	182,523	160,603	146,613
Stockholders' Equity	16,118	19,303	17,915	15,630	14,225
Selected Ratios:					
Net Yield on Average Interest-Earning Assets	3.43%	3.80%	3.88%	3.91%	3.96%
Return on Average Assets	0.74%	0.99%	1.07%	0.75%	0.70%
Return on Average Stockholders' Equity	11.06%	11.89%	12.25%	8.67%	8.18%
Allowance for Loan Losses as a Percentage of Year-End Loans	1.20%	1.42%	1.40%	1.25%	1.31%
Year-End Stockholders' Equity as a Percentage of Year-End Assets	6.02%	8.09%	8.53%	8.54%	8.09%

(A) Includes Loans Held for Sale

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pandora Bancshares, Inc.
Pandora, Ohio

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Pandora Bancshares, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pandora Bancshares, Inc. and its subsidiary as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Pandora Bancshares, Inc. and its subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pandora Bancshares, Inc. and its subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pandora Bancshares, Inc. and its subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pandora Bancshares, Inc. and its subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Corporation's Annual Report

Management is responsible for the other information included in the Corporation's Annual Report. The other information comprises the letter to shareholders, five-year summary of selected financial data, personnel and director information, investor and annual meeting information, and bank location information, but it does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

Board of Directors
Pandora Bancshares, Inc.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Toledo, Ohio
February 28, 2023

PANDORA BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash Due from Banks	$ 5,136,383	$ 6,826,683
Federal Funds Sold	883,000	6,484,000
Total Cash and Cash Equivalents	6,019,383	13,310,683
Securities, Available-for-Sale	61,930,054	70,425,997
Other Investments	2,691,185	3,134,772
Loans Held for Sale	-	732,990
Loans, Net of Allowance for Loan Losses of $1,905,576 in 2022 and $2,052,966 in 2021	157,310,064	142,109,211
Premises and Equipment, Net	5,027,591	3,358,763
Accrued Interest Receivable	877,419	745,586
Cash Surrender Value of Life Insurance	4,588,418	4,485,212
Other Assets	3,499,015	1,470,139
Total Assets	$ 241,943,129	$ 239,773,353
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 21,351,307	$ 20,700,062
Interest Bearing	200,541,144	195,115,976
Total Deposits	221,892,451	215,816,038
Federal Home Loan Bank Borrowings	1,505,285	680,452
Other Liabilities	3,970,248	3,869,920
Total Liabilities	227,367,984	220,366,410
STOCKHOLDERS' EQUITY		
Common Stock, $2.50 Par Value; Authorized 3,000,000 Shares, Issued 328,776 Shares	821,940	821,940
Additional Paid-In Capital	2,846,417	2,846,417
Retained Earnings	19,861,988	18,506,593
Accumulated Other Comprehensive Loss	(6,431,855)	(317,721)
Treasury Stock, at Cost - 77,401 Shares in 2022, 76,869 Shares in 2021	(2,523,345)	(2,450,286)
Total Stockholders' Equity	14,575,145	19,406,943
Total Liabilities and Stockholders' Equity	$ 241,943,129	$ 239,773,353

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
INTEREST INCOME		
Loans - Including Fees	$ 7,269,337	$ 7,919,422
Securities:		
Taxable	1,084,993	782,312
Tax Exempt	13,161	19,540
Dividends on Restricted Stock	36,679	22,151
Other	55,025	5,465
Total Interest Income	8,459,195	8,748,890
INTEREST EXPENSE		
Deposits	886,476	562,817
Other Borrowings	10,106	11,683
Total Interest Expense	896,582	574,500
NET INTEREST INCOME	7,562,613	8,174,390
PROVISION (CREDIT) FOR LOAN LOSSES	(200,000)	90,000
NET INTEREST INCOME AFTER PROVISION (CREDIT) FOR LOAN LOSSES	7,762,613	8,084,390
NONINTEREST INCOME		
Customer Service Charges	243,950	214,536
ATM and Debit Card Interchange Fees	372,499	367,669
Gain on Sale of Securities	-	78
Gain on Sale of Loans	209,444	970,293
Other, Net	72,340	163,433
Total Noninterest Income	898,233	1,716,009
NONINTEREST EXPENSES		
Salaries, Wages, and Employee Benefits	3,759,131	3,962,360
Occupancy and Equipment	530,722	597,763
Data Processing	559,997	740,774
Federal Deposit Insurance Assessment	82,000	85,320
Professional and Director Fees	319,564	338,892
Advertising and Marketing	256,593	217,361
Ohio Financial Institution Tax	155,256	151,170
Other Operating Expenses	998,851	963,222
Total Noninterest Expenses	6,662,114	7,056,862
INCOME BEFORE INCOME TAXES	1,998,732	2,743,537
PROVISION FOR INCOME TAXES	216,000	449,000
NET INCOME	$ 1,782,732	$ 2,294,537
NET INCOME PER SHARE	$ 7.07	$ 9.10

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
NET INCOME	$ 1,782,732	$ 2,294,537
OTHER COMPREHENSIVE LOSS		
Change in Unrealized Losses on Available-for-Sale Securities	(7,739,410)	(1,656,618)
Reclassification Adjustments for Securities Gains Realized in Income	-	(78)
Net Unrealized Losses	(7,739,410)	(1,656,696)
INCOME TAX EFFECT	(1,625,276)	(347,906)
OTHER COMPREHENSIVE LOSS	(6,114,134)	(1,308,790)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ (4,331,402)	$ 985,747

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
BALANCE - DECEMBER 31, 2020	$ 821,940	$ 2,846,417	$ 16,628,408	$ 991,069	$ (2,391,640)	$ 18,896,194
Net Income	-	-	2,294,537	-	-	2,294,537
Other Comprehensive Loss	-	-	-	(1,308,790)	-	(1,308,790)
Purchase of 4,607 Treasury Shares	-	-	-	-	(321,988)	(321,988)
Grant of 1,110 Shares to Officers	-	-	-	-	74,259	74,259
Sale of 2,717 Treasury Shares	-	-	(13,301)	-	189,083	175,782
Dividends Declared - $1.60 Per Share	-	-	(403,051)	-	-	(403,051)
BALANCE - DECEMBER 31, 2021	821,940	2,846,417	18,506,593	(317,721)	(2,450,286)	19,406,943
Net Income	-	-	1,782,732	-	-	1,782,732
Other Comprehensive Loss	-	-	-	(6,114,134)	-	(6,114,134)
Purchase of 5,674 Treasury Shares	-	-	-	-	(461,430)	(461,430)
Grant of 1,080 Shares to Officers	-	-	-	-	77,879	77,879
Sale of 4,062 Treasury Shares	-	-	-	-	310,492	310,492
Dividends Declared - $1.70 Per Share	-	-	(427,337)	-	-	(427,337)
BALANCE - DECEMBER 31, 2022	$ 821,940	$ 2,846,417	$ 19,861,988	$ (6,431,855)	$ (2,523,345)	$ 14,575,145

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 1,782,732	$ 2,294,537
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	530,614	573,626
Provision (Credit) for Loan Losses	(200,000)	90,000
Net Securities Amortization	218,639	355,761
Deferred Federal Income Taxes	(58,724)	(65,094)
Stock-based Compensation	77,879	74,259
Increase in Cash Surrender Value of Life Insurance	(103,206)	(98,181)
Gain on Sale of Securities	-	(78)
Impairment Loss on Other Investments	206,987	104,760
Gain on Sale of Loans	(209,444)	(970,293)
Loss on Disposal of Equipment	225	-
(Increase) Decrease in Assets:		
Loans Held for Sale	732,990	1,571,360
Accrued Interest Receivable	(131,833)	55,727
Other Assets	43,878	(100,866)
Increase (Decrease) in Other Liabilities	(142,010)	76,526
Net Cash Provided by Operating Activities	2,748,727	3,962,044
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-Sale Securities:		
Maturities, Prepayments, and Calls	5,086,690	12,775,252
Purchases	(4,548,796)	(24,434,410)
Purchase of Life Insurance Policy	-	(500,000)
Net Increase in Loans	(14,875,036)	(3,586,336)
Cash Paid for Other Investments	(350,440)	(303,450)
Proceeds from Redemption of FHLB Stock	236,600	-
Additions to Premises and Equipment	(1,936,302)	(52,786)
Net Cash Used by Investing Activities	(16,387,284)	(16,101,730)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	6,076,413	17,509,960
Principal Advances on Federal Home Loan Bank Borrowings	6,000,000	-
Principal Payments on Federal Home Loan Bank Borrowings	(5,175,167)	(205,884)
Proceeds from Sale of Treasury Shares	310,492	175,782
Purchase of Treasury Shares	(461,430)	(321,988)
Payment of Dividends	(403,051)	(379,030)
Net Cash Provided by Financing Activities	6,347,257	16,778,840
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,291,300)	4,639,154
Cash and Cash Equivalents - Beginning of Year	13,310,683	8,671,529
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,019,383	$ 13,310,683

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for:		
Interest	$ 875,271	$ 583,848
Income Taxes	$ 210,000	$ 530,000
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES		
Noncash Operating Activity:		
Change in Deferred Income Taxes on Net Unrealized Gains (Losses) on Available-for-Sale Securities	$ (1,625,276)	$ (347,906)
Noncash Investing Activity:		
Change in Net Unrealized Gains (Losses) on Available-for-Sale Securities	$ (7,739,410)	$ (1,656,696)
Noncash Investing and Financing Activities:		
Purchase of Other Investment Through Issuance of Capital Contribution Note	$ -	$ 1,000,000
Origination of Right to Use Assets and Lease Liabilities	$ 599,991	$ -
Noncash Financing Activity:		
Dividends Declared Not Paid	$ 427,337	$ 403,051

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pandora Bancshares, Inc. (the Corporation) was incorporated in 1986 in the state of Ohio as a single-bank holding company for First National Bank of Pandora (the Bank). The Corporation, through its wholly owned subsidiary, the Bank, operates in one industry segment, the commercial banking industry. The Bank, organized in 1919 as a national chartered bank, is headquartered in Pandora, Ohio, with branch offices in Bluffton, Findlay, and Ottawa, Ohio.

The primary source of revenue of the Bank is providing loans to customers primarily located in Northwestern and West Central Ohio. Such customers are predominately small and middle-market businesses and individuals.

Significant accounting policies followed by the Corporation are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates. The most significant estimate susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold which mature overnight or within four days, and bank certificates of deposit with original maturities of 90 days or less.

Securities and Other Investments

Securities that are classified as available-for-sale are recorded at fair value, with unrealized gains and losses, net of applicable income taxes, excluded from income and reported as a component of other comprehensive income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities and Other Investments (Continued)

The cost of available-for-sale debt securities is adjusted for amortization of premiums and accretion of discounts. Purchase premiums and discounts are recognized in interest income using the interest method. Discounts are accreted to maturity and premiums are amortized to the earliest call date. Declines in fair value of securities below their cost that are deemed to be other than temporary are reflected in income as realized losses. In estimating other than temporary impairment losses, management considers (1) the intent to sell the securities and the more likely than not requirement for the Corporation will be required to sell the securities prior to recovery, (2) the length of time and the extent to which the fair value has been less than cost, and (3) the financial condition and near-term proposals of the issuer. Gains and losses on the sale of securities are recorded on the trade date, using the specific identification method, and are included in noninterest income.

Other investments include Federal Home Loan Bank of Cincinnati and Federal Reserve Bank restricted stock which are recorded at cost and evaluated for impairment. The investment in Ohio Equity Fund for Housing Limited Partnerships, which as a practical expedient is accounted for at cost, less impairment, plus or minus adjustments for observable price changes.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay off generally are stated at their outstanding principal amount adjusted for charge offs and the allowance for loan losses. Interest is accrued as earned based upon the daily outstanding principal balance. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan.

The accrual of interest is generally discontinued at the time a loan is 90 days past due unless the credit is well secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans placed on nonaccrual or charged off is reversed against interest income. Interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the collectability of a loan balance is doubtful. Subsequent recoveries, if any, are credited to the allowance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Due to potential changes in conditions, it is at least reasonably possible that changes in estimates will occur in the near term and that such changes could be material to the amounts reported in the Corporation's consolidated financial statements.

The allowance consists of specific, general, and unallocated components. The specific component relates to impaired loans when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers classified loans (substandard or special mention) without specific reserves, as well as nonclassified loans, and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. 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. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Under certain circumstances, the Bank may provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Concessions may include reduction of interest rates, extension of maturity dates, forgiveness of principal or interest due, or acceptance of other assets in full or partial satisfaction of the debt. TDR loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment, as previously described.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at fair value less estimated costs to sell and any loan balance in excess of such value is charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and fair value adjustments are included in other operating expenses.

Servicing

Mortgage servicing rights are recognized as an asset when acquired through sale of loans. Capitalized servicing rights are reported in other assets and amortized against servicing fee income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Mortgage servicing rights are evaluated for impairment based upon the estimated fair value of the rights as compared to amortized cost. Fair value is determined based upon estimated discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount.

Servicing fee income is recorded for fees earned for servicing loans and is included in other noninterest income, net of amortization of mortgage servicing rights.

Premises and Equipment

Premises and equipment is stated at cost, less accumulated depreciation. Upon the sale or disposition of the assets, the difference between the depreciated cost and proceeds is charged or credited to income. Depreciation is determined based on the estimated useful lives of the individual assets (typically 20 to 40 years for buildings and 3 to 10 years for equipment) and is computed using the straight-line method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment (Continued)

Premises and equipment are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Supplemental Retirement and Postretirement Benefits

Annual provisions are made for the estimated liability for accumulated supplemental retirement benefits under agreements with certain officers, directors, and former employees of the Bank. These provisions are determined based on the terms of the agreements, as well as certain assumptions including estimated service periods and discount rates.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred.

Federal Income Taxes

The Corporation and Bank are currently subject only to federal income taxes. Any penalties resulting from the filing of its income tax returns are included in the provision for income taxes and any interest is included in interest expense.

Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases. Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or, all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets (Continued)

The transfer of a participating interest in a financial asset must have all of the following characteristics: (1) from the date of transfer, it must represent a proportionate ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except cash flows allocated as compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, and (4) no party has the right to pledge or change the entire financial asset unless all participating interest holders agree to do so.

Comprehensive Income

Recognized revenue, expenses, gains, and losses are included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income.

Rate Lock Commitments

Loan commitments related to the origination or acquisitions of mortgage loans that will be held for sale are accounted for as derivative instruments. The Bank enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are to be recorded at fair value as derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments also considers the difference between current levels of interest rates and the committed rates. At December 31, 2022 and 2021, derivative assets and liabilities relating to rate lock commitments were not material to the consolidated financial statements.

Per Share and Par Value Data

Net income per common share represents net income divided by the weighted average number of common shares outstanding during the year, amounting to 252,132 in 2022 and 252,089 in 2021. Dividends per share are based on the number of shares outstanding at the declaration date.

Subsequent Events

Management evaluated subsequent events through February 28, 2023, the date the consolidated financial statements were available to be issued.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Revenue

The sources of noninterest income subject to FASB *Topic 606, Revenue from Contracts with Customers* are customer service charges and ATM and debit card exchange fees. Following is a summary of the Corporation's revenue recognition for these revenue sources under Topic 606:

Customer Service Charges – The Bank earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include automated teller machine (ATM) use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Bank satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

ATM and Debit Card Fees – The Bank earns interchange fees from debit cardholder transactions conducted through the Visa and Mastercard payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The Corporation adopted ASU 2016-13 effective January 1, 2023, resulting in an increase to the allowance for credit losses.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) which requires a lessee to recognize on the balance sheet assets and liabilities for leases with lease terms of more than 12 months.

Effective January 1, 2022, the Company adopted this new standard prospectively and elected the package of practical expedients permitted under the transition guidance of the new standard. Upon adoption, the Company recognized operating lease right-to-use assets and corresponding lease liabilities of $599,991.

NOTE 2 SECURITIES AND OTHER INVESTMENTS

The amortized cost and fair value of available for sale securities, with gross unrealized gains and losses, at December 31 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Available-for-Sale Securities:				
U.S. Treasury Bonds and Notes	$ 10,776,767	$ -	$ 1,119,658	$ 9,657,109
U.S. Government and Federal Agency Obligations	27,462,156	-	2,979,281	24,482,875
Obligations of State and Political Subdivisions	13,432,776	-	1,799,664	11,633,112
Mortgage-Backed	18,399,943	3,642	2,246,627	16,156,958
Total Available-for-Sale Securities	$ 70,071,642	$ 3,642	$ 8,145,230	$ 61,930,054

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021				
Available-for-Sale Securities:				
U.S. Treasury Bonds and Notes	$ 10,800,887	$ -	$ 98,778	$ 10,702,109
U.S. Government and Federal Agency Obligations	28,007,596	217,762	537,174	27,688,184
Obligations of State and Political Subdivisions	12,458,039	171,996	180,616	12,449,419
Mortgage-Backed	19,561,653	186,203	161,571	19,586,285
Total Available-for-Sale Securities	$ 70,828,175	$ 575,961	$ 978,139	$ 70,425,997

The amortized cost and fair value of available-for-sale securities at December 31, 2022, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in One Year or Less	$ 295,528	$ 288,082
Due After One Year Through Five Years	34,391,083	31,005,031
Due After Five Years Through Fifteen Years	16,985,088	14,479,983
Total	51,671,699	45,773,096
Mortgage-Backed Securities	18,399,943	16,156,958
Total Available-for-Sale Securities	$ 70,071,642	$ 61,930,054

At December 31, 2022 and 2021, available-for-sale securities with an amortized cost of $49,229,717 and $37,482,178, respectively, and a fair value of $43,418,224 and $37,280,453, respectively, were pledged to secure public deposits, borrowings, and for other purposes required or permitted by law.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

The following tables present gross unrealized losses and fair value of available-for-sale securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31:

	Securities in a Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or More		Total	
December 31, 2022	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. Treasury Bonds and Notes	$ -	$ -	$ 1,119,658	$ 9,657,109	$ 1,119,658	$ 9,657,109
U.S. Government and Federal Agency Obligations	210,644	3,792,108	2,768,637	20,690,767	2,979,281	24,482,875
Obligations of State and Political Subdivisions	588,271	4,828,177	1,211,393	6,804,935	1,799,664	11,633,112
Mortgage-Backed	797,355	7,445,738	1,449,272	8,232,355	2,246,627	15,678,093
Total	$ 1,596,270	$ 16,066,023	$ 6,548,960	$ 45,385,166	$ 8,145,230	$ 61,451,189

	Securities in a Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or More		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
December 31, 2021						
U.S. Treasury Bonds and Notes	$ 98,778	$ 10,702,109	$ -	$ -	$ 98,778	$ 10,702,109
U.S. Government and Federal Agency Obligations	284,261	15,950,802	252,913	7,015,517	537,174	22,966,319
Obligations of State and Political Subdivisions	114,892	5,728,902	65,724	1,641,594	180,616	7,370,496
Mortgage-Backed	128,192	8,730,725	33,379	1,662,097	161,571	10,392,822
Total	$ 626,123	$ 41,112,538	$ 352,016	$ 10,319,208	$ 978,139	$ 51,431,746

There were 88 securities in an unrealized loss position at December 31, 2022, 33 of which were in a loss position less than 12 months. There were 53 securities in an unrealized loss position at December 31, 2021, 43 of which were in a loss position less than 12 months. These unrealized losses are considered temporary and were the result of customary and expected fluctuations in the bond market. Management has the intent and believes the Bank has the ability to hold the investments to maturity or for a period of time sufficient to recover the temporary loss.

Gross realized gains from sales of available-for-sale securities amounted to $78 in 2021 (none in 2022) with the income tax provision applicable to such gains amounting to $16. There were no gross realized losses from sales of securities in 2022 and 2021.

Other Investments includes Federal Home Loan Bank of Cincinnati stock of $616,400 and $853,000, respectively, at December 31, 2022 and 2021, and Federal Reserve Bank stock of $85,050 both years.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

During 2021, the Bank acquired 1.0 unit in the Ohio Equity Fund for Housing Limited Partnership in exchange for issuing a capital contribution note of $1,000,000. As of December 31, 2022 and 2021, the Bank held 2.5 units in the Fund with a carrying value of $1,988,735 and $2,195,722, respectively. The unpaid balance of capital contribution notes payable amounted to $1,223,279 and $1,573,719 at December 31, 2022 and 2021, respectively, and are included in other liabilities in the consolidated balance sheets. The notes are noninterest bearing and payable in installments at the direction of the general partner. The Bank recognized an impairment loss of $206,987 in 2022 and $104,760 in 2021 on these investments which also generate investment tax credits as disclosed in Note 8.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES

Most of the Bank's lending activities are with customers located in Northwestern and West Central Ohio. Loans to borrowers in the agriculture industry represent the single largest industry and represented 11% of the Bank's loan portfolio as of December 31, 2022 and 2021. Agriculture loans are generally secured by property, equipment, and crop income. Repayment is expected from cash flow from the harvest and sale of crops. Agriculture customers are subject to the risks of weather and market prices of crops which could have an impact on the ability of these customers to repay their loans. Credit losses arising from the Bank's lending experience in the agriculture industry compare favorably with the Bank's loss experience on their total loan portfolio. Credit evaluation of agriculture lending is based on an evaluation of cash flow coverage of principal and interest payments and the adequacy of collateral received.

Certain directors and executive officers, including their immediate families and companies in which they are principal owners, are loan customers of the Bank. Such loans are made in the ordinary course of business in accordance with the normal lending policies of the Bank, including the interest rate charged and collateralization, and do not represent more than a normal collection risk.

The following is a summary of activity for such loans:

	2022	2021
Beginning of Year	$ 1,556,933	$ 919,809
Additions	580,551	1,407,287
Repayments	(1,481,808)	(770,163)
End of Year	$ 655,676	$ 1,556,933

Additions and repayments include loan renewals, as well as borrowings and repayments under revolving lines of credit.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following is a summary of activity in the allowance for loan losses, as well as the Bank's recorded investment in loans, by portfolio segment and based on impairment method, as of and for the years ended December 31:

				Real Estate Mortgage		
December 31, 2022	Commercial	Consumer	Commercial Real Estate	Residential	Home Equity	Total
Allowance for Loan Losses:						
Balance at January 1, 2022	$ 373,578	$ 89,224	$ 753,886	$ 666,136	$ 170,142	$ 2,052,966
Provision (Credit) for Loan Losses	(55,867)	(9,333)	(98,147)	(14,487)	(22,166)	(200,000)
Loans Charged off	(1,867)	(85)	(19,539)	-	-	(21,491)
Recoveries	1,857	85	69,407	-	2,752	74,101
Balance at December 31, 2022	317,701	79,891	705,607	651,649	150,728	1,905,576
Ending Balance Individually Evaluated for Impairment	-	-	-	-	-	-
Ending Balance Collectively Evaluated for Impairment	$ 317,701	$ 79,891	$ 705,607	$ 651,649	$ 150,728	$ 1,905,576
Loans:	$ 24,902,067	$ 5,538,967	$ 60,780,286	$ 54,934,611	$ 13,059,709	$ 159,215,640
Ending Balance Individually Evaluated for Impairment	-	5,532	898,155	-	-	903,687
Ending Balance Collectively Evaluated for Impairment	$ 24,902,067	$ 5,533,435	$ 59,882,131	$ 54,934,611	$ 13,059,709	$ 158,311,953

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

				Real Estate Mortgage		
December 31, 2021	Commercial	Consumer	Commercial Real Estate	Residential	Home Equity	Total
Allowance for Loan Losses:						
Balance at January 1, 2021	$ 402,070	$ 82,481	$ 660,584	$ 654,619	$ 157,017	$ 1,956,771
Provision (Credit) for Loan Losses	(26,281)	6,679	96,945	11,517	1,140	90,000
Loans Charged off	(2,211)	-	(4,895)	-	(7,463)	(14,569)
Recoveries	-	64	1,252	-	19,448	20,764
Balance at December 31, 2021	373,578	89,224	753,886	666,136	170,142	2,052,966
Ending Balance Individually Evaluated for Impairment	-	-	-	-	-	-
Ending Balance Collectively Evaluated for Impairment	373,578	89,224	753,886	666,136	170,142	2,052,966
Loans:	24,720,494	5,188,500	55,165,864	47,283,651	11,803,668	144,162,177
Ending Balance Individually Evaluated for Impairment	-	8,730	1,048,320	-	-	1,057,050
Ending Balance Collectively Evaluated for Impairment	$ 24,720,494	$ 5,179,770	$ 54,117,544	$ 47,283,651	$ 11,803,668	$ 143,105,127

Construction loans are included in the commercial real estate and residential real estate loan categories and are underwritten utilizing independent appraisals, sensitivity analysis of absorption, vacancy, and lease rates and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of funds with repayment substantially dependent on the success of the ultimate project. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions, and the availability of long-term financing. The Bank may require guarantees on these loans. The Bank's construction loans are secured primarily by properties located in its primary market area.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The Bank originates 1 - 4 family real estate and consumer loans utilizing credit reports to supplement the underwriting process. The Bank's manual underwriting standards for 1 - 4 family loans are generally in accordance with FHLMC and FNMA manual underwriting guidelines. Properties securing 1 - 4 family real estate loans are appraised by either staff appraisers or fee appraisers, both of which are independent of the loan origination function and have been approved by the board of directors. The loan-to-value ratios normally do not exceed 80% without credit enhancements such as mortgage insurance. The Bank will lend up to 100% of the lesser of the appraised value or purchase price for conventional 1 - 4 family real estate loans, provided private mortgage insurance is obtained. The underwriting standards for consumer loans include a determination of the applicant's payment history on other debts and an assessment of their ability to meet existing obligations and payments on the proposed loan. To monitor and manage loan risk, policies and procedures are developed and modified, as needed by management. This activity, coupled with smaller loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, market conditions are reviewed by management on a regular basis. The Bank's 1 - 4 family real estate loans are secured primarily by properties located in its primary market area.

Commercial and agricultural real estate loans are subject to underwriting standards and processes similar to commercial and agricultural operating loans, in addition to those unique to real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial and agricultural real estate lending typically involves higher loan principal amounts, and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Loan to value is generally 75% of the cost or value of the assets. Appraisals on properties securing these loans are generally performed by fee appraisers approved by the board of directors. Because payments on commercial and agricultural real estate loans are often dependent on the successful operation or management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. Management monitors and evaluates commercial and agricultural real estate loans based on collateral and risk rating criteria. The Bank may require guarantees on these loans. The Bank's commercial and agricultural real estate loans are secured primarily by properties located in its primary market area.

Commercial and agricultural operating loans are underwritten based on the Bank's examination of current and projected cash flows to determine the ability of the borrower to repay their obligations as agreed. This underwriting includes the evaluation of cash flows of the borrower, underlying collateral, if applicable, and the borrower's ability to manage its business activities. The cash flows of borrowers and the collateral securing these loans may fluctuate in value after the initial evaluation. A first priority lien on the general assets of the business normally secures these types of loans. Loan to value limits vary and are dependent upon the nature and type of the underlying collateral and the financial strength of the borrower. Crop and hail insurance are required for most agricultural borrowers. Loans are generally guaranteed by the principal(s). The Bank's commercial and agricultural operating lending is principally in its primary market area.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The Bank has an internal credit analyst who reviews and validates credit risk on a periodic basis, as well as an external loan review performed annually or semi-annually. Results of the credit analyst and external loan reviews are presented to management and the Audit Committee. The credit analyst and loan review processes compliment and reinforce the risk identification and assessment decisions made by lenders and credit personnel, as well as the Bank's policies and procedures.

The following table presents loans individually evaluated for impairment by class of loans as of December 31:

	2022		2021	
	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With No Related Allowance Recorded:				
Commercial Real Estate	$ 898,155	$ -	$ 1,048,320	$ -
Consumer	5,532	-	8,730	-
Total	$ 903,687	$ -	$ 1,057,050	$ -

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2022 and 2021.

The following is a summary of information for the years ended December 31 pertaining to impaired loans:

	2022	2021
Average Investment in Impaired Loans	$ 995,672	$ 1,573,320
Interest Income Recognized on Impaired Loans	46,700	92,891
Interest Income Recognized on a Cash Basis on Impaired Loans	47,044	94,285

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following tables present the aging of the recorded investment in past due and nonaccrual loans for the years ended December 31 by class of loans:

December 31, 2022	Loans Past Due Accruing Interest 30 – 59 Days	60 – 89 Days	Over 90 Days	Total	Loans on Nonaccrual	Loans not Past Due or on Nonaccrual	Total
Commercial	$ 92,235	$ -	$ -	$ 92,235	$ -	$ 24,809,832	$ 24,902,067
Real Estate:							
Commercial	123,255	-		123,255	35,150	60,621,881	60,780,286
Home Equity	118,816	-		118,816	-	12,940,893	13,059,709
Residential	462,082	-	131,916	593,998	-	54,340,613	54,934,611
Consumer	15,718	-	-	15,718	-	5,523,249	5,538,967
Total	$ 812,106	$ -	$ 131,916	$ 944,022	$ 35,150	$ 158,236,468	$ 159,215,640

December 31, 2021	Loans Past Due Accruing Interest 30 – 59 Days	60 – 89 Days	Over 90 Days	Total	Loans on Nonaccrual	Loans not Past Due or on Nonaccrual	Total
Commercial	$ 91,211	$ -	$ -	$ 91,211	$ -	$ 24,629,283	$ 24,720,494
Real Estate:							
Commercial	180,979	-	-	180,979	70,151	54,914,734	55,165,864
Home Equity	-	-	48,161	48,161	-	11,755,507	11,803,668
Residential	146,305	53,801	296,577	496,683	-	46,786,968	47,283,651
Consumer	19,550	-	-	19,550	-	5,168,950	5,188,500
Total	$ 438,045	$ 53,801	$ 344,738	$ 836,584	$ 70,151	$ 143,255,442	$ 144,162,177

Credit Quality Indicators

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis includes all loans from the commercial loan department. This analysis is performed at least annually. The Bank uses the following definitions for risk ratings:

- **Pass:** Loans classified as pass have no existing or known potential weaknesses requiring management's close attention.

- **Special Mention:** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date.

- **Substandard:** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Credit Quality Indicators (Continued)

- **Doubtful:** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, based on currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above-described process, are pass rated loans.

As of December 31, based on the most recent analysis performed, the risk category of loans by class of loans was as follows:

December 31, 2022	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 24,027,409	$ 554,616	$ 320,042	$ -	$ 24,902,067
Real Estate:					
Commercial	58,044,609	102,825	2,632,852	-	60,780,286
Home Equity	13,059,709	-	-	-	13,059,709
Residential	54,281,780	-	652,831	-	54,934,611
Consumer	5,533,435	-	5,532	-	5,538,967
Total	$ 154,946,942	$ 657,441	$ 3,611,257	$ -	$ 159,215,640
December 31, 2021					
Commercial	$ 22,986,938	$ 1,075,512	$ 658,044	$ -	$ 24,720,494
Real Estate:					
Commercial	52,425,830	105,000	2,635,034	-	55,165,864
Home Equity	11,755,507	-	48,161	-	11,803,668
Residential	46,516,785	-	766,866	-	47,283,651
Consumer	5,179,770	-	8,730	-	5,188,500
Total	$ 138,864,830	$ 1,180,512	$ 4,116,835	$ -	$ 144,162,177

There were no newly classified troubled debt restructurings during the years ended December 31, 2022 and 2021.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020, providing economic relief to businesses and individuals. Pursuant to the CARES Act, the Bank originated approximately $9,771,000 of SBA – Paycheck Protection Program (PPP) loans during the year ended December 31, 2021 which were included in the commercial loan category. Outstanding borrowings were guaranteed by the U.S. Small Business Administration (SBA) and subject to partial or full forgiveness by the SBA, based on the Bank's borrowers meeting certain requirements, as stipulated in the PPP loan agreement. PPP loans originated in 2021 had terms of 60 months and bore interest at the rate of 1.0%. During the year ended December 31, 2021, approximately $14,648,000 of the Bank's PPP loans were forgiven by the SBA, including loans originated pursuant to the CARES Act in 2020. The balance of outstanding PPP loans approximated $1,165,000 at December 31, 2021, which were subsequently forgiven in 2022.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Credit Quality Indicators (Continued)

The Bank received a specified fee based on the amount of each PPP loan originated. Such fees, net of estimated origination costs were deferred and amortized to interest income over the term of the loans. Amortization of deferred PPP loan fees amounted to $905,365 for the year ended December 31, 2021. Unamortized deferred fees on PPP loans amounted to $41,192 at December 31, 2021, which were amortized to income in 2022.

NOTE 4 PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of premises and equipment consists of the following at December 31:

	2022	2021
Land	$ 1,557,853	$ 1,084,023
Buildings and Building Improvements	5,503,830	5,501,818
Furniture, Fixtures, and Equipment	1,733,386	1,732,318
Construction in Process	1,447,605	-
Total Cost	10,242,674	8,318,159
Less: Accumulated Depreciation	5,215,083	4,959,396
Net Premises and Equipment	$ 5,027,591	$ 3,631,766

Construction in process at December 31, 2022 is related to the Bank's newly constructed Lima West branch, which was completed in January 2023.

Depreciation of premises and equipment for the years ended December 31, 2022 and 2021 amounted to $267,249 and $325,789, respectively.

NOTE 5 SECONDARY MARKET LENDING

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others approximated $106,350,000 and $111,954,000 at December 31, 2022 and 2021, respectively.

The balance of capitalized servicing rights included in other assets amounted to $872,124 and $1,051,862 at December 31, 2022 and 2021, respectively. The estimated fair value of capitalized servicing rights approximated $898,000 and $1,276,000 at December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, the Bank capitalized $83,627 and $333,736, respectively, of servicing rights and such amounts are included in gain on sale of loans. Amortization of mortgage servicing rights amounted to $263,365 in 2022 and $247,837 in 2021.

NOTE 6 DEPOSITS

The aggregate amount of time deposits in denominations of $250,000 or more at December 31, 2022 and 2021 approximated $14,793,000 and $15,177,000, respectively. Interest expense on these deposits amounted to $120,188 in 2022 and $103,118 in 2021.

At December 31, 2022, the scheduled maturities of time deposits are as follows:

Year Ending December 31,	Amount
2023	$ 30,579,978
2024	5,998,142
2025	3,353,708
2026	1,030,173
2027	909,455
Total	$ 41,871,456

NOTE 7 FEDERAL HOME LOAN BANK BORROWINGS

Federal Home Loan Bank borrowings consist of a $1,000,000 advance due March 23, 2023 with interest at 4.42% as of December 31, 2022, as well as advances secured by individual residential mortgages under blanket agreement amounting to $505,285 at December 31, 2022 and $680,452 at December 31, 2021.

Interest on advances outstanding at December 31, 2022 ranged from 1.08% to 4.42%, with interest payable monthly and maturities ranging through June 2028. The weighted-average interest rate of Federal Home Loan Bank borrowings outstanding at December 31, 2022 was 3.45%.

Borrowings are secured by mortgage loans approximating $61,020,000 and $53,413,000 at December 31, 2022 and 2021, respectively. Advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the Federal Home Loan Bank.

Future maturities of Federal Home Loan Bank borrowings at December 31, 2022 are as follows:

Year Ending December 31,	Amount
2023	$ 1,149,906
2024	117,743
2025	98,897
2026	82,544
2027	49,335
Thereafter	6,860
Total	$ 1,505,285

NOTE 8 INCOME TAXES

The provision for income taxes for the years ended December 31 consist of the following:

	2022	2021
Current Provision	$ 274,724	$ 514,094
Deferred Provision (Credit)	(58,724)	(65,094)
Total Provision for Income Taxes	$ 216,000	$ 449,000

The income tax provision attributable to income from operations differed from the amounts computed by applying the U.S. federal income tax rate of 21% for 2022 and 2021 to income before income taxes as a result of the following:

	2022	2021
Expected Tax Using Statutory Tax Rate	$ 419,700	$ 576,100
Increase (Decrease) Resulting from:		
Tax-Exempt Interest Income, Net of Interest Expense Associated with Cost to Carry	(12,600)	(15,800)
Tax-Exempt Income on Life Insurance Policies	(21,700)	(20,600)
Ohio Equity Fund Tax Credits	(158,400)	(101,500)
Other, Net	(11,000)	10,800
Total Provision for Income Taxes	$ 216,000	$ 449,000

The Ohio Equity Fund Tax credits resulted from the investment described in Note 2.

The deferred income tax credit of $58,724 in 2022 and $65,094 in 2021 resulted from the tax effects of temporary differences. There was no impact for changes in tax laws and rates or changes in the valuation allowance for deferred tax assets.

The components of deferred tax assets and liabilities consist of the following at December 31:

	2022	2021
Deferred Tax Assets:		
Allowance for Loan Losses	$ 335,600	$ 377,600
Accrued Employee Benefits	125,000	115,600
Deferred Loan Fees	-	8,600
Deferred Revenue	30,800	34,400
Net Unrealized Loss on Securities Available-for-Sale	1,709,733	84,457
Other	2,467	1,143
Total Deferred Tax Assets	2,203,600	621,800
Deferred Tax Liabilities:		
Federal Home Loan Bank Stock Dividends	65,500	90,700
Depreciation	164,600	203,000
Mortgage Servicing Rights	183,100	220,900
Other	5,400	6,200
Total Deferred Tax Liabilities	418,600	520,800
Net Deferred Tax Assets	$ 1,785,000	$ 101,000

NOTE 8 INCOME TAXES (CONTINUED)

Net deferred tax assets are included in other assets and net deferred tax liabilities are included in other liabilities in the accompanying consolidated balance sheets.

The federal income tax returns of the Corporation that remains open and subject to examination at December 31, 2022 are years 2019 – 2022. Management does not believe the Corporation has any significant uncertain tax positions at December 31, 2022 and 2021.

Management believes it is more likely than not that the benefit of deferred tax assets will be realized. Therefore, no valuation allowance for deferred tax assets is deemed necessary as of December 31, 2022 and 2021.

NOTE 9 EMPLOYEE BENEFIT PLANS

The Corporation sponsors a defined contribution 401(k) plan for the benefit of eligible employees. Substantially all employees participate in the plan. Employer contributions are discretionary as determined by the board of directors and may be basic, optional, and/or matching in nature. Basic and optional contributions are allocated to participants based on the relative compensation of each participant. Matching contributions are determined as a percentage of participating employee contributions. Participants are vested in employer basic and matching contributions based on years of service. Employer matching contributions amounted to $90,858 in 2022 and $87,547 in 2021. There were no basic or optional employer contributions made during 2022 or 2021.

Under an employee stock purchase plan, eligible employees may defer a portion of their compensation and use the proceeds to purchase stock of the Corporation at a discount determined by the board of directors as stipulated in the plan. The Corporation sold from treasury 1,112 shares of stock in 2022 and 1,049 shares of stock in 2021 under the plan.

The Bank has entered into various agreements with certain directors to provide for supplemental retirement benefits under deferred board of director fees, as specified by the individuals. The agreements provide for monthly retirement benefits based on the value of the individual’s deferred compensation account. As of December 31, 2022 and 2021, the Bank’s liability for such deferred compensation payments amounted to $293,757 and $297,909, respectively. The Bank has also entered into agreements with certain officers and directors to provide for supplemental retirement benefits. The Bank has provided a liability for estimated accumulated supplemental retirement benefits of $292,471 at December 31, 2022 and $248,773 at December 31, 2021.

The Bank has purchased life insurance policies on such individuals, as well as certain previously terminated participants, to assist in funding future deferred compensation obligations. The aggregate cash surrender value of life insurance policies amounted to $4,588,418 and $4,485,212 at December 31, 2022 and 2021, respectively.

NOTE 10 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Bank 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, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk, in excess of the amount recognized in the consolidated balance sheet. The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

	Contract Amount	
	2022	2021
Commitments to Extend Credit, Including Unfunded Commitments Under Lines of Credit	$ 29,767,000	$ 32,549,000
Commercial and Standby Letters of Credit	7,380,000	7,383,000

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 and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed.

Commercial and standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Bank generally holds collateral supporting those commitments if deemed necessary. The amount and nature of the collateral obtained are based on the Bank's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant, and equipment, and real estate.

NOTE 11 REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and Bank's financial statements. These capital requirements were modified in 2013 with the Basel III capital rules which establish a new comprehensive capital framework for U.S. banking organizations. The Corporation and Bank became subject to the new rules on January 1, 2015, with a phase-in period for many of the new provisions.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following tables) of Common Equity Tier 1, Tier I and total capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital to average assets (as defined). Management believes, as of December 31, 2022 and 2021, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2022, the most recent notification from federal banking agencies categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", an institution must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the following tables. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank also believes it would meet all of the new Basel III capital requirements on a fully phased-in basis if such requirements were currently effective.

NOTE 11 REGULATORY MATTERS (CONTINUED)

The actual capital amounts and ratios of the Bank as of December 31 are presented in the following tables:

	Actual		Minimum Capital Requirement		Minimum to be "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Thousands of Dollars)			
As of December 31, 2022						
Total Capital (to Risk-Weighted Assets)	$ 22,767	12.56%	$ 14,496	≥ 8.0%	$ 18,120	≥ 10.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)	$ 20,861	11.51%	$ 8,154	≥ 4.5%	$ 11,778	≥ 6.5%
Tier I Capital (to Risk-Weighted Assets)	$ 20,861	11.51%	$ 10,872	≥ 6.0%	$ 14,496	≥ 8.0%
Tier I Capital (to Average Assets)	$ 20,861	8.35%	$ 9,998	≥ 4.0%	$ 12,498	≥ 5.0%
As of December 31, 2021						
Total Capital (to Risk-Weighted Assets)	$ 21,627	12.87%	$ 13,448	≥ 8.0%	$ 16,810	≥ 10.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)	$ 19,574	11.64%	$ 7,565	≥ 4.5%	$ 10,927	≥ 6.5%
Tier I Capital (to Risk-Weighted Assets)	$ 19,574	11.64%	$ 10,086	≥ 6.0%	$ 13,448	≥ 8.0%
Tier I Capital (to Average Assets)	$ 19,574	8.13%	$ 9,632	≥ 4.0%	$ 12,040	≥ 5.0%

On a parent company only basis, the Corporation's primary source of funds is dividends paid by the Bank. The ability of the Bank to pay dividends is subject to limitations under various laws and regulations, and to prudent and sound banking principles. Generally, subject to certain minimum capital requirements, the Bank may declare dividends without the approval of the Office of the Comptroller of the Currency, unless the total dividends in a calendar year exceed the total of the Bank's net profits for the year combined with its retained profits of the two preceding years.

The board of governors of the Federal Reserve System generally considers it to be an unsafe and unsound banking practice for a bank holding company to pay dividends except out of current operating income, although other factors such as overall capital adequacy and projected income may also be relevant in determining whether dividends should be paid.

NOTE 12 FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, requires the use of valuation techniques that should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, FASB ASC 820-10 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 – Quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Corporation's own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Corporation's own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize financial assets (there were no financial liabilities) measured at fair value as of December 31, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

December 31, 2022	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Recurring - Securities Available-for-Sale:				
U.S. Treasury Bonds and Notes	$ 9,657,109	$ -	$ -	$ 9,657,109
U.S. Government and Federal Agency Obligations	-	24,482,875	-	24,482,875
Obligations of State and Political Subdivisions	-	11,633,112	-	11,633,112
Mortgage-Backed	-	16,156,958	-	16,156,958
Total Recurring	$ 9,657,109	$ 52,272,945	$ -	$ 61,930,054

December 31, 2021	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Recurring - Securities Available-for-Sale:				
U.S. Treasury Bonds and Notes	$ 10,702,109	$ -	$ -	$ 10,702,109
U.S. Government and Federal Agency Obligations	-	27,688,184	-	27,688,184
Obligations of State and Political Subdivisions	-	12,449,419	-	12,449,419
Mortgage-Backed	-	19,586,285	-	19,586,285
Total Recurring	$ 10,702,109	$ 59,723,888	$ -	$ 70,425,997

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy during 2022 and 2021 due to the lack of observable quotes in inactive markets for those instruments at December 31, 2022 and 2021.

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, follows.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, the Corporation’s credit worthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Corporation’s valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporation’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Securities Available-for-Sale

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities typically include U.S. treasury bonds. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include agency securities, municipal bonds, and mortgage-backed securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. The Corporation did not have any available-for-sale securities classified as Level 3 as of and for the years ended December 31, 2022 and 2021.

NOTE 13 LEASES

The Bank has entered into an operating lease agreement for copiers expiring in December 2024, as well as land serving as the site for its Findlay East branch. The current land lease term expires December 31, 2030 with two subsequent 10-year renewal options through December 31, 2050.

As disclosed in Note 1, the Company adopted ASU 2016-02 effective January 1, 2022, and recognized operating lease right-of-use assets and corresponding lease liabilities of $599,991. The Company has elected to use a risk-free rate as the discount rate for all classes of assets with the discount rates 2.05%. The Company includes lease extension options in the lease term if after considering relevant factors it is reasonably certain the Company will exercise the option.

Right of use assets represent the right to use the underlying asset for the lease term. Lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. Right of use assets and lease liabilities amounted to $568,492 as of December 31, 2022, and are reported in other assets and other liabilities, respectively, in the accompanying December 31, 2022 consolidated balance sheet.

Rent expense under operating leases amounted to $45,964 in 2022 and $47,276 in 2021 and are reported in occupancy and equipment expense in the accompanying consolidated statements of operations. Amortization of the right to use assets amounted to $31,499 in 2022.

NOTE 13 LEASES (CONTINUED)

Lease commitments under noncancellable operating leases at December 31, 2022 were as follows:

Year Ending December 31,	Amount
2023	$ 43,504
2024	43,504
2025	25,000
2026	25,000
2027	25,000
Thereafter	575,000
Total Future Lease Payments	737,008
Amount Representing Interest	(168,516)
Lease Liability	$ 568,492

NOTE 14 CONTINGENT LIABILITIES

In the normal course of business, the Corporation and Bank may be involved in various legal actions, but in the opinion of management and legal counsel, the ultimate disposition of such matters is not expected to have a material adverse effect on the consolidated financial statements.

Directors of Pandora Bancshares, Inc.

J. Peter Suter, Chairman; Local Business Owner
John B. Arnold, Vice Chairman; Local Business Owner
Jared Lehman, President & CEO Lima Family YMCA
Todd A. Mason, President and Chief Executive Officer
Randal J. Verhoff, CPA, Verhoff & Company, LLC
Scott L. Basinger, Esq.
Ronda K. Lehman, President, Mercy Health - Lima

Executive Officers of Pandora Bancshares, Inc.

Todd A. Mason, President and Chief Executive Officer
Larry E. Hoffman, Treasurer

Executive Officers of First National Bank of Pandora

Todd A. Mason, President and Chief Executive Officer
Larry E. Hoffman, Chief Financial Officer
Brendon Matthews, Chief Lending Officer
Chris Alexander, Executive Vice President/Findlay City Executive
Jennifer Vastano, Chief Operating Officer

Annual Meeting

April 29, 2023 – 10:00 a.m.
Virtual Meeting

Investor Information:

Investors, analysts and others seeking financial information may contact:
Todd A. Mason, CEO

Pandora Bancshares, Inc.
102 E. Main St.
Pandora, Ohio 45877

Bank Locations:

102 E. Main St.
Pandora, OH 45877
419-384-3221

112 Cherry St.
Bluffton, OH 45817
419-358-5500

1630 Tiffin Ave.
Findlay, OH 45840
419-429-6000

1114 Trenton Ave,
Findlay, OH 45840
419-425-2500

855 N. Locust St.
Ottawa, OH 45875
419-523-5500

2580 Eastown Road
Lima, OH 45807
419-222-0015

Officers and Employees
As of December 31, 2022

Todd A. Mason	President and Chief Executive Officer
Larry E. Hoffman	Chief Financial Officer
Brendon Matthews	Chief Lending Officer
Jennifer Vastano	Chief Operating Officer
Chris Alexander	EVP/Findlay City Executive
Michelle Brandt	Vice President/BSA/CRA/Compliance/Security Officer
Doug Shaneyfelt	Vice President/IT
Amy Groves	Vice President/Senior Credit Officer
Lisa Wheeler	Vice President/HR/Training
Christina Hegemier	Vice President/Operations
Heather Taviano	Vice President/Executive Assistant
Andrew Rager	Vice President/Mortgage Manager
Vanessa Greer	Assistant Vice President/Retail Manager

Denise Bauer
William Bibler
Alison Brumbaugh
Sally Burris
Courtney Deitrick
Christy Diller
Kacy Duling
Brandie Gammons
Emily Haag
Roseann Hoffman
Jolinda Hovest
Melissa Johnston
Sarah Klausing
Trevor Kline
Kendra Kuhlman
Carly Lehmann
Angel Martin
Joseph Mayberry
Tanya Miller
Sydney Morgan
Angela Morman
Benjamin Moser
Kurt Mullins
Kristen Mullins
Victoria Parsons
Andrew Rager
Elizabeth Reynolds
Zachary Simon
Martrice Smith
Dawn Snider
Katherine Stoudinger
Stacy Stumbaugh
Emily Taylor
Jill Vaughan
Adrienne Warren
Melissa Warren
Ashley Wickham
Staci Wickham
Richard Yockey

Directors of the First National Bank of Pandora and Pandora Bancshares, Inc.

P. D. Bixel, MD
1919, 1934 – 1937
Carl Grismore
1919
J. A. Huffman
1919 – 1924
Noah Schumacher
1919 – 1933
C. Henry Smith*
1919 – 1948
P.C. Steiner
1919 – 1933
M. I. Trostle*
1919 – 1957
Louis Basinger
1920 – 1922
Otto McDowell
1920 – 1922
Elmer Campbell
1923 – 1924
J.A. Schutz
1923 – 1937
P.A. Suter
1923 – 1933
C.C. Wehly *
1923 – 1956
L. Shirl Hatfield*
1934 – 1954
Peter Hilty
1934 – 1952
Julian Kempf
1934 – 1952
Wilmer D. Niswander*
1938 – 1955, 1958 – 1961
Clifford Pierman
1949 – 1955
Irwin Hilty
1953 – 1968
Francis C. Marshall*
1953 – 1973
John H. Styer
1955 – 1969
Randall C. Etling
1956 – 1973
Lowell E. Hatfield*
1956 – 1961, 1964 – 1986
Francis Kempf
1957 – 1963
Milo B. Rice, MD*
1962-1973
Edward E. Schutz
1962
Warren Bridenbaugh*
1963 – 1979
Daniel W. Cook
1969 – 1984
Grover Geiger, Jr.*
1970 – 1986, 1988 – 1993
William Cupp
1974 – 1976
Robert R. Reese
1974 – 1986
Russell Suter
1974 – 1984
Daryl E. Amstutz
1977 – 1993
Robert Rice
1980 – 1986
Paul Bixel
1985 – 1986, 1988 – 1995
Lois Rodabaugh
1985 – 1989
Burnette Powell
1986 – 1987
Malcolm Basinger
1987 – 1999
David Emans
1988 – 2008
Mary S. Amstutz
1989 - 2001
Harold Van Scoder
1990 – 1996
Douglas Edinger
1994 – 2006
Paul Freeman*
1992 – 2002
David Rodabaugh
1994 – 2016
James Stechschulte
1995 – 2003
Charles Niswander
1997 – 2016
Donald Dreisbach
2003 – 2015
G.W. Holden*
2003 – 2004
Martin Terry
2003 – 2015
James A. Downhower*
2004 – 2005
F. Alan Blackburn*
2005 – 2007
J. Peter Suter
2006 – Present
John Arnold
2007 – 2009, 2015 - Present
Todd A. Mason*
2007 – Present
Jared Lehman
2011 – Present
Randal J. Verhoff
2013 – Present
Scott L. Basinger
2016 – Present
Ronda K. Lehman
2022 - Present

*Designates CEO

We welcome your additions and corrections so that we may properly recognize those who have served our community bank. Please contact Heather Taviano at 567-336-0237.