ANNUAL REPORT 2021

Pandora Bancshares Inc.

First National Bank[SM]

You. First. Always.

PANDORA BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

PANDORA BANCSHARES, INC.
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YEARS ENDED DECEMBER 31, 2021 AND 2020

January 31, 2022

Dear Shareholders and Friends:

Our shareholder letter a year ago described an extraordinary year filled with unprecedented events that ultimately led to a record year financially at Pandora Bancshares, Inc. The real highlight, however, was how our team of employees worked together and persevered through the challenges presented by COVID-19. 2020 was a year that perfectly exemplified what living our mission of "Improving Lives Through Community Banking" looks like.

While we expected 2021 to move back towards normal, instead we experienced another year that presented many of the same challenges and opportunities for our team, customers, and communities. Pandora Bancshares, Inc. is pleased to announce that our organization rose to the challenge and 2021 financial results have once again exceeded our budgeted projections. Assets grew 8.3% year over year, Loan balances increased by 3.0%, Deposits rose 8.8%, Net income improved 4.6%, and Pandora Bancshares stock price appreciated 15.7%. We are also excited because this strong performance allowed us to increase dividends 7% year over year.

We expected the Paycheck Protection Program (PPP) to end after available funds ran out in August, 2020. However, the program was funded again in January, 2021, and we were able to help 29.3% more small business owners in 2021 than we did in 2020. Interest rates stayed low and as a result mortgage activity in 2021 was still well above average. Finally, the ongoing COVID-19 stimulus and aid to consumers and businesses helped clients improve their balance sheets, and so deposit balances at the Bank outpaced budgeted goals.

The FNB team continued to live our mission of "Improving Lives Through Community Banking" as they supported each other and our clients through a year that was challenging for many reasons. Without our great team, First National Bank would not be thriving, and we know our success is a direct result of their passion and 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 2021, we added services to better accommodate banking from anywhere. In 2022, we are implementing additional technology so FNB can continue to offer banking services that rival any competitor.

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 14.1% 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 30, 2022, at 10:00 AM via Zoom/telephone.

Respectfully,

Todd A. Mason
Todd A. Mason
President and CEO
First National Bank

J. Peter Suter
J. Peter Suter
Chairman
Pandora Bancshares, Inc.

John Arnold
Chairman
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,				
	2021	2020	2019	2018	2017
	(Dollars in Thousands, Except per Share Data)				
Statements of Operations:					
Total Interest Income	$ 8,749	$ 8,908	$ 8,442	$ 7,447	$ 6,492
Total Interest Expense	574	1,457	1,876	1,354	808
Net Interest Income	8,175	7,451	6,566	6,093	5,684
Provision for Loan Losses	90	325	130	105	110
Net Interest Income After Provision for Loan Losses	8,085	7,126	6,436	5,988	5,574
Total Noninterest Income	1,716	2,135	1,085	986	1,272
Total Noninterest Expenses	7,057	6,641	5,967	5,671	5,461
Income Before Federal Income Taxes	2,744	2,620	1,554	1,303	1,385
Federal Income Taxes	449	425	199	139	464
Net Income	$ 2,295	$ 2,195	$ 1,355	$ 1,164	$ 921
Per Share of Common Stock (A):					
Net Income	$ 9.10	$ 8.68	$ 5.37	$ 4.61	$ 3.64
Dividends	1.60	1.50	1.40	1.25	1.15
Book Value	77.04	74.78	64.53	57.43	55.02
Year-End Balances:					
Loans, Net (B)	$ 142,842	$ 140,281	$ 127,464	$ 116,146	$ 112,283
Securities and Other Investments	73,561	63,019	44,727	41,854	34,944
Total Assets	239,773	221,473	190,349	178,510	164,488
Deposits	215,816	198,306	168,445	157,928	145,662
Stockholders' Equity	19,407	18,896	16,261	14,448	13,901
Average Balances:					
Loans, Net (B)	$ 143,100	$ 135,188	$ 122,718	$ 114,250	$ 108,146
Securities and Other Investments	65,547	49,642	41,731	37,913	34,821
Total Assets	231,793	204,809	181,682	167,352	157,920
Deposits	208,833	182,523	160,603	146,613	137,872
Stockholders' Equity	19,303	17,915	15,630	14,225	13,849
Selected Ratios:					
Net Yield on Average Interest-Earning Assets	3.80%	3.88%	3.91%	3.96%	3.93%
Return on Average Assets	0.99%	1.07%	0.75%	0.70%	0.58%
Return on Average Stockholders' Equity	11.89%	12.25%	8.67%	8.18%	6.65%
Allowance for Loan Losses as a Percentage of Year-End Loans	1.42%	1.40%	1.25%	1.31%	1.24%
Year-End Stockholders' Equity as a Percentage of Year-End Assets	8.09%	8.53%	8.54%	8.09%	8.45%

(A) Year 2017 is Restated to Reflect the 2018 Two-for-One Stock Split
(B) 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, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, 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, 2021 and 2020, 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.

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 14, 2022

PANDORA BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash Due from Banks	$ 6,826,683	$ 5,699,529
Federal Funds Sold	6,484,000	2,972,000
Total Cash and Cash Equivalents	13,310,683	8,671,529
Securities, Available-for-Sale	70,425,997	60,779,218
Other Investments	3,134,772	2,239,532
Loans Held for Sale	732,990	2,304,350
Loans, Net of Allowance for Loan Losses of $2,052,966 in 2021 and $1,956,771 in 2020	142,109,211	137,976,318
Premises and Equipment, Net	3,358,763	3,631,766
Accrued Interest Receivable	745,586	801,313
Cash Surrender Value of Life Insurance	4,485,212	3,887,031
Other Assets	1,470,139	1,182,374
Total Assets	$ 239,773,353	$ 221,473,431
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 20,700,062	$ 17,649,752
Interest Bearing	195,115,976	180,656,326
Total Deposits	215,816,038	198,306,078
Federal Home Loan Bank Borrowings	680,452	886,336
Other Liabilities	3,869,920	3,384,823
Total Liabilities	220,366,410	202,577,237
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	18,506,593	16,628,408
Accumulated Other Comprehensive Income (Loss)	(317,721)	991,069
Treasury Stock, at Cost - 76,869 Shares in 2021, 76,089 Shares in 2020	(2,450,286)	(2,391,640)
Total Stockholders' Equity	19,406,943	18,896,194
Total Liabilities and Stockholders' Equity	$ 239,773,353	$ 221,473,431

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
INTEREST INCOME		
Loans - Including Fees	$ 7,919,422	$ 7,975,694
Securities:		
Taxable	782,312	858,148
Tax Exempt	19,540	35,372
Dividends on Restricted Stock	22,151	24,310
Other	5,465	15,307
Total Interest Income	8,748,890	8,908,831
INTEREST EXPENSE		
Deposits	562,817	1,239,395
Other Borrowings	11,683	218,095
Total Interest Expense	574,500	1,457,490
NET INTEREST INCOME	8,174,390	7,451,341
PROVISION FOR LOAN LOSSES	90,000	325,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,084,390	7,126,341
NONINTEREST INCOME		
Customer Service Charges	214,536	203,241
ATM and Debit Card Interchange Fees	367,669	299,515
Gain on Sale of Securities	78	38,898
Gain on Sale of Loans	970,293	1,381,868
Increase in Cash Surrender Value of Life Insurance	98,181	87,500
Other, Net	65,252	124,093
Total Noninterest Income	1,716,009	2,135,115
NONINTEREST EXPENSES		
Salaries, Wages, and Employee Benefits	3,962,360	3,873,070
Occupancy and Equipment	597,763	575,448
Data Processing	740,774	573,828
Federal Deposit Insurance Assessment	85,320	71,250
Professional and Director Fees	338,892	248,560
Advertising and Marketing	217,361	204,974
Ohio Financial Institution Tax	151,170	130,087
Other Operating Expenses	963,222	964,471
Total Noninterest Expenses	7,056,862	6,641,688
INCOME BEFORE INCOME TAXES	2,743,537	2,619,768
PROVISION FOR INCOME TAXES	449,000	425,000
NET INCOME	$ 2,294,537	$ 2,194,768
NET INCOME PER SHARE	$ 9.10	$ 8.68

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
NET INCOME	$ 2,294,537	$ 2,194,768
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in Unrealized Gains (Losses) on Available-for-Sale Securities	(1,656,618)	1,044,875
Reclassification Adjustments for Securities Gains Realized in Income	(78)	(38,898)
Net Unrealized Gains (Losses)	(1,656,696)	1,005,977
INCOME TAX EFFECT	(347,906)	211,255
OTHER COMPREHENSIVE INCOME (LOSS)	(1,308,790)	794,722
TOTAL COMPREHENSIVE INCOME	$ 985,747	$ 2,989,490

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
BALANCE - DECEMBER 31, 2019	$ 821,940	$ 2,846,417	$ 14,824,033	$ 196,347	$ (2,427,806)	$ 16,260,931
Net Income	-	-	2,194,768	-	-	2,194,768
Other Comprehensive Income	-	-	-	794,722	-	794,722
Purchase of 1,802 Treasury Shares	-	-	-	-	(114,892)	(114,892)
Grant of 1,090 Shares to Officers	-	-	-	-	62,446	62,446
Sale of 1,425 Treasury Shares	-	-	(11,363)	-	88,612	77,249
Dividends Declared - $1.50 Per Share	-	-	(379,030)	-	-	(379,030)
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

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 2,294,537	$ 2,194,768
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	573,626	492,808
Provision for Loan Losses	90,000	325,000
Net Securities Amortization	355,761	261,385
Deferred Federal Income Taxes	(65,094)	6,745
Grant of Common Stock to Officers	74,259	62,446
Increase in Cash Surrender Value of Life Insurance	(98,181)	(87,500)
Gain on Sale of Securities	(78)	(38,898)
Impairment Loss on Other Investments	104,760	82,899
Gain on Sale of Loans	(970,293)	(1,381,868)
Gain on Sale of Equipment	-	(186)
(Increase) Decrease in Assets:		
Loans Held for Sale	1,571,360	(1,463,346)
Accrued Interest Receivable	55,727	14,687
Other Assets	(100,866)	(164,922)
Increase in Other Liabilities	76,526	373,429
Net Cash Provided by Operating Activities	3,962,044	677,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-Sale Securities:		
Sales	-	4,102,891
Maturities, Prepayments, and Calls	12,775,252	21,503,411
Purchases	(24,434,410)	(42,697,239)
Purchase of Life Insurance Policy	(500,000)	(100,000)
Net Increase in Loans	(3,586,336)	(11,040,365)
Cash Paid for Other Investments	(303,450)	(261,669)
Proceeds from Sale of Equipment	-	1,252
Additions to Premises and Equipment	(52,786)	(158,696)
Net Cash Used by Investing Activities	(16,101,730)	(28,650,415)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	17,509,960	29,861,465
Principal Payments on Federal Home Loan Bank Borrowings	(205,884)	(2,228,356)
Proceeds from Sale of Treasury Shares	175,782	77,249
Purchase of Treasury Shares	(321,988)	(114,892)
Payment of Dividends	(379,030)	(352,764)
Net Cash Provided by Financing Activities	16,778,840	27,242,702
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,639,154	(730,266)
Cash and Cash Equivalents - Beginning of Year	8,671,529	9,401,795
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 13,310,683	$ 8,671,529

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for:		
Interest	$ 583,848	$ 1,489,948
Income Taxes	$ 530,000	$ 660,000
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES		
Noncash Operating Activity:		
Change in Deferred Income Taxes on Net Unrealized Gains (Losses) on Available-for-Sale Securities	$ (347,906)	$ 211,255
Noncash Investing Activity:		
Change in Net Unrealized Gains (Losses) on Available-for-Sale Securities	$ (1,656,696)	$ 1,005,977
Noncash Investing and Financing Activity:		
Purchase of Other Investment Through Issuance of Capital Contribution Note	$ 1,000,000	$ 500,000
Noncash Financing Activity:		
Dividends Declared Not Paid	$ 403,051	$ 379,030

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, as well as 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

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.

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, 2021 and 2020, 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 252,089 in 2021 and 252,993 in 2020. Dividends per share are based on the number of shares outstanding at the declaration date.

Subsequent Events

Management evaluated subsequent events through February 14, 2022, 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 Accounting Standards Update (ASU) 2014-09, *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 ASU 2014-09:

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. For nonpublic companies, this update will be effective for annual and interim periods beginning after December 15, 2022. The Corporation has not yet determined the impact the adoption of ASU 2016-13 will have on the consolidated financial statements.

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. Unlike current accounting guidance, which requires that only capital leases be recognized on the balance sheet, ASC 2016-02 requires that both financing and operating leases be recognized on the balance sheet. For nonpublic companies, ASU 2016-02 will be effective for years beginning after December 15, 2021. The Corporation has not yet determined what impact the adoption of ASU 2016-02 will have on its consolidated financial statements.

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, 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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
Available-for-Sale Securities:				
U.S. Treasury Bonds and Notes	$ 2,499,750	$ 12,750	$ -	$ 2,512,500
U.S. Government and Federal Agency Obligations	20,334,509	426,048	24,584	20,735,973
Obligations of State and Political Subdivisions	12,116,956	383,079	9,299	12,490,736
Mortgage-Backed	24,573,485	468,316	1,792	25,040,009
Total Available-for-Sale Securities	$ 59,524,700	$ 1,290,193	$ 35,675	$ 60,779,218

The amortized cost and fair value of available-for-sale securities at December 31, 2021, 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	$ 1,215,303	$ 1,232,891
Due After One Year Through Five Years	25,081,618	25,029,721
Due After Five Years Through Ten Years	24,969,601	24,577,100
Total	51,266,522	50,839,712
Mortgage-Backed Securities	19,561,653	19,586,285
Total Available-for-Sale Securities	$ 70,828,175	$ 70,425,997

At December 31, 2021 and 2020, available-for-sale securities with an amortized cost of $37,482,178 and $31,604,050, respectively, and a fair value of $37,280,453 and $32,611,057, 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, 2021	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
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

	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, 2020						
U.S. Government and Federal Agency Obligations	$ 24,584	$ 7,258,352	$ -	$ -	$ 24,584	$ 7,258,352
Obligations of State and Political Subdivisions	9,299	1,708,508	-	-	9,299	1,708,508
Mortgage-Backed	1,792	2,091,738	-	-	1,792	2,091,738
Total	$ 35,675	$ 11,058,598	$ -	$ -	$ 35,675	$ 11,058,598

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. There were 11 securities in an unrealized loss position at December 31, 2020, all 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.

Gross realized gains from sales of available-for-sale securities amounted to $78 in 2021 and $38,898 in 2020, with the income tax provision applicable to such gains amounting to $16 in 2021 and $8,169 in 2020. There were no gross realized losses from sales of securities in 2021 and 2020.

Other Investments at December 31, 2021 and 2020 includes Federal Home Loan Bank of Cincinnati stock of $853,000 and Federal Reserve Bank stock of $85,050.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

During 2021 and 2020, the Bank acquired 1.0 and .50 units, respectively, in the Ohio Equity Fund for Housing Limited Partnership in exchange for issuing capital contribution notes of $1,000,000 and $500,000. As of December 31, 2021 and 2020, the Bank held 2.5 units and 1.5 units in the Fund with a carrying value of $2,195,722 and $1,300,482, respectively. The unpaid balance of capital contribution notes payable amounted to $1,573,719 and $877,169 at December 31, 2021 and 2020, 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 $104,760 in 2021 and $82,899 in 2020 on these investments which also generated 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, 2021 and 2020. 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:

	2021	2020
Beginning of Year	$ 919,809	$ 747,287
Additions	1,407,287	1,466,210
Repayments	(770,163)	(1,293,688)
End of Year	$ 1,556,933	$ 919,809

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, 2021	Commercial	Consumer	Commercial Real Estate	Residential	Home Equity	Total
Allowance for Loan Losses:						
Balance at January 1, 2020	$ 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, 2020	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

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

				Real Estate Mortgage		
December 31, 2020	Commercial	Consumer	Commercial Real Estate	Residential	Home Equity	Total
Allowance for Loan Losses:						
Balance at January 1, 2020	$ 272,593	$ 60,346	$ 560,396	$ 548,074	$ 164,994	$ 1,606,403
Provision (Credit) for Loan Losses	143,099	21,138	72,168	106,545	(17,950)	325,000
Loans Charged off	(28,131)	(3,590)	(9,768)	-	(821)	(42,310)
Recoveries	14,509	4,587	37,788	-	10,794	67,678
Balance at December 31, 2020	402,070	82,481	660,584	654,619	157,017	1,956,771
Ending Balance Individually Evaluated for Impairment	-	-	-	-	-	-
Ending Balance Collectively Evaluated for Impairment	402,070	82,481	660,584	654,619	157,017	1,956,771
Loans:	27,205,521	4,842,670	48,916,904	47,811,694	11,156,300	139,933,089
Ending Balance Individually Evaluated for Impairment	-	11,140	1,086,273	-	-	1,097,413
Ending Balance Collectively Evaluated for Impairment	$ 27,205,521	$ 4,831,530	$ 47,830,631	$ 47,811,694	$ 11,156,300	$ 138,835,676

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:

	2021		2020	
	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Unpaid Principal Balance	Allowance for Loan Losses Allocated
With No Related Allowance Recorded:				
Commercial Real Estate	$ 1,048,320	$ -	$ 1,086,273	$ -
Consumer	8,730	-	11,140	-
Total	$ 1,057,050	$ -	$ 1,097,413	$ -

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2021 and 2020.

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

	2021	2020
Average Investment in Impaired Loans	$ 1,573,320	$ 2,038,442
Interest Income Recognized on Impaired Loans	92,891	137,968
Interest Income Recognized on a Cash Basis on Impaired Loans	94,285	142,856

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, 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

December 31, 2020	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	$ 168,362	$ -	$ 12,074	$ 180,436	$ -	$ 27,025,085	$ 27,205,521
Real Estate:							
Commercial	-	-	193,419	193,419	73,012	48,650,473	48,916,904
Home Equity	-	-	48,111	48,111	-	11,108,189	11,156,300
Residential	258,024	57,479	-	315,503	-	47,496,191	47,811,694
Consumer	12,315	1,812	311	14,438	-	4,828,232	4,842,670
Total	$ 438,701	$ 59,291	$ 253,915	$ 751,907	$ 73,012	$ 139,108,170	$ 139,933,089

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, on the basis of 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 considered to be 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, 2021	Pass	Special Mention	Substandard	Doubtful	Total
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
December 31, 2020					
Commercial	$ 26,239,928	$ 283,141	$ 682,452	$ -	$ 27,205,521
Real Estate:					
Commercial	44,011,609	2,649,187	2,256,108	-	48,916,904
Home Equity	11,108,189	-	48,111	-	11,156,300
Residential	46,016,116	1,166,843	628,735	-	47,811,694
Consumer	4,830,760	-	11,910	-	4,842,670
Total	$ 132,206,602	$ 4,099,171	$ 3,627,316	$ -	$ 139,933,089

There were no newly classified troubled debt restructurings during the year ended December 31, 2021. Newly classified troubled debt restructurings during the year ended December 31, 2020 consisted of the following:

	# Loans	Balance
Commercial Real Estate	1	$ 472,098

The pre- and post-modification recorded balances for this loan were the same. The troubled debt restructuring resulted in no increase to the allowance for loan losses and resulted in no charge offs during the years ended December 31, 2021 and 2020. The newly restructured loan has modified repayment terms.

NOTE 3 LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

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 and $11,471,000, respectively, of SBA – Paycheck Protection Program (PPP) loans during the years ended December 31, 2021 and 2020. Outstanding borrowings are guaranteed by the U.S. Small Business Administration (SBA) and are 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 while the loans originated in 2020 generally had terms of 24 months. PPP loans bear interest at the rate of 1.0%. During the years ended December 31, 2021 and 2020, approximately $14,648,000 and $5,429,000, respectively, of the Bank's PPP loans were forgiven by the SBA. The balance of outstanding PPP loans approximated $1,165,000 and $6,042,000 at December 31, 2021 and 2020, respectively.

The Bank received a specified fees during 2021 and 2020 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 and $403,763 for the years ended December 31, 2021 and 2020. Unamortized deferred fees on PPP loans amounted to $41,192 and $135,220 at December 31, 2021 and 2020, respectively.

Also pursuant to the CARES Act, the Bank entered into loan modification agreements with certain customers. The modification agreements provided for a three-month payment deferral and extension of the final maturity date. Certain loans were extended for a second three-month period. During the year ended December 31, 2020, the Bank entered into 194 modification agreements with outstanding borrowings for the modified loans aggregating $23,646,147. These loans qualified under Section 4013 and therefore were not required to be evaluated under the TDR guidance. As of December 31, 2020, regular payments had resumed for all loans subject to the aforementioned modifications.

NOTE 4 PREMISES AND EQUIPMENT

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

	2021	2020
Land	$ 1,084,023	$ 1,084,023
Buildings and Building Improvements	5,501,818	5,496,354
Furniture, Fixtures, and Equipment	1,732,318	1,684,996
Total Cost	8,318,159	8,265,373
Less: Accumulated Depreciation	4,959,396	4,633,607
Net Premises and Equipment	$ 3,358,763	$ 3,631,766

Depreciation of premises and equipment for the years ended December 31, 2021 and 2020 amounted to $325,789 and $319,797, respectively.

NOTE 4 PREMISES AND EQUIPMENT (CONTINUED)

The Company has entered into an agreement to lease the land serving as the site for its Findlay East branch. Rent expense under the lease amounted to $25,000 in 2021 and $20,000 in 2020. In December 2020, the Company exercised its first renewal option extending the lease term to December 31, 2030. Future commitments at December 31, 2021 under the extended lease terms amount to $225,000, with $25,000 payable annually through December 31, 2030. The Company has additional renewal options to extend the lease through December 31, 2050.

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 $111,954,000 and $98,774,000 at December 31, 2021 and 2020, respectively.

The balance of capitalized servicing rights included in other assets amounted to $1,051,862 and $965,963 at December 31, 2021 and 2020, respectively.

During the years ended December 31, 2021 and 2020, the Bank capitalized $333,736 and $743,717, respectively, of servicing rights and such amounts are included in gain on sale of loans. Amortization of mortgage servicing rights amounted to $247,837 in 2021 and $173,011 in 2020.

NOTE 6 DEPOSITS

The aggregate amount of time deposits in denominations of $250,000 or more at December 31, 2021 and 2020 approximated $15,177,000 and $15,363,000, respectively. Interest expense on these deposits amounted to $103,118 in 2021 and $295,392 in 2020.

At December 31, 2021, the scheduled maturities of time deposits are as follows:

Year Ending December 31,	Amount
2022	$ 34,337,322
2023	6,173,634
2024	2,079,401
2025	1,167,806
2026	762,121
Total	$ 44,520,284

NOTE 7 FEDERAL HOME LOAN BANK BORROWINGS

Federal Home Loan Bank borrowings consist of advances secured by individual residential mortgages under blanket agreement amounting to $680,452 at December 31, 2021 and $886,336 at December 31, 2020.

Interest on advances outstanding at December 31, 2021 ranged from 1.08% to 1.71%, 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, 2021 and 2020 was 1.52%. During 2020, the Bank recognized as additional interest expense $172,990 of prepayment penalties on Federal Home Loan Bank borrowings.

Borrowings are secured by mortgage loans approximating $53,413,000 and $54,226,000 at December 31, 2021 and 2020, 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, 2021 are as follows:

Year Ending December 31,	Amount
2022	$ 184,167
2023	140,906
2024	117,743
2025	98,897
2026	82,544
Thereafter	56,195
Total	$ 680,452

NOTE 8 INCOME TAXES

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

	2021	2020
Current Provision	$ 514,094	$ 418,255
Deferred Provision (Credit)	(65,094)	6,745
Total Provision for Income Taxes	$ 449,000	$ 425,000

NOTE 8 INCOME TAXES (CONTINUED)

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 2021 and 2020 to income before income taxes as a result of the following:

	2021	2020
Expected Tax Using Statutory Tax Rate	$ 576,100	$ 550,100
Increase (Decrease) Resulting from:		
Tax-Exempt Interest Income, Net of Interest Expense Associated with Cost to Carry	(15,800)	(19,700)
Tax-Exempt Income on Life Insurance Policies	(20,600)	(18,400)
Ohio Equity Fund Tax Credits	(101,500)	(90,800)
Other, Net	10,800	3,800
Total Provision for Income Taxes	$ 449,000	$ 425,000

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

The deferred income tax credit of $65,094 in 2021 and tax provision of $6,745 in 2020 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:

	2021	2020
Deferred Tax Assets:		
Allowance for Loan Losses	$ 377,600	$ 358,700
Accrued Employee Benefits	115,600	109,300
Deferred Loan Fees	8,600	28,400
Deferred Revenue	34,400	-
Net Unrealized Loss on Securities Available-for-Sale	84,457	-
Other	1,143	200
Total Deferred Tax Assets	621,800	496,600
Deferred Tax Liabilities:		
Federal Home Loan Bank Stock Dividends	90,700	90,700
Depreciation	203,000	243,400
Mortgage Servicing Rights	220,900	202,900
Net Unrealized Gain on Securities Available-for-Sale	-	263,449
Other	6,200	8,151
Total Deferred Tax Liabilities	520,800	808,600
Net Deferred Tax Assets (Liabilities)	$ 101,000	$ (312,000)

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, 2021 are years 2018 – 2021. Management does not believe the Corporation has any significant uncertain tax positions at December 31, 2021 and 2020.

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, 2021 and 2020.

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 $87,547 in 2021 and $87,681 in 2020. There were no basic or optional employer contributions made during 2021 or 2020.

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 1,049 shares of stock in 2021 and 827 shares of stock in 2020 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, 2021 and 2020, the Bank's liability for such deferred compensation payments amounted to $297,909 and $303,152, 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 $248,773 at December 31, 2021 and $210,929 at December 31, 2020.

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 $4,485,212 and $3,887,031 at December 31, 2021 and 2020, 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	
	2021	2020
Commitments to Extend Credit, Including Unfunded Commitments Under Lines of Credit	$ 32,549,000	$ 28,645,000
Commercial and Standby Letters of Credit	7,383,000	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, 2021 and 2020, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2021, 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, 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%
As of December 31, 2020						
Total Capital (to Risk-Weighted Assets)	$ 19,717	12.70%	$ 12,416	> 8.0%	$ 15,520	> 10.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)	$ 17,775	11.45%	$ 6,984	> 4.5%	$ 10,088	> 6.5%
Tier I Capital (to Risk-Weighted Assets)	$ 17,775	11.45%	$ 9,312	> 6.0%	$ 12,416	> 8.0%
Tier I Capital (to Average Assets)	$ 17,775	8.07%	$ 8,810	> 4.0%	$ 11,013	> 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, 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

December 31, 2020	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Recurring - Securities				
Available-for-Sale:				
U.S. Treasury Bonds and Notes	$ 2,512,500	$ -	$ -	$ 2,512,500
U.S. Government and Federal Agency Obligations	-	20,735,973	-	20,735,973
Obligations of State and Political Subdivisions	-	12,490,736	-	12,490,736
Mortgage-Backed	-	25,040,009	-	25,040,009
Total Recurring	$ 2,512,500	$ 58,266,718	$ -	$ 60,779,218

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy during 2021 and 2020 due to the lack of observable quotes in inactive markets for those instruments at December 31, 2021 and 2020.

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, 2021 and 2020.

NOTE 13 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, Secretary; President & CEO Lima Family YMCA
Todd A. Mason, President and Chief Executive Officer
Randal J. Verhoff, CPA, Verhoff & Company, LLC
Scott L. Basinger, Esq.

Executive Officer 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, Executive Vice President and Chief Financial Officer
Brendon Matthews, Executive Vice President and Senior Lender
Chris Alexander, Executive Vice President/Findlay City Executive
Jennifer Vastano, Sr. Vice President/Retail Administration/Marketing Director

Annual Meeting

April 30, 2022 – 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

Officers and Employees
As of December 31, 2021

Todd A. Mason	President and Chief Executive Officer
Larry E. Hoffman	Executive Vice President/CFO
Chris Alexander	Executive Vice President/Findlay City Executive
Brendon Matthews	Executive Vice President/Senior Lender
Jennifer Vastano	Sr. Vice President/Retail Administration
Michelle Brandt	Vice President/BSA/CRA/Compliance/Security Officer
Doug Shaneyfelt	Vice President/IT
Amy Groves	Vice President/Credit Administrator
Lisa Wheeler	Vice President/HR/Training
Christina Hegemier	Vice President/Operations
Vanessa Greer	Assistant Vice President
Shari Schwab	Assistant Vice President
Heather Taviano	Assistant Vice President

Ashley Bell
William Bibler
Victoria Burkholder
Sally Burris
Courtney Deitrick
Christy Diller
Kacy Duling
Caleb Dunlap
Kaylee Ellis
Emily Haag
Roseann Hoffman
Alison Hovest
Jolinda Hovest
Tessa Howe
Kennedy Hutton
Melissa Johnston
Sarah Klausing
Kendra Kuhlman
Kate Luginbill
Joseph Mayberry
Angela Morman
Benjamin Moser
Kurt Mullins
Kristen Mullins
Barbara Ranes
Elizabeth Reynolds
Zachary Simon
Dawn Snider
Katherine Stoudinger
Stacy Stumbaugh
Jill Vaughan
Sydney Waldman
Tammy Wannemacher
Adrienne Warren
Melissa Warren
Sarah Woods

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 Verhoff
2013 – Present
Scott Basinger
2016 – 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 419-384-9104.