First National Bank

You. First. Always.

2023

Pandora Bancshares, Inc.

Annual Report

PANDORA BANCSHARES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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January 31, 2024

Dear Shareholders and Friends:

Even though we always look forward to the new year and are ready to embrace the next challenge, it is valuable to take a moment to look back at 2023 and appreciate goals met and lessons learned over the course of this past year. It is fair to say 2023 was a challenging year in the banking industry. The Federal Reserve continued their aggressive interest rate increase campaign, which contributed to the housing market drastically slowing, several very public bank closures, and industry-wide net interest margin compression. First National Bank was not immune to these headwinds, and net income decreased year over year as a direct result of significant pressure on net interest margin.

However, even though Pandora Bancshares Directors and Management planned for a different outcome in terms of profitability, FNB still had an excellent year in many respects and your Bank found even more ways to live our mission of "Improving Lives Through Community Banking." FNB was profitable and maintained excellent credit quality in the loan portfolio. Loan balances grew 8.7% year over year, Deposits increased 5.7%, Assets grew 7.1%, and our Pandora Bancshares stock market price has also appreciated 3.2% since December 31, 2022. We are also pleased because this strong overall performance allowed us to increase dividends by 5.88% year over year.

The real highlight, however, was how our team of employees came together and reinforced our commitment to community involvement. After a record year of volunteering in 2022, FNB team members embraced the challenge in 2023 and broke their own record by donating over 2,700 hours of their time at numerous events in all our local communities. Once again, every employee at FNB participated in this effort and demonstrated 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. Our new full-service branch on Eastown Road in Lima was built with this priority in mind. The branch has been open for a year and met growth goals in 2023. The Bank's second full-service location in Lima is under construction on the east side of town at 1991 Bellefontaine Road, and the branch is slated to open later this spring. These two locations in Lima will help us best serve both new and existing customers in the Limaland area for years to come.

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 13.4% 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 27, 2024, at 10:00 AM via Zoom.

Respectfully,

Todd A. Mason

Todd A. Mason	Jared Lehman	John Arnold
President and CEO	Chairman	Chairman
First National Bank	Pandora Bancshares, Inc.	First National Bank

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

	Years Ended December 31,				
	2023	2022	2021	2020	2019
	(Dollars in Thousands, Except per Share Data)				
Statements of Operations:					
Total Interest Income	$ 10,551	$ 8,459	$ 8,749	$ 8,908	$ 8,442
Total Interest Expense	3,697	896	574	1,457	1,876
Net Interest Income	6,854	7,563	8,175	7,451	6,566
Provision for Loan Losses	42	(200)	90	325	130
Net Interest Income After Provision for Loan Losses	6,812	7,763	8,085	7,126	6,436
Total Noninterest Income	1,084	898	1,716	2,135	1,085
Total Noninterest Expenses	7,234	6,662	7,057	6,641	5,967
Income Before Federal Income Taxes	662	1,999	2,744	2,620	1,554
Federal Income Taxes (Credit)	(118)	216	449	425	199
Net Income	$ 780	$ 1,783	$ 2,295	$ 2,195	$ 1,355
Per Share of Common Stock:					
Net Income	$ 3.09	$ 7.07	$ 9.10	$ 8.68	$ 5.37
Dividends	1.80	1.70	1.60	1.50	1.40
Book Value	63.64	57.98	77.04	74.78	64.53
Year-End Balances:					
Loans, Net (A)	$ 170,955	$ 157,310	$ 142,842	$ 140,281	$ 127,464
Securities and Other Investments	64,150	64,621	73,561	63,019	44,727
Total Assets	259,228	241,943	239,773	221,473	190,349
Deposits	234,617	221,892	215,816	198,306	168,445
Stockholders' Equity	16,049	14,575	19,407	18,896	16,261
Average Balances:					
Loans, Net (A)	$ 163,079	$ 146,595	$ 143,100	$ 135,188	$ 122,718
Securities and Other Investments	64,051	69,342	65,547	49,642	41,731
Total Assets	248,914	240,177	231,793	204,809	181,682
Deposits	225,825	220,863	208,833	182,523	160,603
Stockholders' Equity	15,124	16,118	19,303	17,915	15,630
Selected Ratios:					
Net Yield on Average Interest-Earning Assets	3.00%	3.43%	3.80%	3.88%	3.91%
Return on Average Assets	0.31%	0.74%	0.99%	1.07%	0.75%
Return on Average Stockholders' Equity	5.16%	11.06%	11.89%	12.25%	8.67%
Allowance for Loan Losses as a Percentage of Year-End Loans	1.26%	1.20%	1.42%	1.40%	1.25%
Year-End Stockholders' Equity as a Percentage of Year-End Assets	6.19%	6.02%	8.09%	8.53%	8.54%

(A) Includes Loans Held for Sale

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pandora Bancshares, Inc.
Pandora, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Pandora Bancshares, Inc., which comprise the consolidated balance sheet as of December 31, 2023 and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year 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. as of December 31, 2023 and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Pandora Bancshares, Inc. as of December 31, 2022 were audited by other auditors who's report dated February 28, 2023 expressed an unmodified opinion on those statements.

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 Subsidiaries' ability to continue as a going concern within one year after the date that 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 generally

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accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 generally accepted auditing standards, we:

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

- 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 audits 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 Subsidiaries' 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 any conditions or events, considered in the aggregate, that raise substantial doubt about Pandora Bancshares, Inc. and Subsidiaries' 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 1, 2024

PANDORA BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash Due from Banks	$ 6,226,060	$ 5,136,383
Federal Funds Sold	1,808,000	883,000
Total Cash and Cash Equivalents	8,034,060	6,019,383
Securities, Available-for-Sale	61,784,914	61,930,054
Other Investments	2,364,976	2,691,185
Loans Held for Sale	264,900	-
Loans, Net of Allowance for Loan Losses of $2,185,558 and $1,905,576, at December 31, 2023 and 2022, respectively	170,690,252	157,310,064
Premises and Equipment, Net	8,406,104	5,596,084
Accrued Interest Receivable	1,077,285	877,419
Cash Surrender Value of Life Insurance	4,082,650	4,588,418
Other Assets	2,522,966	2,930,522
Total Assets	$ 259,228,107	$ 241,943,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterest Bearing	$ 18,079,187	$ 21,351,307
Interest Bearing	216,537,704	200,541,144
Total Deposits	234,616,891	221,892,451
Federal Home Loan Bank Borrowings	5,362,927	1,505,285
Other Liabilities	3,199,110	3,970,248
Total Liabilities	243,178,928	227,367,984
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	19,985,800	19,861,988
Accumulated Other Comprehensive Loss	(5,191,643)	(6,431,855)
Treasury Stock, at Cost - 76,076 and 77,401 Shares, at December 31, 2023 and 2022, respectively	(2,413,335)	(2,523,345)
Total Stockholders' Equity	16,049,179	14,575,145
Total Liabilities and Stockholders' Equity	$ 259,228,107	$ 241,943,129

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
INTEREST INCOME		
Loans - Including Fees	$ 9,263,908	$ 7,269,337
Securities:		
Taxable	1,135,236	1,084,993
Tax Exempt	26,538	13,161
Dividends on Restricted Stock	48,151	36,679
Other	77,596	55,025
Total Interest Income	10,551,429	8,459,195
INTEREST EXPENSE		
Deposits	3,472,512	886,476
Other Borrowings	224,901	10,106
Total Interest Expense	3,697,413	896,582
NET INTEREST INCOME	6,854,016	7,562,613
PROVISION (CREDIT) FOR LOAN LOSSES	42,000	(200,000)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,812,016	7,762,613
NONINTEREST INCOME		
Customer Service Charges	232,448	243,950
ATM and Debit Card Interchange Fees	418,554	372,499
Gain on Sale of Loans	258,866	209,444
Other, Net	173,811	72,340
Total Noninterest Income	1,083,679	898,233
NONINTEREST EXPENSES		
Salaries, Wages, and Employee Benefits	4,097,982	3,759,131
Occupancy and Equipment	559,999	530,722
Data Processing	697,452	559,997
Federal Deposit Insurance Assessment	136,500	82,000
Professional and Director Fees	353,210	319,564
Advertising and Marketing	188,501	256,593
Ohio Financial Institution Tax	116,601	155,256
Other Operating Expenses	1,083,388	998,851
Total Noninterest Expenses	7,233,633	6,662,114
INCOME BEFORE INCOME TAXES	662,062	1,998,732
PROVISION (CREDIT) FOR INCOME TAXES	(118,000)	216,000
NET INCOME	$ 780,062	$ 1,782,732
NET INCOME PER SHARE	$ 3.09	$ 7.07

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET INCOME	$ 780,062	$ 1,782,732
OTHER COMPREHENSIVE INCOME (LOSS)		
Change in Unrealized Gains (Losses) on Available-for-Sale Securities	1,569,889	(7,739,410)
Reclassification Adjustments for Securities Gains (Losses) Realized in Net Income, Net of Tax	-	-
Net Unrealized Gains (Losses)	1,569,889	(7,739,410)
INCOME TAX EFFECT	329,677	(1,625,276)
OTHER COMPREHENSIVE INCOME (LOSS)	1,240,212	(6,114,134)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 2,020,274	$ (4,331,402)

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
BALANCE - JANUARY 1, 2022	$ 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, net of tax	-	-	-	(6,114,134)	-	(6,114,134)
Purchase of 5,674 Treasury Shares	-	-	-	-	(461,430)	(461,430)
Stock Based Compensation - 1,080 Shares	-	-	-	-	77,879	77,879
Employee Stock Purchase Plan - 4,062 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
Cumulative change in accounting principle, net of tax of $53,534	-	-	(201,390)	-	-	(201,390)
BALANCE - JANUARY 1, 2023	821,940	2,846,417	19,660,598	(6,431,855)	(2,523,345)	14,373,755
Net Income	-	-	780,062	-	-	780,062
Other Comprehensive Income, net of tax	-	-	-	1,240,212	-	1,240,212
Purchase of 1,817 Treasury Shares	-	-	-	-	(152,353)	(152,353)
Stock Based Compensation - 1,320 Shares	-	-	-	-	110,220	110,220
Employee Stock Purchase Plan - 1,822 Shares	-	-	-	-	152,143	152,143
Dividends Declared - $1.80 per share	-	-	(454,860)	-	-	(454,860)
BALANCE - DECEMBER 31, 2023	$ 821,940	$ 2,846,417	$ 19,985,800	$ (5,191,643)	$ (2,413,335)	$ 16,049,179

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 780,062	$ 1,782,732
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	537,359	530,614
Provision for Loan Losses	42,000	(200,000)
Securities Amortization, Net	174,542	218,638
Deferred Federal Income Taxes	(156,143)	(58,723)
Stock Based Compensation	110,220	77,879
Increase in Cash Surrender Value of Life Insurance	(170,220)	(103,206)
Impairment Loss on Other Investments	170,009	206,987
Gain on Sale of Loans	(258,866)	(209,444)
Loss on Disposal of Equipment	1,278	225
(Increase) Decrease in Assets:		
Loans Held for Sale	(264,900)	732,990
Accrued Interest Receivable	(199,866)	(131,833)
Other Assets	139,611	43,878
Decrease in Other Liabilities	(176,098)	(142,010)
Net Cash Provided by Operating Activities	728,988	2,748,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-Sale Securities:		
Maturities, Prepayments, and Calls	2,351,295	5,086,690
Purchases	(810,808)	(4,548,796)
Proceeds from Life Insurance Policy	675,988	-
Net Increase in Loans	(13,531,496)	(14,875,036)
Cash Paid for Other Investments	(1,051,463)	(350,440)
Sales of Other Investments	585,100	236,600
Additions to Premises and Equipment	(3,087,462)	(1,936,302)
Net Cash Used in Investing Activities	(14,868,846)	(16,387,284)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	12,724,440	6,076,413
Principal Payments on Federal Home Loan Bank Borrowings	(43,642,358)	(5,175,167)
Principal Advances on Federal Home Loan Bank Borrowings	47,500,000	6,000,000
Proceeds from Sale of Treasury Shares	152,143	310,492
Purchase of Treasury Shares	(152,353)	(461,430)
Payment of Dividends	(427,337)	(403,051)
Net Cash Provided by Financing Activities	16,154,535	6,347,257
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,014,677	(7,291,300)
Cash and Cash Equivalents - Beginning of Year	6,019,383	13,310,683
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,034,060	$ 6,019,383

See accompanying Notes to Consolidated Financial Statements.

PANDORA BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for:		
Interest	$ 3,737,363	$ 875,271
Income Taxes	$ -	$ 210,000
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES		
Noncash Operating Activity:		
Change in Deferred Income Taxes on Net Unrealized Gains (Losses) on Available-for-Sale Securities	$ 329,677	$ (1,569,889)
Noncash Investing Activity:		
Change in Net Unrealized Gains (Losses) on Available-for-Sale Securities	$ 1,569,889	$ (7,739,410)
Noncash Financing Activity:		
Dividends Declared Not Paid	$ 454,860	$ 427,337

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies and practices of Pandora Bancshares, Inc. (the "Company or Corporation") are set forth to facilitate the understanding of the data presented in the financial statements.

Pandora Bancshares, Inc. 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, Ottawa, and Lima 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.

Adoption of new accounting standard

On January 1, 2023, the Bank adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new accounting standard (Continued)

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net decrease to retained earnings of $254,924 as of January 1, 2023 for the cumulative effect of adopting ASC 326. The transition adjustment is net of deferred federal tax benefit of $53,534.

The following table illustrates the impact of ASC 326 upon adoption at January 1, 2023.

		As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Loans:				
Commercial	$	395,191	317,701	77,490
Commercial Real Estate		893,642	705,607	188,035
Consumer		116,155	79,891	36,264
Residential Real Estate		611,375	651,649	(40,274)
Home Equity		144,137	150,728	(6,591)
Allowance for credit losses on loans	$	2,160,500	1,905,576	254,924

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.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities and Other Investments (Continued)

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

For available-for-sale debt securities in an unrealized loss position, the Bank first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $192,851 at December 31, 2023 and is excluded from the estimate of credit losses.

Loans Held for Sale

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

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, and deferred loan fees and costs. Accrued interest receivable totaled is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

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 Credit Losses

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience utilizing the SCALE methodology and a peer group of comparable banks provides the basis for the estimation of expected credit losses. The peer group consists of banks of similar size with a similar mix of loans. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, and other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses (Continued)

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Home Loan Bank (FHLB) Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Reserve Bank (FRB) Stock

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Income Taxes

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income includes unrealized gains and losses on securities available-for-sale which are also recognized as separate components of equity.

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 252,198 in 2023 and 252,132 in 2022. Dividends per share are based on the number of shares outstanding at the declaration date.

Stock Based Compensation

Compensation expense is recognized for the granting of stock to employees, based on the fair value of the common stock at the date of grant. Stock is granted annually to employees at the discretion of the Board of Directors

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, 2023 and 2022, derivative assets and liabilities relating to rate lock commitments were not material to the consolidated financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Revenue

The Bank records revenue from contracts with customers in accordance ASC 606, Revenue from Contracts with Customers (ASC 606). Under ASC 606, the Bank must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue when (or as) the performance obligation(s) are/is satisfied. The core principle under ASC 606 requires the Bank to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Bank generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The majority of the Bank’s revenue is not subject to ASC 606. A description of the Bank’s revenue streams accounted for under ASC 606 is as follows:

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.

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform to the presentation of the current year consolidated financial statements. Reclassifications had no effect on prior year net income or total shareholders’ equity.

Subsequent events

The Company has evaluated subsequent events for recognition and disclosure through March 1, 2024, which is the date the consolidated financial statements were available to be issued.

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, 2023				
Available-for-Sale Securities:				
U.S. Treasury Bonds and Notes	$ 10,752,561	$ -	$ 879,709	$ 9,872,852
U.S. Government and Federal Agency Obligations	27,419,060	-	2,296,742	25,122,318
Obligations of State and Political Subdivisions	13,900,616	22,852	1,364,717	12,558,751
Mortgage-Backed	16,284,377	2,388	2,055,772	14,230,993
Total Available-for-Sale Securities	$ 68,356,614	$ 25,240	$ 6,596,940	$ 61,784,914

	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

The amortized cost and fair value of available-for-sale securities at December 31, 2023, 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	$ 3,398,129	$ 3,287,909
Due After One Year Through Five Years	41,709,385	38,106,986
Due After Five Years Through Fifteen Years	6,964,723	6,159,026
Total	52,072,237	47,553,921
Mortgage-Backed Securities	16,284,377	14,230,993
Total Available-for-Sale Securities	$ 68,356,614	$ 61,784,914

At December 31, 2023 and 2022, available-for-sale securities with an amortized cost of $56,515,674 and $49,229,717, respectively, and a fair value of $51,068,388 and $43,418,224, respectively, were pledged to secure public deposits, borrowings, and for other purposes required or permitted by law.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

As of December 31, 2023 and 2022, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

The table below summarizes investment securities in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2023, aggregated by major security type and length of time on a continuous unrealized loss position:

	Securities in a Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months or More		Total	
December 31, 2023	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
U.S. Treasury Bonds and Notes			$ 879,709	$ 9,872,852	$ 879,709	$ 9,872,852
U.S. Government and Federal Agency Obligations	-	-	2,296,743	25,122,318	2,296,743	25,122,318
Obligations of State and Political Subdivisions	-	-	1,364,717	11,726,003	1,364,717	11,726,003
Mortgage-Backed	-	-	2,055,772	13,851,441	2,055,772	13,851,441
Total	$ -	$ -	$ 6,596,941	$ 60,572,614	$ 6,596,941	$ 60,572,614

	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, 2022						
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

There were 87 securities in an unrealized loss position at December 31, 2023 none of which were in a loss position less than 12 months. 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.

Unrealized losses on corporate bonds have not been recognized into income because the issuer(s) bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

There were no gross realized gains from sales of available-for-sale securities in 2023 and 2022. There were no gross realized losses from sales of securities in 2023 and 2022.

Other Investments at December 31, 2023 and 2022 includes Federal Home Loan Bank of Cincinnati stock of $460,200 in 2023 and $616,400 in 2022 and Federal Reserve Bank stock of $85,050 for both years.

As of December 31, 2023 and 2022, the Bank held 2.5 units in the Ohio Capital Corporation Equity Fund for Housing Limited Partnerships, which is defined as a low income housing tax credit investment, with a carrying value of $1,818,726 and $1,988,735, respectively. The unpaid balance of capital contribution notes payable amounted to $600,716 and $1,223,279 at December 31, 2023 and 2022, 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 $170,009 in 2023 and $206,987 in 2022 on these investments which also generated investment tax credits as disclosed in Note 8.

NOTE 3 LOANS AND ALLOWANCE FOR CREDIT 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 13% and 11% of the Bank's loan portfolio as of December 31, 2023 and 2022, respectively. 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.

Loans receivable at December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Commercial	$ 22,280,477	$ 24,902,067
Real Estate:		
Commercial	65,243,420	60,780,286
Home Equity	15,665,674	13,059,709
Residential	64,895,253	54,934,611
Consumer	4,790,986	5,538,967
	172,875,810	159,215,640
Allowance for Credit Losses	(2,185,558)	(1,905,576)
Total	$ 170,690,252	$ 157,310,064

NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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:

	2023	2022
Beginning of Year	$ 655,676	$ 1,556,933
Additions	480,700	580,551
Repayments	(613,624)	(1,481,808)
End of Year	$ 522,752	$ 655,676

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

The risk characteristics applicable to each segment of the loan portfolio are described as follows:

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 CREDIT 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 CREDIT LOSSES (CONTINUED)

The following tables present the activity in the ACL by portfolio segment for the years ended December 31, 2023 and 2022:

December 31, 2023	Commercial	Consumer	Commercial Real Estate	Residential Real Estate	Home Equity	Total
Allowance for Loan Losses:						
Balance at January 1, 2022	$ 317,701	$ 79,891	$ 705,607	$ 651,649	$ 150,728	$ 1,905,576
Impact of adoption ASC 326	77,490	36,264	188,035	(40,274)	(6,591)	254,924
Provision (Credit) for Loan Losses	(51,947)	3,187	(20,436)	61,624	49,572	42,000
Loans Charged off	(5,878)	-	-	-	(31,908)	(37,786)
Recoveries	5,265	274	15,305	-	-	20,844
Balance at December 31, 2023	$ 342,631	$ 119,616	$ 888,511	$ 672,999	$ 161,801	$ 2,185,558

December 31, 2022	Commercial	Consumer	Commercial Real Estate	Residential Real Estate	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

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

	2023		2022	
	Unpaid Principal Balance	Allowance for Credit Losses	Unpaid Principal Balance	Allowance for Credit Losses
With No Related Allowance Recorded:				
Commercial Real Estate	$ 434,611	$ -	$ 898,155	$ -
Consumer	-	-	5,532	-
Total	$ 434,611	$ -	$ 903,687	$ -

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2023 and 2022.

NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

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

	2023	2022
Average Investment in Impaired Loans	$ 520,301	$ 995,672
Interest Income Recognized on Impaired Loans	36,794	46,700
Interest Income Recognized on a Cash Basis on Impaired Loans	38,084	47,044

The recorded investment in loans excludes accrued interest receivable and loan origination fees, net due to immateriality. For purposes of this disclosure, the unpaid principal balance is not reduced for partial charge-offs.

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2022.

December 31, 2022	Commercial	Consumer	Commercial Real Estate	Residential Real Estate	Home Equity	Total
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:						
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
	$ 24,902,067	$ 5,538,967	$ 60,780,286	$ 54,934,611	$ 13,059,709	$ 159,215,640

NOTE 3 LOANS AND ALLOWANCE FOR CREDIT 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:

	Loans Past Due Accruing Interest					Loans	
December 31, 2023	30 – 59 Days	60 – 89 Days	Over 90 Days	Total	Loans on Nonaccrual	not Past Due or on Nonaccrual	Total
Commercial	$ 213,173	$ 1,346	$ -	$ 214,519	$ -	$ 22,065,958	$ 22,280,477
Real Estate:							
Commercial	267,146	-	434,611	701,757	-	64,541,663	65,243,420
Home Equity	279,529	-		279,529	-	15,386,145	15,665,674
Residential	635,189	153,870	2,635	791,694	-	64,103,559	64,895,253
Consumer	-	-	-	-	-	4,790,986	4,790,986
Total	$ 1,395,037	$ 155,216	$ 437,246	$ 1,987,499	$ -	$ 170,888,311	$ 172,875,810

	Loans Past Due Accruing Interest					Loans	
December 31, 2022	30 – 59 Days	60 – 89 Days	Over 90 Days	Total	Loans on Nonaccrual	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

At December 31, 2023, the Bank has no nonaccrual loans, nor any nonaccrual loans with no allowance for credit losses or loans past due over 89 days with interest still accruing.

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.

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.

NOTE 3 LOANS AND ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

- **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.

- **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, 2023	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 21,580,448	$ 520,670	$ 179,359	$ -	$ 22,280,477
Real Estate:					
Commercial	62,505,414	480,209	2,257,797	-	65,243,420
Home Equity	15,560,674	-	105,000	-	15,665,674
Residential	63,643,949	37,736	1,213,568	-	64,895,253
Consumer	4,753,375	-	37,611	-	4,790,986
Total	$ 168,043,860	$ 1,038,615	$ 3,793,335	$ -	$ 172,875,810
December 31, 2022					
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

Collateral dependent loans

The Bank designates individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management of the Bank designates as having higher risk. Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. Under CECL, for collateral dependent loans, the Bank has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required. Practically all of the bank’s loans are secured by underlying collateral.

Loan modifications

From time to time, the terms of certain loans are modified when concessions are granted to borrowers experiencing financial difficulties. Each modification is separately negotiated with the borrower and includes terms and conditions that reflect the borrower’s ability to pay the debt as modified. The modification of the terms of such loans may include a temporary or permanent reduction of the stated interest rate of the loan, an extension of the loan’s maturity date with a stated rate lower than the current market rate for a new loan with similar risk or granting interest only payments for a certain period of time.

The Bank had no modifications during the year ended December 31, 2023 in response to financial difficulty of a borrower. There were no modified loans that experienced a payment default within twelve months of the restructuring date during the year ended December 31, 2023.

At December 31, 2023, there are no commitments to lend additional funds to any borrower whose loan terms have been modified.

Loan modifications prior to the adoption of CECL

If a borrower is experiencing financial difficulty, the Bank may consider, in certain circumstances, modifying the terms of their loan in a troubled debt restructuring (TDR) to maximize collection of amounts due. Within each of the Bank’s loan classes, TDR’s typically involved either a reduction of the stated interest rate of the loan, an extension of the loan’s maturity date with a stated rate lower than the current market rate for a new loan with similar risk or granting interest only payments for a certain period of time. Modifying the terms of loans may result in an increase or decrease to the allowance for loan losses depending upon the terms modified, the method used to measure the allowance for loan losses for a loan prior to modification, and whether any charge-offs were recorded on the loan before or at the time of modification.

There were no newly classified Loan Modifications during the year ended December 31, 2023 and 2022.

The Bank considers TDR's that become 90 days or more past due under the modified terms as subsequently defaulted. The Bank had no modifications in the current year that subsequently defaulted.

NOTE 4 PREMISES AND EQUIPMENT

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

	2023	2022
Land	$ 2,959,183	$ 1,557,853
Buildings and Building Improvements	7,540,918	5,503,830
Construction in Progress	786,973	1,447,605
Furniture, Fixtures, and Equipment	2,562,019	2,301,878
Total Cost	13,849,093	10,811,166
Less: Accumulated Depreciation	5,442,989	5,215,083
Net Premises and Equipment	$ 8,406,104	$ 5,596,083

Depreciation of premises and equipment for the years ended December 31, 2023 and 2022 amounted to $276,164 and $267,249, respectively.

Construction in process at December 31, 2023 is related to the bank's newly constructed Lima East branch. Construction in process at December 31, 2022 was related to the bank's newly constructed Lima West branch located at 2580 Eastown Road.

NOTE 5 LOAN SERVICING

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 $107,014,000 and $106,350,000 at December 31, 2023 and 2022, respectively.

The balance of capitalized servicing rights included in other assets amounted to $724,179 and $872,124 at December 31, 2023 and 2022, respectively.

During the years ended December 31, 2023 and 2022, the Bank capitalized $113,250 and $83,627, respectively, of servicing rights and such amounts are included in gain on sale of loans. Amortization of mortgage servicing rights amounted to $261,195 in 2023 and $263,365 in 2022.

NOTE 6 DEPOSITS

The aggregate amount of time deposits in denominations of $250,000 or more at December 31, 2023 and 2022 approximated $29,402,000 and $14,793,000, respectively. Interest expense on these deposits amounted to $581,469 in 2023 and $120,188 in 2022.

At December 31, 2023, the scheduled maturities of time deposits are as follows:

Year Ending December 31,	Amount
2024	$ 66,199,353
2025	4,353,355
2026	733,187
2027	378,831
2028	460,725
Total	$ 72,125,451

NOTE 7 FEDERAL HOME LOAN BANK BORROWINGS

Federal Home Loan Bank borrowings consist of a $5,000,000 putable five year advance due June 8, 2028, that is callable on June 10, 2024, with interest at 3.61% as of December 31, 2023, as well as advances secured by individual residential mortgages under a blanket agreement amounting to $362,927 at December 31, 2023 and $1,505,285 December 31, 2022.

Interest on advances outstanding at December 31, 2023 ranged from 1.08% to 3.61%, 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, 2023 and 2022 was 3.47% and 3.45% respectively.

Borrowings are secured by mortgage loans approximating $53,552,000 and $61,020,000 at December 31, 2023 and 2022, 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, 2023 are as follows:

Year Ending December 31,	Amount
2024	$ 125,291
2025	98,897
2026	82,544
2027	49,335
2028	5,006,860
Thereafter	-
Total	$ 5,362,927

NOTE 8 INCOME TAXES

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

	2023	2022
Current Provision	$ 92,134	$ 274,723
Deferred Provision (Credit)	(210,134)	(58,723)
Total Provision (Credit) for Income Taxes	$ (118,000)	$ 216,000

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 2023 and 2022 to income before income taxes as a result of the following:

	2023	2022
Expected Tax Using Statutory Tax Rate	$ 139,000	$ 419,700
Increase (Decrease) Resulting from:		
Tax-Exempt Interest Income, Net of Interest Expense Associated with Cost to Carry	(13,700)	(12,600)
Tax-Exempt Income on Life Insurance Policies	(35,700)	(21,700)
Low Income Housing Tax Credits	(207,800)	(158,400)
Other, Net	200	(11,000)
Total Provision (Credit) for Income Taxes	$ (118,000)	$ 216,000

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

The deferred income tax credit of $210,134 and $58,723 in 2023 and 2022, respectively, 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.

NOTE 8 INCOME TAXES (CONTINUED)

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

	2023	2022
Deferred Tax Assets:		
Allowance for Loan Losses	$ 344,400	$ 335,600
Accrued Employee Benefits	138,000	125,000
Deferred Revenue	27,300	30,800
Net Unrealized Loss on Securities Available-for-Sale	1,380,057	1,709,733
Other	123,543	2,467
Total Deferred Tax Assets	2,013,300	2,203,600
Deferred Tax Liabilities:		
Federal Home Loan Bank Stock Dividends	65,500	65,500
Depreciation	126,700	164,600
Mortgage Servicing Rights	152,100	183,100
Other	3,000	5,400
Total Deferred Tax Liabilities	347,300	418,600
Net Deferred Tax Assets	$ 1,666,000	$ 1,785,000

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, 2023 are years 2020 – 2023. Management does not believe the Corporation has any significant uncertain tax positions at December 31, 2023 and 2022.

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, 2023 and 2022.

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 $105,259 in 2023 and $90,858 in 2022. There were no basic or optional employer contributions made during 2023 or 2022.

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 10% discount determined by the board of directors as stipulated in the plan. The Corporation sold from treasury 1,822 shares of stock in 2023 and 4,062 shares of stock in 2022 under the plan.

The Bank has entered into various agreements with certain directors to provide 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, 2023 and 2022, the Bank's liability for such deferred compensation payments amounted to $295,329 and $293,757, respectively. The Bank has also entered into agreements with certain officers and directors to provide supplemental retirement benefits. The Bank has provided a liability for estimated accumulated supplemental retirement benefits of $341,069 at December 31, 2023 and $292,471 at December 31, 2022.

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 $4,082,650 and $4,588,418 at December 31, 2023 and 2022, 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	
	2023	2022
Commitments to Extend Credit, Including Unfunded Commitments Under Lines of Credit	$ 31,526,000	$ 29,757,000
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

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities <is/is not> included in computing regulatory capital. Management believes as of December 31, 2023, the Company and Bank meet all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2023 and 2022, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s category.

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, 2023						
Total Capital (to Risk-Weighted Assets)	$ 23,240	12.08%	$ 15,391	≥ 8.0%	$ 19,239	≥ 10.0%
Common Equity Tier I Capital (to Risk-Weighted Assets)	$ 21,054	10.94%	$ 8,657	≥ 4.5%	$ 12,505	≥ 6.5%
Tier I Capital (to Risk-Weighted Assets)	$ 21,054	10.94%	$ 11,543	≥ 6.0%	$ 15,391	≥ 8.0%
Tier I Capital (to Average Assets)	$ 21,054	8.03%	$ 10,491	≥ 4.0%	$ 13,114	≥ 5.0%
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%

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.

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, 2023	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Recurring - Securities				
Available-for-Sale:				
U.S. Treasury Bonds and Notes	$ 9,872,852	$ -	$ -	$ 9,872,852
U.S. Government and Federal Agency Obligations	-	25,122,318	-	25,122,318
Obligations of State and Political Subdivisions	-	12,558,751	-	12,558,751
Mortgage-Backed	-	14,230,993	-	14,230,993
Total Recurring	$ 9,872,852	$ 51,912,062	$ -	$ 61,784,914

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

There were no financial instruments measured at fair value that moved to a lower level in the fair value hierarchy during 2023 and 2022 due to the lack of observable quotes in inactive markets for those instruments at December 31, 2023 and 2022.

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, 2023 and 2022.

NOTE 13 LEASES

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 2023 and 2022. Future commitments at December 31, 2023 under the extended lease terms amount to $175,000, with $25,000 payable annually through December 31, 2030. The Company has additional renewal options to extend the lease through December 31, 2050 with total remaining lease payments including the renewal options of approximately $675,000.

The Bank has elected to use a risk-free rate as the discount rate for all classes of assets with the discount rate of 2.05%. The Bank includes lease extension options in the lease term if after considering relevant factors it is reasonably certain the Bank will exercise the option.

Right of use assets represent the right to use the underlying asset for the lease term. Lease liabilities represent the Bank'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 $536,341 and $568,492 as of December 31, 2023 and 2022, respectively.

Rent expense under operating leases amounted to $50,922 in 2023 and $45,964 in 2022 and are reported in occupancy and equipment expense in the accompanying consolidated statements of operations. Amortization of the right to use assets amounted to $32,151 in 2023 and $31,499 in 2022.

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.

Jared Lehman, Chair; President & CEO Lima Family YMCA
John B. Arnold, Vice Chair; Local Business Owner
J. Peter Suter, Local Business Owner
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
Brendon Matthews, Chief Lending Officer

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
Jennifer Vastano, Chief Operating Officer

Annual Meeting

April 27, 2024 – 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, 2023

Todd A. Mason	President and Chief Executive Officer
Larry E. Hoffman	Chief Financial Officer
Brendon Matthews	Chief Lending Officer
Jennifer Vastano	Chief Operating Officer
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/Consumer Loan Officer

Estefania Aurand
Denise Bauer
Alison Brumbaugh
Sally Burris
Brent Dawson
Christy Diller
Kacy Duling
Brittany Font
Brandie Galvis
Courtney Geus
Quintessia Gibson
Emily Haag
Roseann Hoffman
Jolinda Hovest
Melissa Johnston
Sarah Klausing
Trevor Kline
Kendra Kuhlman
Christina Lauria
Carly Lehmann
Laura Lugibihl
Angel Martin
Joseph Mayberry
Jamie Miller
Tanya Miller
Sydney Morgan
Angela Morman
Benjamin Moser
Kurt Mullins
Kristen Mullins
Levi Ostrowski
Victoria Parsons
Elizabeth Reynolds
Zachary Simon
Martrice Smith
Dawn Snider
Katherine Stoudinger
Stacy Stumbaugh
Addison Traylor
Adrienne Warren
Melissa Warren

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 B. 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
Brendon Matthews
2023 - 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.

Our mission is to improve lives through community banking.

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