RICHWOOD
BANCSHARES, INC.

Richwood Bancshares, Inc.
2022 Annual Report

CONSOLIDATE FINANCIAL STATEMENTS
DECEMBER 2022 AND 2021
(WITH INDEPENDENT AUDITOR'S REPORT)

YOU INVEST

IN US,

CONSIDER BANKING

WITH US.

Schedule an appointment today & join Richwood Bank for the service you deserve!

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RICHWOOD BANK

LEADERSHIP TEAM

Chad L. Hoffman • President / CEO
Kevin Ackerman • Chief Information Security Officer
Jim Blevins • Chief Information Officer
Matt Clark • Chief Banking Officer
Rebecca Dinovo • Chief Administrative Officer
Brian J. Gehres • Chief Credit Officer
Ash Khatib • Chief Financial Officer
Jamie L. Kibler • Chief Compliance Officer
Heather A. Wirtz • Chief Experience Officer
Jennifer S. Wolf • Chief of Staff

BOARD OF DIRECTORS

Joined Board In

1987	**Dan J. Anderson** • Retired, Realtor
2002	**Kyle Stofcheck** • Stofcheck-Ballinger Funeral Home
2006	**Jeffrey S. Marsh** • Retired, The Scott's Company
2006	**Chad L. Hoffman** • President and CEO Richwood Bank
2007	**Joseph J. Wiley**** • Real Estate Agent / Farmer
2010	**Jean Smith** • Retired, Parrott Implement
2010	**Mark W. Leibold** • Holbrook & Manter
2018	**J. William Stapleton** • Retired, President/CEO Home City Bank
2020	**Darin P. Skinner** • Hardscrabble Farms
2020	**Maggie Walker** • Village Mart

*** Chairman of the Board*

Richwood Office
28 N. Franklin St.
Richwood, OH 43344

Plain City Office
601 W. Main St.
Plain City, OH 43064

Marysville Office
250 E. Fifth St.
Marysville, OH 43040

LaRue Office
26 S. High St.
LaRue, OH 43332

Huntsville Office
4848 Napoleon St.
Huntsville, OH 43324

Delaware Office
1512 W. William St.
Delaware, OH 43015

Springfield Office
2454 N. Limestone St.
Springfield, OH 45503

Springfield Downtown
63 W. Main St.
Springfield, OH 45502

Bellefontaine Office
120 E Sandusky Ave.
Bellefontaine, OH 43311

Richwood Financial Services Inc.
28 N. Franklin St.
Richwood, OH 43344

Marketing Office
15 E. Ottawa St.
Richwood, OH 43344

Richwood Payroll
28 N. Franklin St.
Richwood, OH 43344

Dear Shareholders,

I write to you today following news of the recent failures of Silicon Valley Bank in California and Signature Bank in New York. These were both large banks, with Silicon Valley Bank being the largest to fail since the financial crisis of 2008. Their failures were due to bad investment strategies, accepting crypto assets, and a heavy concentration of large tech company depositors that pulled their money from the bank as soon as signs of potential problems arose.

What is particularly worrisome about these events is that neither bank had roots in the communities they served, and both had mismanaged their customers' deposits. This is reminiscent of the financial crisis in 2008, when larger financial institutions took unnecessary risks to maximize their returns and own pocketbooks, leading to a "flight to safety" by customers. Historic amounts of money moved from Wall Street to Main Street as customers went back to the community banks they knew and trusted.

At Richwood Bank, we are proud to have grown 34% in 2009 following the financial crisis crash and have grown steadily ever since. We welcome additional customer deposits today. Our success is tied directly to the success of our communities, and we are built on the premise of trust. We lend to our service area, donate to organizations in our backyard, and serve on boards and committees in the towns where we all live. Our local depositors ensure that everyone in our communities has access to the financial services the big banks will not provide.

As Jim Burke, the Former Chairman and CEO of Johnson & Johnson said, "You can't have success without trust." Trust is a key factor in all human relationships, including business relationships, especially those that deal with the public. We thank you for investing not only your money with Richwood, but also your trust in our character and competency.

Our Vision is ***To Inspire, Protect, and Celebrate Anything That Helps Communities Thrive.*** We have an incredible team ready to serve, and we will continue to invest back in the least risky investment we know...you.

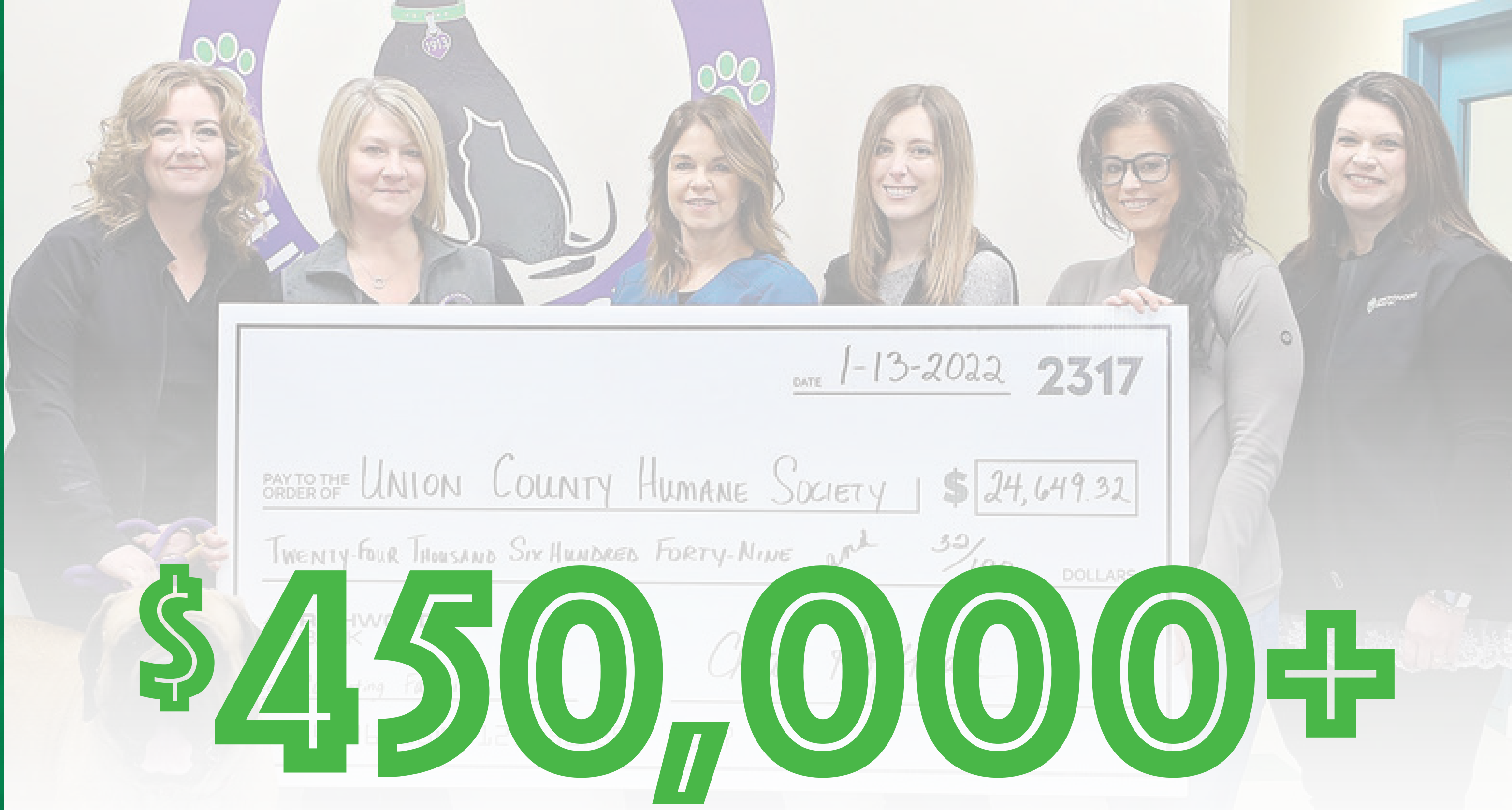
Sincerely,

Chad L. Hoffman, President / CEO
Richwood Bancshares, Inc.

WE ARE

Richwood Coffee!

Our mission is to support and foster the communities that we are a part of. We offer a variety of delicious drinks in return for a donation to the local charity of your choice. **100% of your donation goes to your selected charity!** We have a wide variety of charities to choose from that are active in the local communities of our customers. Although we are conveniently located within select Richwood Bank lobbies, you don't need to have an account to enjoy a drink and support your community. Anyone can be a Richwood Coffee patron and enjoy a drink from our menu. We offer seven basic drinks that can be customized as mush as you'd like, so that you can suit your taste and health preferences.



$450,000+

IN DONATIONS

SINCE OPENING OUR FIRST COFFEE SHOP IN 2017

"

TAYLOR

Great coffee, friendly staff, and **I love knowing the profits are going towards a good cause in the community.**

"

"

CARE TRAIN OF UNION COUNTY

Thank you Richwood Coffee and Union County for **helping to support our mission!**

"

"

ALLISON

Richwood Coffee is the BEST! Sometimes you want to go where everybody knows your name.

"

RICHWOOD COFFEE LOCATIONS »

Richwood


Marysville

Springfield


Bellefontaine


Delaware

COMING SOON!
Plain City

RICHWOOD BANCSHARES, INC.

AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2022 and 2021
(with Independent Auditors' Report)

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212

INDEPENDENT AUDITORS' REPORT

To the Board of Directors, Audit Committee and Stockholders
of Richwood Bancshares, Inc. and Subsidiaries
Richwood, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Richwood Bancshares, Inc. and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our 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 Richwood Bancshares, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Richwood 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 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Richwood 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Richwood 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 audit, significant audit findings, and certain control related matters that we identified during the audit.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 17, 2023

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
ASSETS		
Cash and cash equivalents:		
Cash and cash due from banks	$ 19,450	$ 14,877
Federal funds sold	5,061	3,708
	24,511	18,585
Investment securities:		
Available-for-sale securities, at fair value	289,647	317,818
Held-to-maturity securities, at cost	4,091	4,138
Loans held for sale	659	525
Loans receivable, net	727,316	581,746
Accrued interest receivable	5,026	4,131
Other real estate owned	-	20
Premises and equipment	17,326	18,240
Federal Reserve and other stock, at cost	710	613
Federal Home Loan Bank stock, at cost	3,447	3,372
Bank-owned life insurance	17,659	17,214
Core deposit intangible	782	981
Goodwill	5,939	6,942
Deferred income taxes	12,162	562
Other assets	3,067	2,954
TOTAL ASSETS	$ 1,112,342	$ 977,841
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand	$ 73,547	$ 64,447
Savings, NOW and money market	784,191	673,940
Time	133,198	129,440
	990,936	867,827
Borrowings	49,000	18,148
Subordinated debentures, net of $264 issuance costs at December 31, 2022	14,736	-
Accrued interest payable	526	114
Accrued expenses and liabilities	2,140	1,971
	1,057,338	888,060
Shareholders' equity:		
Common stock, $0.625 par value, 4,400,300 shares authorized; 1,656,709 and 1,642,336 shares issued; 1,650,838 and 1,640,442 shares outstanding at December 31, 2022 and 2021, respectively	1,035	1,026
Treasury stock, 5,871 and 1,894 shares, at cost, at December 31, 2022 and 2021, respectively	(427)	(134)
Additional paid-in capital	28,664	27,626
Retained earnings	71,740	64,193
Accumulated other comprehensive loss, net of tax	(46,008)	(2,930)
	55,004	89,781
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,112,342	$ 977,841

See accompanying notes to the consolidated financial statements.

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands, except per share data)

	2022	2021
Interest income:		
Loans	$ 32,769	$ 32,991
Securities:		
Taxable	4,082	2,760
Tax-exempt	2,331	1,930
Other	571	195
	39,753	37,876
Interest expense:		
Deposits	3,431	3,228
Borrowings	1,353	1,016
	4,784	4,244
Net interest income	34,969	33,632
Provision (benefit) for loan losses	(1,915)	1,200
Net interest income after provision (benefit) for loan losses	36,884	32,432
Non-interest income:		
Service charges and fees	3,575	3,004
Net realized gain (loss) on available-for-sale securities	(22)	98
Gain on sale of loans	275	1,716
Increase in cash surrender value on bank-owned life insurance	445	435
Other	1,602	1,356
	5,875	6,609
Non-interest expense:		
Salaries and employee benefits	15,152	12,607
Net occupancy expense	3,043	2,849
Goodwill and intangible asset amortization	1,202	1,202
Deposit insurance premium	252	574
Data processing	5,298	3,578
State franchise taxes	718	602
Professional fees	1,231	1,257
Sales and marketing	877	730
Other	3,757	2,448
	31,530	25,847
Income before income taxes	11,229	13,194
Provision for income taxes	1,958	2,393
Net income	$ 9,271	$ 10,801
Earnings per share of common stock	$ 5.64	$ 6.73

See accompanying notes to the consolidated financial statements.

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
Net income	$ 9,271	$ 10,801
Other comprehensive income (loss), net of tax		
Available-for-sale investment securities:		
Unrealized gains losses on available-for-sale securities arising during the year, net of tax of $(11,456) and $(1,499) in 2022 and 2021, respectively	(43,095)	(5,640)
Reclassification adjustment for recognized gains on available-for-sale securities during the year, net of tax of $5 and $(21) in 2022 and 2021, respectively	17	(77)
Other comprehensive loss	(43,078)	(5,717)
Comprehensive income (loss)	$ (33,807)	$ 5,084

See accompanying notes to the consolidated financial statements.

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands, except share data)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at January 1, 2021	1,484,744	$ 928	166	$ (11)	$ 17,084	$ 54,496	$ 2,787	$ 75,284
Net income	-	-	-	-	-	10,801	-	10,801
Other comprehensive loss, net of tax	-	-	-	-	-	-	(5,717)	(5,717)
Sale of common stock	157,592	98	-	-	10,542	-	-	10,640
Dividends on common stock, $0.68 per share	-	-	-	-	-	(1,104)	-	(1,104)
Sale of treasury stock	-	-	(33,640)	2,358	-	-	-	2,358
Purchase of treasury stock	-	-	35,368	(2,481)	-	-	-	(2,481)
Balance at December 31, 2021	1,642,336	1,026	1,894	(134)	27,626	64,193	(2,930)	89,781
Net income	-	-	-	-	-	9,271	-	9,271
Other comprehensive loss, net of tax	-	-	-	-	-	-	(43,078)	(43,078)
Sale of common stock	14,373	9	-	-	1,041	-	-	1,050
Dividends on common stock, $1.05 per share	-	-	-	-	-	(1,724)	-	(1,724)
Share based compensation, net of forfeitures	-	-	-	-	231	-	-	231
Acquisition of treasury shares surrendered upon vesting of restricted stock for payment of taxes	-	-	(1,848)	138	(96)	-	-	42
Sale of treasury stock	-	-	(10,569)	784	(138)	-	-	646
Purchase of treasury stock	-	-	16,394	(1,215)	-	-	-	(1,215)
Balance at December 31, 2022	1,656,709	$ 1,035	5,871	$ (427)	$ 28,664	$ 71,740	$ (46,008)	$ 55,004

See accompanying notes to the consolidated financial statements.

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
Cash flows from operating activities:		
Net income	$ 9,271	$ 10,801
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and discounts on securities, net	1,717	2,113
Net realized loss (gain) on available-for-sale securities	22	(98)
Provision (benefit) for loan losses	(1,915)	1,200
Amortization	1,261	1,202
Gain on sale of loans	(275)	(1,716)
Proceeds from the sale of loans	11,977	39,950
Origination of loans held for sale	(11,836)	(33,969)
Depreciation	1,745	1,535
Net loss on disposal of premises and equipment	4	92
Gain on sale of other real estate owned	(24)	-
Debt issuance costs	(323)	-
Share based compensation expense	231	-
Increase in cash surrender value on bank-owned life insurance	(445)	(435)
Deferred income taxes	(149)	600
Changes in operating assets and liabilities:		
Accrued interest receivable	(895)	19
Other assets	(113)	(1,238)
Accrued interest payable	412	(96)
Accrued expenses and other liabilities	169	71
Net cash provided by operating activities	10,834	20,031
Cash flows from investing activities:		
Purchases of available-for-sale securities	(55,096)	(225,224)
Proceeds from calls, maturities, and paydowns of available-for-sale securities	26,784	46,818
Proceeds from calls, maturities, and paydowns of held-to-maturity securities	47	368
Proceeds from sales of available-for-sale securities	215	5,529
Net change in loans	(143,655)	1,678
Proceeds from sale of other real estate owned	44	-
Net purchase of FHLB stock	(75)	-
Purchase of Federal Reserve and other stock	(97)	(44)
Purchases of premises and equipment	(835)	(2,231)
Proceeds from disposal of premises and equipment	-	35
Net cash used in investing activities	(172,668)	(173,071)
Cash flows from financing activities:		
Net change in deposits	123,109	75,515
Net increases in (repayments of) FHLB borrowings	41,818	(1,730)
Repayments of other borrowings	(10,966)	(1,567)
Proceeds from issuance of subordinated debt	15,000	-
Proceeds from sale of common stock	1,050	10,640
Proceeds from sale of treasury stock	688	2,358
Purchase of treasury stock	(1,215)	(2,481)
Dividends paid	(1,724)	(1,104)
Net cash provided by financing activities	167,760	81,631

See accompanying notes to the consolidated financial statements.

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In thousands)

	2022	2021
Net change in cash and cash equivalents	5,926	(71,409)
Cash and cash equivalents, beginning of year	18,585	89,994
Cash and cash equivalents, end of year	$ 24,511	$ 18,585
Supplemental disclosures:		
Interest paid	$ 4,372	$ 4,340
Income taxes paid	$ 1,795	$ 1,475

See accompanying notes to the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting policies are set forth to facilitate the understanding of data presented in the consolidated financial statements:

Principles of consolidation

The consolidated financial statements include the accounts of Richwood Bancshares, Inc. (Company) and its wholly owned subsidiaries, The Richwood Banking Company (Bank) and Richwood Financial Services LLC (Financial Services). Intercompany transactions and balances have been eliminated in consolidation.

Nature of operations

The Company is a privately held bank holding company whose principal activity is the ownership and management of The Richwood Banking Company. The Bank generates commercial loans (including agricultural, mortgage, and consumer loans) and receives deposits from customers located primarily in Union, Marion, Logan, Delaware and Clark counties in Ohio and the surrounding areas. Accordingly, a substantial portion of the debtors' ability to honor their contracts is dependent upon the financial health of the local economy.

The Bank is a state-chartered bank subject to regulation by the Ohio Department of Commerce, Division of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC). The Bank is also a member of the Federal Home Loan Bank (FHLB) system, and as a member, maintains a required investment in the capital stock of the FHLB. The Company is subject to regulations by the Federal Reserve System through the Federal Reserve Bank of Cleveland.

Financial Services provides private banking services to its customers.

Deposit accounts are insured within certain limitations by the Deposit Insurance Fund (DIF), which is administered by the FDIC. An annual premium is required by the DIF for insurance of such deposits.

Basis of presentation

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (GAAP) as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB) and general practices within the financial services industry. All numerical disclosures within these consolidated footnotes are reported in thousands unless otherwise defined.

Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and economic conditions. In connection with the determination of the estimated losses on loans (the provision for loan losses on the consolidated statement of income) management must exercise judgment and obtain independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is possible that the estimated losses on loans could change materially in the near term. However, the amount of the change that is possible cannot be presently estimated.

Concentrations of credit risk

A significant majority of the Bank's loans and commitments to extend credit have been granted to customers in the Bank's market area. The Bank, as a matter of practice, does not extend credit to any single borrower or group of related borrowers in excess of $15.6 million.

Other financial instruments which subject the Bank to concentrations of credit risk include cash and cash due from banks and its stock in the Federal Home Loan Bank. The Company maintains cash in bank accounts which, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk. To limit this risk, the Bank's investment policy limits investing activities to high credit quality financial institutions and sets diversification practices.

Cash flows

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash, due from banks and federal funds sold with original maturities of 90 days or less. Net cash flows are reported for customer loan and deposit transactions.

Investment securities

Investment securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Investment securities are classified as available-for-sale when they might be sold before maturity for any reason, including liquidity needs, changes in market interest rates, or asset-liability management strategies. Investment securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported separately in shareholders' equity, net of applicable taxes. Investment securities are classified as trading when held for short-term periods in anticipation of market gains and are carried at fair value. At December 31, 2022 and 2021 investment securities were classified as held-to-maturity or available-for-sale.

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. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell or is more likely than not it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which is recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and amortized cost basis. For equity securities, the entire amount of impairment is recognized in the income statement. During the years ended December 31, 2022 and 2021, the Company recognized no impairment losses on investment securities for declines in value deemed by management to be other-than-temporary.

Low Income Housing Tax Credit

The Bank has invested in low-income housing tax credits through funds that assist corporations in investing in limited partnerships and limited liability companies that own, develop and operate low-income residential rental properties for purposes of qualifying for the Housing Tax credit. These investments assist in achieving goals associated with the Community Reinvestment Act. These investments are accounted for under the proportional amortization method which recognizes the amortization of the investment in proportion to the tax credit and other tax benefits received. These investments are included in other assets. For the years ended December 31, 2022, and 2021, the direct reduction of income taxes payable was approximately $80 and $34, respectively. The Bank has $172 of unfunded commitments related to these tax credits at December 31, 2022.

Loans held for sale

Loans originated and intended for sale are generally mortgage loans originated to be sold in the secondary market. These loans are carried at the lower of cost or market. Due to the short time existing between processing and sale, no valuation account is established. Mortgage loans held for sale are generally sold with servicing rights retained. 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.

Loans receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs, and an allowance for loan 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 interest method without anticipating prepayments.

Loans are placed on non-accrual status when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. Interest income is not reported when full loan repayment is in doubt, typically when payments are past due over 90 days and evaluated as such by management. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis, until qualifying for return to accrual. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for loan losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, current loan to value, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors.

Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general allocations. The specific allocation relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general allocation covers non-classified loans and is based on historical loss experience adjusted for current environmental factors.

A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a troubled debt restructuring (TDR). These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

TDRs are individually evaluated at the present value of estimated future cash flows using the loan's effective rate at inception including the probability of re-default. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of collateral. For TDRs that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general allocation covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: current loan to value, current credit score, levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: real estate, commercial secured and unsecured, and consumer secured and unsecured. The Bank reviews the credit risk exposure of all its portfolio segments by internally assessing risk factors. Risk factors impacting loans in each of the portfolio segments include broad deterioration of property values, and reduced credit availability.

Servicing Rights

When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts when available, or alternatively, based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to their carrying amount. Impairment, if any, is recognized through a valuation allowance to the extent that fair value is less than the carrying amount. If the Bank later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Other real estate owned

Real estate acquired through, or in lieu of, loan foreclosure is recorded at the lower of cost or fair value less estimated costs of disposal at the date of foreclosure. However, in no case is the carrying value of the asset greater than the estimated net realizable value after considering costs to hold and dispose. If fair value less estimated costs to sell subsequently falls below the carrying amount, the deficiency is recognized as other non-interest expense. Costs relating to significant development and improvement of property are capitalized to the extent the fair value less estimated cost to sell is not exceeded. Costs relating to the holding of property are expensed as incurred. Gain or loss on sale of the assets is based on the specific identification method.

The Bank had no foreclosed real estate held for sale at December 31, 2022. The Bank had $20 in foreclosed real estate held for sale at December 31, 2021. There were no in-foreclosure losses that were charged off to the allowance for loan losses or subsequent write-downs of foreclosed real estate during 2022 and 2021. Other real estate owned expenses recognized in other expenses during 2022 and 2021 were immaterial to the consolidated financial statements.

Premises and equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation computed on a straight-line and accelerated methods over the estimated useful lives of the related assets. Building and improvements are depreciated over useful lives ranging from 3 to 39 years. Furniture, fixtures and equipment are depreciated over useful lives ranging from 3 to 15 years. Gains and losses on dispositions are included in current operations. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized.

Federal Home Loan Bank and Federal Reserve Bank stock

Common stock of the FHLB, Federal Reserve Bank, and others represent ownership in institutions which are wholly owned by other financial institutions. These equity securities are accounted for at cost and evaluated for impairment.

The Bank is a member of the FHLB of Cincinnati and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is purchased from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost, and evaluated by management. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted, (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance, (c) the impact of legislative and regulatory changes on the customer base of the FHLB, and (d) the liquidity position of the FHLB.

Bank-owned life insurance

The Bank has purchased life insurance policies on certain key employees. 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 of settlement. The cash surrender value of these policies is included as an asset on the consolidated balance sheets, and any increases in the cash surrender value are recorded as non-interest income on the consolidated statement of income. In the event of the death of an insured individual under these policies, the Bank would receive a non-taxable death benefit, which would be recorded as non-interest income.

Goodwill

Goodwill arises from business combinations and is generally determined as the excess of the fair value of the consideration transferred over the fair value of net assets acquired and liabilities assumed as of the acquisition date. Due to the private company status, the Company has elected to amortize goodwill on a straight-line basis over 10 years, or a period of less than 10 years if they can demonstrate that another useful life is more appropriate.

Intangible assets

Intangible assets include core deposit intangibles and other items associated with the 2018 merger. Core deposit intangibles are a measure of the value of consumer demand and savings deposits acquired in business combinations accounted for as purchases. The core deposit intangibles are being amortized to their estimated residual values over their expected useful lives, commonly seven to ten years. The recoverability of the carrying value of intangible assets is evaluated on an ongoing basis, and permanent declines in value, if any, are charged to expense.

Income tax

Income taxes are provided for the tax effects of the transactions reported in the consolidated financial statements. The income tax provision consists of taxes currently due and deferred taxes. Deferred taxes represent the tax effects of the temporary differences in the basis of certain assets and liabilities for tax and financial statement purposes. The deferred taxes of future deductible or taxable amounts that have been recognized on a cumulative basis in the consolidated financial statements are calculated at current effective tax rates.

The Company's policy with regard to interest and penalties is to recognize interest through interest expense and penalties through other expenses. There were no interest or penalties paid in 2022 or 2021. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes its estimates are appropriate based on current facts and circumstances.

The Company and its subsidiaries are subject to U.S. federal income tax. The Company is no longer subject to examination by taxing authorities for years before 2019.

Advertising costs
The Company expenses all advertising costs as incurred and these costs are immaterial to the consolidated financial statements.

Retirement plans
The Bank has a 401(k) plan with a 3% contribution from the Bank regardless of employee participation. Accordingly, the Bank has recognized expense of $340 and $282 for the years ended December 31, 2022 and 2021, respectively.

Treasury stock
Common shares repurchased are recorded at fair value. The cost of shares retired or reissued is determined using the first in, first out method.

Earnings per share of common stock
Earnings per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Earnings and dividends per share are restated for all stock splits and stock dividends through the date of issuance of the consolidated financial statements.

Stock based compensation
Stock based compensation cost is recognized for restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. The market price of the Company's common stock at the grant date is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company's accounting policy is to recognize forfeitures as they occur.

Comprehensive income (loss)
Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale which are also recognized as separate components of equity.

Dividend restrictions
The Bank is subject to dividend restrictions that generally limit the amount of dividends that can be paid by an Ohio state-chartered bank. Under the Ohio Banking Code, cash dividends may not exceed net profits as defined for that year combined with retained net profits for the two preceding years less any required transfers to surplus.

Off-balance sheet financial instruments
In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit. Such financial instruments are recorded in the financial statements when they become payable.

Reclassifications
Certain reclassifications have been made to the previous consolidated financial statements to conform to

the 2022 consolidated financial statement presentation. These reclassifications had no effect on the reported consolidated net income or retained earnings.

Subsequent events
The Company evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through March 17, 2023, the date on which the financial statements were available to be issued. See Note 17 for further discussion.

Effects of recent accounting pronouncements
In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which changes the impairment model for most financial assets. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the ASU is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The consolidated income statements will be affected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2022, and early adoption is permitted for annual and interim periods now at any time. With certain exceptions, transition to the new requirements will be through a cumulative effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. See Note 17 for further information.

2. INVESTMENT SECURITIES:

Amortized cost and fair value of investment securities, by category, consist of the following at December 31, 2022 and 2021:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. Government agencies	$ 4,995	$ -	$ (102)	$ 4,893
Obligations of states and political subdivisions	111,230	26	(21,364)	89,892
Mortgage-backed securities in Government-sponsored entities	223,649	-	(36,236)	187,413
Corporate bonds	8,011	-	(562)	7,449
	$ 347,885	$ 26	$ (58,264)	$ 289,647
Held-to-maturity securities:				
Obligations of states and political subdivisions	$ 4,091	$ -	$ -	$ 4,091

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Obligations of states and political subdivisions	$ 101,626	$ 1,214	$ (1,264)	$ 101,576
Mortgage-backed securities in Government-sponsored entities	219,901	1,047	(4,706)	216,242
	$ 321,527	$ 2,261	$ (5,970)	$ 317,818
Held-to-maturity securities:				
Obligations of states and political subdivisions	$ 4,138	$ -	$ -	$ 4,138

The tables below show the Company's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2022 and 2021.

	December 31, 2022					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities:						
U.S. Government agencies	$ 4,893	$ (102)	$ -	$ -	$ 4,893	$ (102)
Obligations of states and political subdivisions	38,874	(6,203)	48,525	(15,161)	87,399	(21,364)
Mortgage-backed securities in Government-sponsored entities	49,271	(5,364)	138,142	(30,872)	187,413	(36,236)
Corporate bonds	7,449	(562)	-	-	7,449	(562)
	$ 100,487	$ (12,231)	$ 186,667	$ (46,033)	$ 287,154	$ (58,264)
Number of investments	147		139		286	

	December 31, 2021					
	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities:						
Obligations of states and political subdivisions	$ 59,616	$ (1,149)	$ 3,666	$ (115)	$ 63,282	$ (1,264)
Mortgage-backed securities in Government-sponsored entities	177,445	(4,476)	5,957	(230)	183,402	(4,706)
	$ 237,061	$ (5,625)	$ 9,623	$ (345)	$ 246,684	$ (5,970)
Number of investments	132		8		140	

Management does not intend to sell these securities, and it is more likely than not the Bank will retain, and not be required to sell these securities in an unrealized loss position prior to the recovery of value. The Bank has concluded that the unrealized losses disclosed above are not other than temporary but are the result of interest rate changes, sector credit ratings changes, or entity-specific rating changes that are not expected to result in the non-collection of principal and interest during the period. The fair values are expected to recover as securities approach their maturity dates.

Contractual maturities of debt securities available for sale at December 31, 2022 are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 4,496	$ 4,471	$ 429	$ 429
Due after one year through five years	9,168	8,799	1,753	1,753
Due after five years through ten years	12,766	11,287	1,909	1,909
Due after ten years	321,455	265,090	-	-
	$ 347,885	$ 289,647	$ 4,091	$ 4,091

Investment securities with a fair value of $132,562 and $160,278 were pledged at December 31, 2022 and 2021, respectively, to secure certain deposits and for other purposes as permitted or required by law.

The proceeds from sales of available-for-sale securities and the associated gains and losses were as follows:

	2022	2021
Proceeds	$ 215	$ 5,627
Gross gains	-	116
Gross losses	(22)	(18)

3. LOANS RECEIVABLE:

The composition of loans is as follows at December 31:

	2022	2021
Real estate:		
Residential	$ 239,294	$ 199,136
Commercial	269,718	191,874
Agricultural	118,954	87,896
Lines of credit	18,008	14,255
Total real estate	645,974	493,161
Commercial, industrial and agricultural:		
Secured	68,119	61,653
Unsecured	7,987	5,513
SBA PPP	293	13,408
Leases	8,903	13,771
Total commercial, industrial and agricultural	85,302	94,345
Consumer:		
Secured	3,266	3,076
Unsecured	379	554
Total consumer	3,645	3,630
Total loans	734,921	591,136
Less: deferred loan origination costs, net	(1,762)	(1,107)
Less: allowance for loan losses	(5,843)	(8,283)
Net loans	$ 727,316	$ 581,746

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

Residential real estate loans are secured by 1-4 family residences and are both owner-occupied and nonowner-occupied. The Bank generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market area, such as unemployment levels. Repayment can also be impacted by changes in property values of residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Commercial real estate loans, including farmland and nonfarm loans, are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves larger 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. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Bank's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Bank's market area.

Management monitors and evaluates commercial real estate loans based on cash flow, collateral, geography and risk grade criteria.

Construction loans related to both residential and commercial loans are underwritten utilizing feasibility studies, independent reviews and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. Actual results may differ from these estimates. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Bank until permanent financing is obtained. 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, governmental regulation of real property, general economic conditions and the availability of financing. Construction loans are short-term in nature.

Commercial, industrial and agricultural loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and usually include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrowers to collect amounts due from its customers.

Consumer loans consist of two segments - automobile loans and residential real estate. Automobile loans are generally secured by the automobile being financed or other personal assets. Residential real estate loans are typically secured by 1-4 family residences. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market area, such as unemployment levels, and secondarily on the collateral securing the loan. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

SBA PPP loans

Beginning in April of 2020, the Company participated in the Paycheck Protection Program (“PPP”), administrated by the Small Business Administration (SBA), in assisting its borrowers with additional liquidity. PPP loans are 100% guaranteed by the SBA and carry a fixed rate of 1% with a two-year contractual maturity (loans originated before June 5, 2020) or five years (loans originated on or after June 5, 2020), if not forgiven. Payments are deferred until either the date on which the SBA remits the amount of forgiveness proceeds to the lender or the date that is 10 months after the last day of the covered period if the borrower does not apply for forgiveness within that 10-month period. The Company was paid a processing fee from the SBA ranging from 1% to 5% based on the size of the loan. The Company also participated in the second round of PPP beginning in January 2021. The Company was paid a processing fee from the SBA ranging from 1% to 5% based on the size of the loan with a minimum fee of $2,500 per loan originated under $50,000. The terms of the new loans were the same as the loans generated after June 5, 2020. At December 31, 2022 and 2021, PPP loans, net of unearned fees of approximately $0 million and $0.7 million totaled approximately $0.3 million and $14.1 million, respectively.

Allowance for loan losses

The Bank has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Bank's portfolio. For purposes of determining the allowance for loan losses, the Bank segments certain loans in its portfolio by product type. The Bank's loans are segmented into the following pools: real estate; commercial, industrial and agricultural; and consumer portfolios. Each pool of loans requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Bank uses both internally developed and vendor supplied models in this process. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions the Bank uses to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

The following table presents the changes in the allowance for loan losses and the recorded investment in loans as of and for the years ended December 31:

	2022					
	Real Estate	Commercial, Industrial and Agricultural	SBA PPP	Leases	Consumer	Total
Allowance for loan losses:						
Beginning balance	$ 7,605	$ 453	$ -	$ 138	$ 87	$ 8,283
Provision (benefit)	(2,298)	147	-	95	141	(1,915)
Charge-offs	(360)	(115)	-	(102)	(135)	(712)
Recoveries	128	43	-	-	16	187
Ending balance	$ 5,075	$ 528	$ -	$ 131	$ 109	$ 5,843
Ending balance:						
Individually evaluated for impairment	962	-	-	-	-	962
Collectively evaluated for impairment	4,113	528	-	131	109	4,881
Loans receivable:						
Ending balance	645,974	76,106	293	8,903	3,645	734,921
Ending balance:						
Individually evaluated for impairment	22,306	-	-	-	-	22,306
Collectively evaluated for impairment	623,668	76,106	293	8,903	3,645	712,615

	2021					
	Real Estate	Commercial, Industrial and Agricultural	SBA PPP	Leases	Consumer	Total
Allowance for loan losses:						
Beginning balance	$ 6,036	$ 756	$ -	$ -	$ 374	$ 7,166
Provision (benefit)	1,503	(223)	-	138	(218)	1,200
Charge-offs	(2)	(127)	-	-	(80)	(209)
Recoveries	68	47	-	-	11	126
Ending balance	$ 7,605	$ 453	$ -	$ 138	$ 87	$ 8,283
Ending balance:						
Individually evaluated for impairment	4,539	18	-	-	9	4,566
Collectively evaluated for impairment	3,066	435	-	138	78	3,717
Loans receivable:						
Ending balance	493,161	67,166	13,408	13,771	3,630	591,136
Ending balance:						
Individually evaluated for impairment	15,994	206	-	-	9	16,209
Collectively evaluated for impairment	477,167	66,960	13,408	13,771	3,621	574,927

Credit Risk Profile Categories

Loan grades are numbered 1 through 8. Grades 1 through 4 are considered pass grades. The grade of 5, or Special Mention, represents loans of lower quality and signs of potential weakness. The grades of 6, or Substandard, and 7, or Doubtful, refer to assets that are classified. The use and application of these grades by the Company will be uniform and shall conform to the Company's policy.

Excellent (1) loans are of superior quality with excellent credit strength and repayment ability proving a nominal credit risk.

Good (2) loans are of above average credit strength and repayment ability proving only a minimal credit risk.

Satisfactory (3) loans are of reasonable credit strength and repayment ability proving an average credit risk due to one or more underlying weaknesses.

Watch (4) borrowers in this grade are still considered acceptable from quality standpoint but have risk factors more substantial than for the typical satisfactory graded loan. Although identified weaknesses are present, performance on loans is acceptable with only moderate delinquency.

Special Mention (5) assets have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (6) loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful (7) loans classified as doubtful have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Loss (8) loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off even though partial recovery may be affected in the future.

The following tables represent the credit risk profile by creditworthiness category at December 31, 2022 and 2021:

	Credit Risk Profile by Internally Assigned Grade December 31, 2022					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real Estate:						
Residential	$ 234,719	$ 989	$ 3,586	$ -	$ -	$ 239,294
Commercial	243,305	7,004	19,409	-	-	269,718
Agricultural	118,543	-	411	-	-	118,954
Lines of Credit	17,921	6	81	-	-	18,008
Total real estate	614,488	7,999	23,487	-	-	645,974
Commercial, Industrial and Agricultural:						
Secured	67,252	706	161	-	-	68,119
Unsecured	7,849	-	138	-	-	7,987
SBA PPP	293	-	-	-	-	293
Leases	8,903	-	-	-	-	8,903
Total commercial, industrial and agricultural	84,297	706	299	-	-	85,302
Consumer:						
Secured	3,266	-	-	-	-	3,266
Unsecured	379	-	-	-	-	379
Total consumer	3,645	-	-	-	-	3,645
Total	$ 702,430	$ 8,705	$ 23,786	$ -	$ -	$ 734,921

	Credit Risk Profile by Internally Assigned Grade					
	December 31, 2021					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real Estate:						
Residential	$ 193,930	$ 4,143	$ 1,063	$ -	$ -	$ 199,136
Commercial	166,428	10,550	14,896	-	-	191,874
Agricultural	87,479	-	417	-	-	87,896
Lines of Credit	14,145	-	110	-	-	14,255
Total real estate	461,982	14,693	16,486	-	-	493,161
Commercial, Industrial and Agricultural:						
Secured	61,031	442	180	-	-	61,653
Unsecured	5,332	-	181	-	-	5,513
SBA PPP	13,408	-	-	-	-	13,408
Leases	13,771	-	-	-	-	13,771
Total commercial, industrial and agricultural	93,542	442	361	-	-	94,345
Consumer:						
Secured	3,072	4	-	-	-	3,076
Unsecured	554	-	-	-	-	554
Total consumer	3,626	4	-	-	-	3,630
Total	$ 559,150	$ 15,139	$ 16,847	$ -	$ -	$ 591,136

The following tables include an aging analysis of loans by class at December 31:

2022

	31 - 59 days past due	60 - 89 days past due	90+ days past due	Total past due	Total current and accruing	Total current and nonaccruing	Total loans receivable	Nonaccrual	Recorded Investment > 90 days & accruing
Real Estate:									
Residential	$ 1,392	$ -	$ 89	$ 1,481	$ 237,723	$ 90	$ 239,294	$ 214	$ -
Commercial	983	1,636	2,456	5,075	264,643	-	269,718	2,456	-
Agricultural	-	-	-	-	118,954	-	118,954	-	-
Lines of Credit	36	-	-	36	17,967	5	18,008	6	-
	2,411	1,636	2,545	6,592	639,287	95	645,974	2,676	-
Commercial, Industrial and Agricultural:									
Secured	41	170	22	233	67,886	-	68,119	192	-
Unsecured	-	138	-	138	7,849	-	7,987	138	-
SBA PPP	-	-	-	-	293	-	293	-	-
Leases	46	-	173	219	8,684	-	8,903	-	173
	87	308	195	590	84,712	-	85,302	330	173
Consumer:									
Secured	-	-	5	5	3,261	-	3,266	5	-
Unsecured	-	-	-	-	379	-	379	1	-
	-	-	5	5	3,640	-	3,645	6	-
Total	$ 2,498	$ 1,944	$ 2,745	$ 7,187	$ 727,639	$ 95	$ 734,921	$ 3,012	$ 173

2021

	31 - 59 days past due	60 - 89 days past due	90+ days past due	Total past due	Total current and accruing	Total current and nonaccruing	Total loans receivable	Nonaccrual	Recorded Investment > 90 days & accruing
Real Estate:									
Residential	$ 1,193	$ 134	$ 88	$ 1,415	$ 197,642	$ 79	$ 199,136	$ 260	$ -
Commercial	838	-	68	906	184,086	6,882	191,874	7,023	-
Agricultural	-	-	87	87	87,809	-	87,896	86	-
Lines of Credit	232	-	57	289	13,966	-	14,255	57	-
	2,263	134	300	2,697	483,503	6,961	493,161	7,426	-
Commercial, Industrial and Agricultural:									
Secured	45	14	188	247	61,402	4	61,653	188	-
Unsecured	-	-	18	18	5,495	-	5,513	18	-
SBA PPP	5	-	-	5	13,403	-	13,408	-	-
Leases	-	-	-	-	13,771	-	13,771	-	-
	50	14	206	270	94,071	4	94,345	206	-
Consumer:									
Secured	-	4	1	5	3,071	-	3,076	8	-
Unsecured	1	1	-	2	552	-	554	1	-
	1	5	1	7	3,623	-	3,630	9	-
Total	$ 2,314	$ 153	$ 507	$ 2,974	$ 581,197	$ 6,965	$ 591,136	$ 7,641	$ -

The following tables present the recorded investment and unpaid principal balances for impaired loans by class and category of loan at December 31:

	2022				
	Recorded Investment	Unpaid Principal Balance	Allowance	Average Recorded Investment	Interest Income Recognized
With no specific allowance recorded					
Real Estate:					
Residential	$ 2,822	$ 2,822	$ -	$ 2,898	$ 155
Commercial	16,215	16,215	-	18,920	1,265
Agricultural	411	411	-	411	19
Lines of credit	-	-	-	-	-
Commercial, industrial and agricultural:					
Secured	-	-	-	-	-
Unsecured	-	-	-	-	-
SBA PPP	-	-	-	-	-
Leases	-	-	-	-	-
Consumer:					
Secured	-	-	-	-	-
Unsecured	-	-	-	-	-
	$ 19,448	$ 19,448	$ -		$ 1,439
With specific allowance recorded					
Real Estate:					
Residential	-	-	-	-	-
Commercial	2,858	2,858	962	2,746	149
Agricultural	-	-	-	-	-
Lines of credit	-	-	-	-	-
Commercial, industrial and agricultural:					
Secured	-	-	-	-	-
Unsecured	-	-	-	-	-
SBA PPP	-	-	-	-	-
Leases	-	-	-	-	-
Consumer:					
Secured	-	-	-	-	-
Unsecured	-	-	-	-	-
	2,858	2,858	962		149
Total					
Real Estate:					
Residential	$ 2,822	$ 2,822	$ -		$ 155
Commercial	19,073	19,073	962		1,414
Agricultural	411	411	-		19
Lines of credit	-	-	-		-
Commercial, industrial and agricultural:					
Secured	-	-	-		-
Unsecured	-	-	-		-
SBA PPP	-	-	-		-
Leases	-	-	-		-
Consumer:					
Secured	-	-	-		-
Unsecured	-	-	-		-
	$ 22,306	$ 22,306	$ 962		$ 1,588

	2021				
	Recorded Investment	Unpaid Principal Balance	Allowance	Average Recorded Investment	Interest Income Recognized
With no specific allowance recorded					
Real Estate:					
Residential	$ 619	$ 619	$ -	$ 1,763	$ 1
Commercial	4,981	4,981	-	3,411	3
Agricultural	503	503	-	699	-
Lines of credit	29	29	-	54	-
Commercial, industrial and agricultural:					
Secured	188	188	-	398	-
Unsecured	-	-	-	-	-
SBA PPP	-	-	-	-	-
Leases	-	-	-	-	-
Consumer:					
Secured	1	1	-	1	-
Unsecured	-	-	-	-	-
	$ 6,321	$ 6,321	$ -		$ 4
With specific allowance recorded					
Real Estate:					
Residential	-	-	-	21	-
Commercial	9,835	9,835	4,512	10,943	2
Agricultural	-	-	-	-	-
Lines of credit	27	27	27	14	-
Commercial, industrial and agricultural:					
Secured	-	-	-	-	-
Unsecured	18	18	18	56	-
SBA PPP	-	-	-	9	-
Leases	-	-	-	-	-
Consumer:					
Secured	7	7	7	7	-
Unsecured	1	1	1	4	-
	9,888	9,888	4,565		2
Total					
Real Estate:					
Residential	$ 619	$ 619	$ -		$ 1
Commercial	14,816	14,816	4,512		5
Agricultural	503	503	-		-
Lines of credit	56	56	27		-
Commercial, industrial and agricultural:					
Secured	188	188	-		-
Unsecured	18	18	18		-
SBA PPP	-	-	-		-
Leases	-	-	-		-
Consumer:					
Secured	8	8	7		-
Unsecured	1	1	1		-
	$ 16,209	$ 16,209	$ 4,565		$ 6

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. There were no outstanding commitments to lend additional amounts to borrowers who have impaired loans at December 31, 2022.

Loan Modifications

If a borrower is experiencing financial difficulty, the Company 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, TDRs typically involved either a reduction of the stated interest rate of the loan or an extension of the loan's maturity date(s) with a stated rate lower than the current market rate for a new loan with similar risk. 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.

As of December 31, 2022, the Company had no recorded investments in TDRs. As of December 31, 2021, the Company has recorded investments in TDRs of $8,919.

During the years ended December 31, 2022 and 2021, the Bank had no new TDRs.

The Bank considers TDRs that become 90 days past due under the modified terms in the year following restructuring as subsequently defaulted. There were no such instances of subsequently defaulted TDRs in 2022 or 2021.

4. LOAN SERVICING:

Mortgage loans the Bank services for others are not included in the accompanying consolidated financial statements. The unpaid principal balance of mortgage loans serviced for others was $99,119 and $105,938 as of December 31, 2022 and 2021, respectively. The unpaid principal balance of traditional loan participations sold was $11,803 and $20,454 as of December 31, 2022 and 2021, respectively. The unpaid principal balance of traditional loan participations purchased was $51,627 and $29,371 as of December 31, 2022 and 2021, respectively.

The Bank sells mortgage loans in the secondary market under terms of a Mortgage Purchase Program ("MPP") with Freddie Mac. Gain on sales of loans was $275 and $1,716 during the years ended December 31, 2022 and 2021, respectively.

The following is an analysis of the activity of mortgage servicing rights, which are included in other assets, for the years ended December 31:

	2022	2021
Balance, beginning of year	$ 776	$ 525
Additions, net	72	291
Amortization	(116)	(40)
Balance, end of year	$ 732	$ 776

5. PREMISES AND EQUIPMENT:

Major classifications of premises and equipment are as follows at December 31:

	2022	2021
Land	$ 2,990	$ 2,990
Banking premises	17,420	17,385
Furniture, fixtures and equipment	5,580	5,425
Construction in progress	719	89
	26,709	25,889
Less accumulated depreciation	(9,383)	(7,649)
Net	$ 17,326	$ 18,240

6. GOODWILL AND INTANGIBLES:

Intangible asset and goodwill consist of the following at December 31:

	December 31, 2022			
	Useful Life	Gross	Accumulated Amortization	Net
Amortized intangible asset:				
Core deposit intangible	8 years	$ 1,590	$ 808	$ 782
Goodwill	10 years	$ 10,037	$ 4,098	$ 5,939

	December 31, 2021			
	Useful Life	Gross	Accumulated Amortization	Net
Amortized intangible asset:				
Core deposit intangible	8 years	$ 1,590	$ 609	$ 981
Goodwill	10 years	$ 10,037	$ 3,095	$ 6,942

Intangible asset amortization expense totaled $199 and $199 for the years ended December 31, 2022 and 2021, respectively. Goodwill amortization expense totaled $1,003 and $1,004 for the years ended December 31, 2022 and 2021, respectively. The future estimated annual amortization of intangible asset and goodwill is as follows at December 31, 2022:

Years Ending December 31	Intangible Asset	Goodwill
2023	$ 199	$ 1,004
2024	199	1,004
2025	199	1,004
2026	185	1,004
2027	-	1,004
Thereafter	-	919
	$ 782	$ 5,939

The Company had other accretable discounts related to the 2018 merger with carrying amounts of $0 and $207 as of December 31, 2022 and 2021, respectively.

7. DEPOSITS:

The scheduled maturities of time deposits are as follows at December 31:

	2022	2021
In one year or less	$ 94,478	$ 78,306
After one year through two years	29,028	32,887
After two years through three years	7,890	11,914
After three years through four years	1,511	5,913
After four years through five years	78	194
After five years	213	226
Total time deposits	$ 133,198	$ 129,440

Time deposits in denominations of $250 or more were $59,476 and $42,566 at December 31, 2022 and 2021, respectively.

8. BORROWINGS:

Federal Home Loan Bank Borrowings

Advances payable to the Federal Home Loan Bank ("FHLB") consist of the following at December 31:

Description	Maturity range	Weighted average interest rate	Stated interest rate range	2022	2021
FHLB CMA variable advances	2/21/2023 to 3/22/2023	4.42%	4.42%	$ 49,000	$ -
FHLB fixed-rate amortizing	3/1/2027 to 7/1/2037	2.10%	1.76% to 2.59%	-	7,182
Total				**$ 49,000**	**$ 7,182**

The Company's FHLB advances are collateralized by a blanket pledge agreement on the Bank's FHLB stock, certain qualified investment securities, deposits at the FHLB, residential mortgages, and by certain commercial real estate loans held in the Bank's portfolio. The carrying value of the loans pledged as collateral for these borrowings totaled $355.4 million and $295.4 million at December 31, 2022 and 2021, respectively. The Bank's unused remaining available borrowing capacity at the FHLB was approximately $193.8 million and $182.9 million at December 31, 2022 and 2021, respectively. All outstanding FHLB borrowings at December 31, 2022 mature within one year.

Other Short-Term Borrowings

The Bank has access to federal funds lines of credit amounting to $30 million with correspondent banks. There were no borrowings under these lines at December 31, 2022 and 2021.

Other Long-Term Borrowings

During the year ended December 31, 2022, the Company repaid a term loan facility with a fixed rate of 4.50%.

On March 4, 2022, the Company completed a private placement of $15 million in aggregate principal amount of 3.75% Fixed-to-Floating Rate Subordinated Notes due 2032 (the "Notes") to certain qualified institutional buyers and accredited investors. The Notes were issued at 100% of par, resulting in net proceeds, after underwriting discounts and issuance costs, of approximately $14.7 million. The Notes are unsecured, subordinated debt obligations of the Company and will mature on March 15, 2032. A portion of the proceeds were used to pay off term loan facility. The Company's intent is to use the remaining proceeds for general corporate purposes, which may include, without limitation, providing capital to support its growth organically, capital expenditures, repurchasing its common shares and for investments in the Bank as regulatory capital. The subordinated debentures are included in Total Capital under current regulatory guidelines and interpretations.

9. INCOME TAXES:

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

	2022	2021
Current tax expense	$ 2,107	$ 1,793
Deferred tax expense (benefit)	149	600
	$ 1,958	$ 2,393

The effective tax rate varies from the federal statutory tax rate primarily due to the following at December 31:

	2022	2021
Federal income taxes computed at statutory rate	$ 2,358	$ 2,771
Change in taxes resulting from:		
Tax exempt interest	(374)	(372)
Bank-owned life insurance	(93)	(91)
Goodwill amortization	211	211
Low income housing tax credit	(92)	(48)
Other	(52)	(78)
	$ 1,958	$ 2,393

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Bank recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the consolidated statement of income. The State of Ohio currently imposes a tax on the net worth of banks operating in the State of Ohio; this tax is not “income based” and is classified in operating expenses on the consolidated statement of income. The Bank does not have out of state operations, and accordingly, income tax filings are not required in other states. The Company’s federal income tax returns are open for examination from 2019 and forward and for state from 2018 and forward.

The component of net deferred income tax assets (liabilities) are as follows at December 31:

	2022	2021
Deferred income tax assets:		
Allowance for loan losses	$ 1,253	$ 1,739
Net unrealized loss on available-for-sale securities	12,230	779
Deferred loan fees	341	390
Other	260	-
	14,084	2,908
Deferred income tax liabilities:		
Depreciation	$ 1,317	$ 1,578
FHLB stock dividend	210	275
Intangible assets	164	249
Mortgage servicing	154	163
Other	77	81
	1,922	2,346
Net deferred income tax position	$ 12,162	$ 562

10. STOCK-BASED COMPENSATION

In 2022, the Company adopted the 2022 Equity Incentive Plan (the “2022 Plan”) for granting incentive stock options, nonqualified stock options, and restricted stock to key officers and employees and non-employee directors. The 2022 Plan, which was approved by stockholders on April 11, 2022, allocates twenty thousand shares of common stock reserved for issuance under the 2022 Plan. There were no incentive stock options and nonqualified stock options granted in 2022 and 2021.

Restricted Stock Awards
The Plan permits the grant of restricted stock awards to directors, officers and employees. Compensation is recognized over the vesting period of the awards based on the fair value of the stock at grant date. The fair value of the stock is determined using the closing share price on the date of grant and shares generally have vesting periods of one to three years. There were 4,786 shares of restricted stock granted in 2022 and no shares of restricted stock granted in 2021.

The following table presents the activity related to awards of restricted stock during the year ended December 31, 2022:

	Units	Weighted Average Grant Price per share
Unvested units outstanding at beginning of year	-	$ -
Granted	4,786	$ 71.20
Vested	(3,121)	$ 74.95
Forfeited/expired/canceled	(60)	$ 74.95
Unvested units outstanding at end of year	1,605	$ 73.70

As of December 31, 2022, there was $114 of total unrecognized compensation cost related to unvested restricted shares granted under the 2022 Plan. The cost is expected to be recognized over a weighted-average period of 2.0 years. The fair value of shares vested during the year ended December 31, 2022 was $234. No shares vested during the year ended December 31, 2021.

11. COMMITMENTS AND CONTINGENCIES:

In the normal course of business, there are various outstanding commitments and certain contingent liabilities which are not reflected in the accompanying consolidated financial statements. These commitments and contingent liabilities represent financial instruments with off-balance sheet risk. The contract or notional amounts of these instruments reflect the extent of involvement in particular types of financial instruments which comprise the following at December 31:

	2022	2021
Commitments to extend credit	$ 143,196	$ 104,356
Standby letters of credit	6,569	1,159
	$ 149,765	$ 105,515

The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The same credit policies are used in making commitments and conditional obligations as for on-balance sheet instruments. The terms are typically for a one-year period with an annual renewal option subject to prior approval by management. No material losses or liquidity demands are anticipated as a result of these commitments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the loan agreement. These commitments comprise available commercial and personal lines of credit.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Fees earned from issuance of these letters are recognized at origination.

The exposure to loss under these commitments is limited by subjecting them to credit approval and monitoring procedures. Substantially all commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of the loan funding. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for loan losses. Since many of the commitments are expected to expire without being drawn upon, the contractual amounts do not necessarily represent future funding requirements.

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Company's consolidated financial statements.

12. REGULATORY CAPITAL:

Regulatory capital requirement

Banks and 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. The net unrealized gain or loss on available for sale for securities is not included in computing regulatory capital. Management believes as of December 31, 2022, the Company and Bank meets 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 in asset growth and expansion, and capital restoration plans are required. At year-end 2022 and 2021, the most recent regulatory notifications categorized the Company 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.

Dividend restrictions

All State of Ohio Chartered Banks are subject to the dividend restrictions set forth by the State of Ohio. Under such restrictions, the Bank may not, without the prior approval of the Superintendent of Banks of the State of Ohio, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. As of December 31, 2022 and 2021, the bank may not declare or pay any additional dividends to the holding company without prior approval.

The Company's and the Bank's actual and required capital amounts and ratios for 2022 and 2021 are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022						
Common equity tier 1 capital (to risk-weighted capital)						
Bank	$ 98,081	11.72%	$ 37,660	4.5%	$ 54,398	6.5%
Company	101,012	12.01%	37,839	4.5%	N/A	N/A
Total capital (to risk-weighted assets)						
Bank	103,924	12.42%	66,951	8.0%	83,689	10.0%
Company	106,855	12.71%	67,269	8.0%	N/A	N/A
Tier 1 capital (to risk-weighted assets)						
Bank	98,081	11.72%	50,214	6.0%	66,951	8.0%
Company	101,012	12.01%	50,452	6.0%	N/A	N/A
Tier 1 capital (to average assets)						
Bank	98,081	9.22%	42,552	4.0%	53,190	5.0%
Company	101,012	9.46%	42,711	4.0%	N/A	N/A

	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2021						
Common equity tier 1 capital (to risk-weighted capital)						
Bank	$ 86,607	13.23%	$ 29,456	4.5%	$ 42,547	6.5%
Company	89,782	13.72%	29,456	4.5%	N/A	N/A
Total capital (to risk-weighted assets)						
Bank	94,790	14.48%	52,366	8.0%	65,457	10.0%
Company	100,895	15.41%	52,366	8.0%	N/A	N/A
Tier 1 capital (to risk-weighted assets)						
Bank	86,607	13.23%	39,274	6.0%	52,366	8.0%
Company	89,782	13.72%	39,274	6.0%	N/A	N/A
Tier 1 capital (to average assets)						
Bank	86,607	8.08%	42,866	4.0%	53,583	5.0%
Company	89,782	8.38%	42,866	4.0%	N/A	N/A

13. RELATED-PARTY TRANSACTIONS:

Loans and extensions of credit to principal officers, directors and their affiliates during the years ended December 31:

	2022	2021
Balance at beginning of year	$ 1,452	$ 372
New loans	286	1,264
Effect of changes in composition of related parties	(302)	-
Repayments	(249)	(184)
	$ 1,187	$ 1,452

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Bank totaled $9,489 and $12,990 at December 31, 2022 and 2021, respectively.

14. FAIR VALUE MEAUSUREMENTS:

GAAP defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are observable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies and assumptions used by the Bank in estimating instruments' fair value disclosures, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment securities
The fair values of available-for-sale securities are determined by various valuation methodologies. Where quoted market prices are available in an active market, securities are classified within Level 1. Level 1 securities include U.S. Treasuries and exchange-traded equity securities. For securities traded in secondary markets for which quoted market prices are not available, the fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include obligations of U.S. government corporations and agencies, mortgage-backed securities, certificates of deposit, collateralized mortgage obligations and other securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Impaired loans
Loans for which it is probable that the Bank will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans or, where a loan is determined not to be collateral dependent, using the discounted cash flow method. Impaired loans are classified within level 2 of the hierarchy.

Other real estate owned
Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Real estate owned properties are classified within level 2 of the hierarchy and are individually evaluated at least annually for additional impairment adjustment needed.

Assets measured at fair value on a recurring basis

Fair value measurements for assets measured at fair value on a recurring basis are as follows:

	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
December 31, 2022				
Available-for-sale securities:				
U.S. government agency securities	$ -	4,893	-	$ 4,893
Obligations of states and political subdivisions	-	89,892	-	89,892
Mortgage-backed securities	-	187,413	-	187,413
Corporate bonds	-	7,449	-	7,449
	-	289,647	-	289,647
Held-to-maturity securities:				
Obligations of states and political subdivisions	$ -	4,091	-	$ 4,091
	-	4,091	-	4,091
December 31, 2021				
Available-for-sale securities:				
Obligations of states and political subdivisions	$ -	101,576	-	$ 101,576
Mortgage-backed securities	-	216,242	-	216,242
	-	317,818	-	317,818
Held-to-maturity securities:				
Obligations of states and political subdivisions	$ -	4,138	-	$ 4,138
	-	4,138	-	4,138

Assets measured at fair value on a nonrecurring basis

Fair value measurements for assets measured at fair value on a nonrecurring basis are as follows:

	Fair value measurements using:			
	Level 1	Level 2	Level 3	Total
December 31, 2022				
Impaired loans	$ -	21,344	-	$ 21,344
Other real estate owned	-	-	-	-
December 31, 2021				
Impaired loans	$ -	11,644	-	$ 11,644
Other real estate owned	-	20	-	20

15. CONDENSED FINANCIAL STATEMENTS OF RICHWOOD BANCSHARES, INC. (PARENT COMPANY ONLY):
(In thousands)

Presented below is condensed financial information comprising the financial position, results of operations and cash flows of Richwood Bancshares, Inc. as of and for the years ended December 31:

Condensed Balance Sheets

	2022	2021
Assets:		
Cash and cash equivalents	$ 7,026	$ 8,866
Investment in subsidiaries	58,813	91,600
Available-for-sale securities, at fair value	4,016	-
Other assets	60	285
Total assets	$ 69,915	$ 100,751
Liabilities:		
Accrued expenses and other liabilities	175	3
Subordinated debt	14,736	-
Borrowings	-	10,967
	14,911	10,970
Shareholders' Equity:		
Common stock	1,035	1,026
Treasury stock	(427)	(134)
Additional paid-in capital	28,664	27,626
Accumulated other comprehensive income (loss)	(46,008)	(2,930)
Retained earnings	71,740	64,193
Total shareholders' equity	55,004	89,781
Total liabilities and shareholders' equity	$ 69,915	$ 100,751

Condensed Statements of Income and Comprehensive Income

	2022	2021
Income:		
Interest income	$ 47	$ -
Total income	47	-
Expenses:		
Interest expense	849	545
Non-interest expenses	188	133
Total expenses	1,037	678
Loss before income taxes	(990)	(678)
Income tax benefit	220	142
Loss before equity in undistributed net earnings of subsidiaries	(770)	(536)
Earnings by subsidiaries	10,041	11,337
Net income	$ 9,271	$ 10,801
Comprehensive income (loss)	$ (33,807)	$ 5,084

Condensed Statements of Cash Flows

	2022	2021
Operating activities:		
Net income	$ 9,271	$ 10,801
Adjustments to reconcile net income to net cash from operating activities:		
Equity in undistributed earnings of subsidiaries	(10,041)	(11,337)
Amortization of premiums and discounts on investment securities	(2)	-
Share based compensation expense	231	-
Change in assets and liabilities:		
Other assets	(25)	(143)
Accrued interest and other liabilities	172	-
Net cash from operations	(394)	(679)
Investing activities:		
Purchase of available-for-sale investment securities	(4,014)	-
Net cash from investing activities	(4,014)	-
Financing activities:		
Paydown of long term borrowings	(11,231)	(1,566)
Proceeds from issuance of subordinated debt	15,000	-
Proceeds from sale of common stock	1,050	10,640
Proceeds from sale of treasury stock	688	(2,481)
Purchase of treasury stock	(1,215)	2,358
Cash dividends paid	(1,724)	(1,104)
Net cash from financing activities	2,568	7,847
Net change in cash	(1,840)	7,168
Cash - beginning of year	8,866	1,698
Cash - end of year	$ 7,026	$ 8,866

16. REVENUE FROM CONTRACTS WITH CUSTOMERS:

The Company records revenue from contracts with customers in accordance with ASC 606, *Revenue from Contracts with Customers* (ASC 606). Under ASC 606, the Company must identify the contract with a customer, identify the performance obligations within the contract, determine the transaction price, allocate the transaction price to the performance obligations within the contract, and recognize revenue when (or as) the performance obligations are/is satisfied. The core principle under ASC 606 requires the Company 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 Company 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 judgment involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as fees associated with mortgage servicing rights, financial guarantees, derivatives, and certain credit card fees are also not in scope of the new guidance. Topic 606 is applicable to noninterest revenue streams such as trust and asset management income, deposit related fees, interchange fees, merchant income, and annuity and insurance commissions. Substantially all of the Company's revenue is generated from contracts with customers. Noninterest revenue streams in-scope of Topic 606 are discussed below.

The following presents noninterest income, segregated by revenue streams in-scope and out-of scope of Topic 606, for the years ended December 31:

	2022	**2021**
Noninterest income		
In-scope of Topic 606:		
Service charge on deposits	$ 1,549	$ 1,355
ATM/Interchange fees	2,026	1,650
Other	2,047	1,791
Noninterest income (in-scope of Topic 606)	5,622	4,796
Noninterest income (out-of-scope of Topic 606)	253	1,813
Total noninterest income	$ 5,875	$ 6,609

Service charges and fees

Service charges on deposits consist of account analysis fees (i.e., net fees earned on analyzed business accounts), monthly service fees, and other deposit account related fees. The Company's performance obligation for account analysis fees and monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

ATM/Interchange fees

Fees, exchange, and other service charges are primarily comprised of debit and credit card income, ATM fees and other service charges. Debit card income is primarily comprised of interchange fees earned whenever the Company's debit cards are processed through card payment networks such as Visa or Mastercard. ATM fees are primarily generated when a Company cardholder uses a non-Company ATM or a non-Company cardholder uses a Company ATM. The Company's performance obligation for fees, exchange, and other service charges are largely satisfied, and related revenue recognized, when the services are rendered or upon completion. Payment is typically received immediately or in the following month.

Other

Other noninterest income consists of other recurring revenue streams such as wire transfer fees, safe deposit box rental fees, investment advisory fees, item processing fees and other miscellaneous revenue streams. Wire transfer fees represent revenue from processing wire transfers. Safe deposit box rental fees are charged to the customer on an annual basis and recognized upon receipt of payment. The Company determined that since rentals and renewals occur fairly consistently over time, revenue is recognized on a basis consistent with the duration of the performance obligation. Investment advisory fees are automatically deducted from customer accounts based on a fee schedule. Revenue is recognized when the services have been performed. Item processing fee income represents fees charged to other financial institutions for processing their transactions. Payment is typically received in the following month. Also included in other is gain on sale of other real estate owned (OREO). The Company records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the same time of an executed deed. When this occurs, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer.

17. SUBSEQUENT EVENTS

On January 1, 2023, the Company adopted the current expected credit loss model ("CECL"). This methodology for calculating the allowance for credit losses ("ACL") considers the possibility of loss over the life of the loan. It also considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan.

The Company adopted ASC Topic 326 "Financial Instruments – Credit Losses" using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. The Company recorded the one-time adjustment to equity in the amount of $2.2 million, net of tax, which increased the allowance for credit losses by $2.8 million.

OUR VALUED SERVICE LINES:

RICHWOOD FINANCIAL

Richwood Bank customers who are looking for financial planning don't need to go any further than their local branch. Bryan Cenky and the Richwood Financial team are available to meet to discuss a wide range of topics including investment management, retirement planning, insurance auditing, and tax minimization. As a valued service line, Richwood Financial generated $286,672 in revenue from commissions in 2022.

Richwood Financial works with LPL Financial to provide the best investment products, but with our commitment to personalized customer service. If you want to work with someone who cares about your financial aspirations, contact us for a free consultation.

In addition to maximizing returns for individuals, Richwood Financial also offers retirement tools for small businesses. The job market is competitive, so businesses must provide benefits such as 401(k) to attract and retain talented employees. Let us guide you through the process and give you the tools and knowledge needed to manage your employee benefit program.

« **Bryan Cenky**
Senior Financial Advisor

« **Lindsay Itnyre**
Registered Sales Assistant

Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker-dealer (member FINRA/SIPC). Insurance products are offered through LPL or its licensed affiliates. Richwood Banking Company and Richwood Financial **are not** registered as a broker-dealer or investment advisor. Registered representatives of LPL offer products and services using Richwood Financial, and may also be employees of Richwood Financial. These products and services are being offered through LPL or its affiliates, which are separate entities from, and not affiliates of, Richwood Banking Company or Richwood Financial. Securities and insurance offered through LPL or its affiliates are:

Not insured by FDIC or Any Other Government Agency	Not Bank Guaranteed	Not Bank Deposits or Obligations	May Lose Value

RICHWOOD MARKETING

When our community businesses thrive, we all reap the benefits. Richwood Marketing was born to provide world class creative services to any Richwood Bank business customer to highlight and promote their brand. We specialize in the items that give clients the most bang for their buck – a well-designed logo, a user-friendly and attractive website, and a social media presence. For those ready to take their marketing to the next level, our suite of services includes graphic design, photography, videography, media placement, creative writing, and print fulfillment.

Since our founding in 2015, we've grown from a marketing department that was a budget line-item into a revenue stream for Richwood Bank. As a full-service agency, we serve an average of 150 clients each month and grossed over $714,000 last year in revenue. That's in addition to providing marketing services to Richwood Bank including our website, social media, and ad placement. From the TVs in the lobby to the on-hold messages you listen to when you call us, Richwood Marketing is behind all the Richwood Bank branded experiences.

We look forward to continuing our work in supporting the growth of our community business partners and deepening their relationship with Richwood Bank.

Jordan Treadway | Director, Richwood Marketing »

RICHWOOD PAYROLL

The very first valued service line, Richwood Payroll was created to help relieve the burden of payroll, especially payroll taxes, from our business customers. Since 2006 this service has grown to serve 204 businesses and pays over 4,000 employees each month. The team has streamlined its processes over the years to handle the incredible demand for the service and to make this service into a profit stream for Richwood Bank. In 2022 Richwood Payroll generated $268,807 in revenue, which contributes to Richwood Bank's non-interest income.

What hasn't changed is the personalized experience our customers receive. Our experienced team knows payroll inside and out and is available to provide one-on-one assistance with any questions. Richwood Payroll manages filing of all monthly, quarterly, and annual employer taxes as well as preparing employee W2s. While some companies will add fees for these services, Richwood Payroll's fee structure includes this as part of the monthly service charge. It is just part of our commitment to the trusted, friendly customer service that sets Richwood apart.

If you know a small business interested in saving time, money, and stress with their payroll needs, contact Richwood Payroll.

« **Stacey Pertuset** | President, Richwood Payroll

MERCHANT SERVICES THE RICHWOOD WAY

Simplified purchasing allows customers to focus on businesses, not the transaction.

Point of Sale:
Fully customizable and fully integrated, smart POS systems provide an enhanced transaction experience.

Card + Digital Wallet Terminal:
Contactless form of payment that is safer than swiping a card. We offer Google, Apple or Samsung Pay.

Online Shopping Cart:
Allows consumers to directly buy goods and services through web browser or mobile app.

Virtual Terminal:
Securely process both credit card and check payments, automate recurring billing and scheduling at no extra cost, top-notch security features, and reduce invoicing costs by 90%.

Mobile Payments:
Process credit and cash sales, issue voids and refunds, apply discounts, tax and tips - all with online reporting.

Donations Online:
Nonprofits can manage online fundraising programs by accepting one time and recurring donation, membership dues and registrations.

Retail Lock Box:
Collects, deposits, and submits reports on payments submitted by customers with checks.

Smart Safes:
Securely stores, records, and deposits cash daily. Funds are deposited by the end of business each day, and a weekly courier is arranged for pickup where the cash is safely removed.

Digital Deposit:
Scan checks and send them electronically, and then the credit is placed in the proper account.

WHY PROCESS SALES WITH US?

- Real people, real support in person, by phone and chat
- Guidance to the best payment solution for your business objectives
- Underwritten protection included for fraud peace of mind
- PCI requirement education and assistance to achieve compliance

We want you to keep your profits, not lose them to inflated fees and poor service.

RICHWOOD BANK I.T.

We value the trust our customers place in our ability to protect their personal and financial information. In 2022 the Richwood Bank IT team's goal was strengthening our cybersecurity program. We wanted to take the opportunity to share what we've achieved and our plan for continuous improvement.

« **Jim Blevins** | Chief Information Officer

Our three areas of focus:

MANAGE 3RD PARTY RELATIONSHIPS

Vendor relationships can provide opportunities for innovative products and services that benefit the bank's employees and customers. They are also an area of vulnerability as not all companies are created equal when it comes to security. Richwood has a thorough process for vetting and onboarding new vendors, and regularly reviews existing vendor contracts. In addition, the bank has a dedicated team that monitors third-party performance and compliance.

The IT team has formed new relationships with trusted security vendors that can help us proactively gather intelligence on the latest threats facing our institution and the banking industry as a whole. This allows us to adapt our defenses and ensure we're ready for whatever comes our way.

ADOPTION OF CLOUD COLLABORATION & COMPUTING

It's becoming increasingly popular for businesses to store their data in a secure cloud solution. There are three main reasons we adopted cloud collaboration and computing: security, cost savings, and accessibility.

On-site servers are vulnerable to physical threats like theft or natural disaster. The storage space, energy costs, and man-hours to create disaster backup and recovery systems create additional IT expenses. Adopting a cloud-based solution resolves those issues and also makes it possible for employees to securely access data when they need to be away from the office to meet with clients.

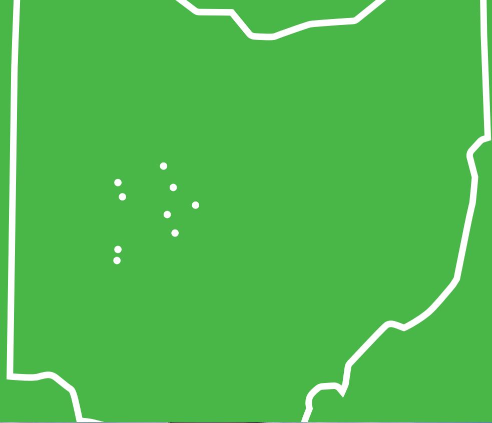
We worked with a leading provider of cloud-based banking solutions to ensure that our customers' data would be safe and accessible at all times while improving the efficiency of our resources.

INCREASE EMPLOYEE COMPETENCY

Having the best security measures in place means nothing if our employees are not equipped with the knowledge to implement them. The bank conducts regular tabletop exercises to test our cybersecurity plan and keep the team sharp. In the event of an actual incident, our dedicated team of professionals would be prepared to jump into action.

Cybersecurity is also a focus for the rest of the bank's employees. We offer regular training and awareness programs to help our staff stay up-to-date on the latest threats and best practices for keeping our systems and data safe.

We take pride in maintaining a robust cybersecurity program. Keeping your private information safe is our highest priority. Thank you for your continued investment and support of Richwood Bank.



LOCATIONS

RICHWOOD

28 N Franklin St
Richwood, OH 43344

PLAIN CITY

601 W Main St
Plain City, OH 43064

MARYSVILLE

250 E Fifth St
Marysville, OH 43040

LARUE

26 S High St
LaRue, OH 43332

HUNTSVILLE

4848 Napoleon St
Huntsville, OH 43324

DELAWARE

1512 W William St
Delaware, OH 43015

SPRINGFIELD

2454 N Limestone St
Springfield, OH 45503

SPRINGFIELD DWNT.

63 W Main St
Springfield, OH 45502

BELLEFONTAINE

120 East Sandusky Ave.
Bellefontaine, OH 43311

RICHWOOD
BANK

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