Richwood Bancshares, Inc.
2023 Annual Report

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 2023 AND 2022
(WITH INDEPENDENT AUDITOR'S REPORT)

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EQUAL HOUSING LENDER

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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 Operating 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	**Chad L. Hoffman** • President and CEO Richwood Bank
2007	**Joseph J. Wiley** • 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** • Farmer
2021	**Maggie Walker** • Village Mart
2023	**Mark Fissel** • Beacon Hill Investment Advisory

*** Chairman of the Board*

Celebrating Service

THANKING OUR RETIRING BOARD MEMBERS

Dan Anderson Through his unwavering commitment to comprehensively understanding all facets of the bank, coupled with his astute strategic inquiries, Dan has significantly enriched discussions and decision-making, thereby driving the bank's strong performance for an impressive thirty-seven years.

Joe Wiley Joe fostered a positive and collaborative atmosphere through his use of humor and his practical style. He's effectively helped to guide the bank to record performance through both challenging and stable economic conditions. We thank him for his sixteen year commitment to our institution.

WELCOME OUR NEW BOARD MEMBER:

Mark Fissel

Mark is a Certified Financial Planner and serves as partner and co-founder of Beacon Hill Investment Advisory. He resides in Bellefontaine and serves as the Bellefontaine City Treasurer as well as a member of the Board of Education for Bellefontaine City Schools. A former three-term City Councilman and Finance Committee Chair, Mark has a track record of using innovative strategies to make an impact.

Dear Shareholders,

I am honored to write this year's annual report letter after a year of success and significance. The year 2023 did not move the way many had predicted. Economists, and the government, thought rates would be declining by mid-2023 and here we are still wondering what rates will do in mid-2024. Richwood continues to strengthen our institution during this uncertainty and we feel confident about the future.

In 2023, amidst a backdrop of rising rates — a scenario that traditionally challenges the banking sector — we have experienced a record-breaking achievement. Our community bank opened more accounts in 2023 than in any previous year of our history. This remarkable feat speaks volumes about our strategic responsiveness and the unwavering confidence our community places in us.

The surge in new accounts is a clear indicator of our ability to adapt and respond effectively to market dynamics. It also highlights our commitment to providing exceptional value and service to our customers, even in the face of external economic pressures. This achievement is not just a reflection of our team's operational prowess but also of the deep-rooted trust and rapport we have cultivated within our community.

In this report, we are excited to share with you the tangible results of our shared commitment and hard work. From solidifying our financial foundation to launching innovative services that meet the evolving needs of our customers, our achievements reflect a deep understanding of our role within the community and a clear vision for the future.

As we look back on the year's accomplishments, we also set our sights on the horizon, ready to embrace the opportunities and challenges that lie ahead. Our journey is far from over, but we move forward with confidence, inspired by the words of Albert Einstein: "In the middle of difficulty lies opportunity." With this mindset, we are poised to continue our trajectory of growth, guided by our core values, and driven by our vision ***To Inspire, Protect, and Celebrate Anything That Helps Communities Thrive.***

Thank you for your continued trust and partnership. I conclude with the words from an African Proverb, "To go fast, go alone. To go far, go together." We will continue to focus on Richwood's success far into the future!

Sincerely,

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

INSPIRE

RICHWOOD COFFEE

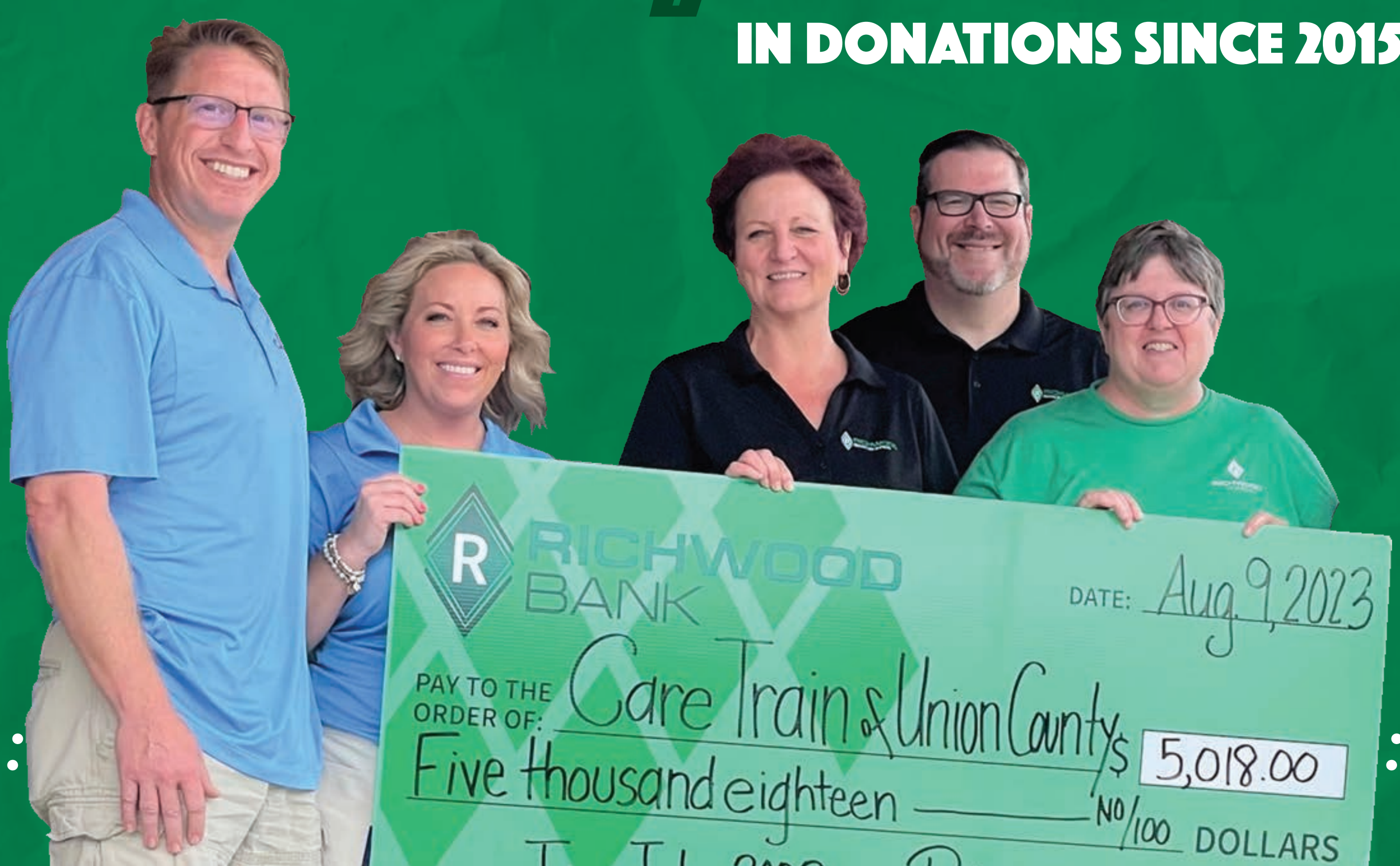
Richwood Coffee is just one example of our commitment to inspiring our community and fostering a spirit of generosity and collaboration.

Richwood Bank has always supported local causes through donations or sponsorships. Richwood Coffee allows us to expand our reach by inviting customers and community members to donate to their favorite beneficiary in exchange for delicious drinks.

This approach inspires our customers and community members to think differently about their daily habits and how they can be used to benefit others. Richwood Coffee is not just a place to get your morning pick-me-up; it's a place where every cup supports the community and helps us all make a positive impact.

$600,000+

IN DONATIONS SINCE 2015



NEW IN 2023

THE PLAIN CITY COFFEE SHOP

We held the grand opening of our sixth Richwood Coffee location at our Plain City branch in May. The team worked hard to curate a group of beneficiaries that would inspire the community to visit and donate. The results speak for themselves as in just over seven months, the Plain City location accounted for $15,612 of the $165,237 raised across all shops in 2023. This addition was part of our record growth; we experienced a 66% increase in coffee shop activity in 2023!

We are immensely grateful for the community's enthusiasm and are excited to continue inspiring and supporting each other in the future!

RICHWOOD COFFEE DELIVERS UNFORGETTABLE EXPERIENCE FOR DISCOVERY RIDERS

Our Richwood Coffee team was able to utilize donations to fund a special trip for one of our beneficiaries. Discovery Riders is a popular Logan County donation spot and seeks to enhance the lives of their students and their families through safe equine-assisted activities, lessons, and therapies. For the second year, we invited students, their families, and staff to attend the All American Quarter Horse Congress in Columbus. Attendees were provided with t-shirts, one-day admission, parking, and lunch. The highlight of the day was a special visit from the All American Quarter Horse Queen Jessica Blevins during lunch. Jessica took pictures with attendees, handed out bracelets, and distributed collectible Congress souvenir books.

The attendees were incredibly appreciative of the opportunity for the students to participate in these special experiences. Many were visibly touched, there were even some tears of gratitude. The chance to attend the All American Quarter Horse Congress was a once-in-a-lifetime opportunity for many of the students.

Discovery Riders is just one of 38 full-time beneficiaries who do inspiring work in our communities. Richwood Coffee is honored to do our part in giving back to these organizations which provide impactful service to our communities.

RICHWOOD BANCSHARES, INC.

AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2023 and 2022
(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 Subsidiary
Richwood, Ohio

Report on the Consolidated Financial Statements and Internal Control

Opinions on the Consolidated Financial Statements and Internal Control over Financial Reporting

We have audited the consolidated financial statements of Richwood Bancshares, Inc. and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Richwood Bancshares, Inc. and Subsidiary as of December 31, 2023 and 2022, 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.

We also have audited Richwood Bancshares, Inc. and Subsidiary's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions), as of December 31, 2023, based on criteria established in the *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, Richwood Bancshares, Inc. and Subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in the *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

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

Responsibilities of Management for the Consolidated Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Restrictions, and Management's Assessment of Internal Control Over Financial Reporting.

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 Subsidiary's 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 Audits of the Consolidated Financial Statements and Internal Control over Financial Reporting

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 about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement or a material weakness 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 to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of consolidated financial statements and an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Richwood Bancshares, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An institution's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of Richwood Bancshares, Inc. and Subsidiary's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and controls over the preparation of schedules equivalent to basic financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions). An institution's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the institution; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the institution are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the institution's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 19, 2024

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022
(In thousands)

	2023	2022 (As restated)
ASSETS		
Cash and cash equivalents:		
Cash and cash due from banks	$ 57,592	$ 19,450
Federal funds sold	5,083	5,061
	62,675	24,511
Investment securities:		
Available-for-sale securities, at fair value	270,206	289,647
Held-to-maturity securities, at cost	4,036	4,091
Loans held for sale	295	659
Loans receivable, net of allowance for credit loss of $8,141 and $5,843 at December 31, 2023 and 2022, respectively	767,329	727,316
Accrued interest receivable	7,194	5,026
Premises and equipment, net	18,960	17,326
Federal Reserve and other stock, at cost	763	710
Federal Home Loan Bank stock, at cost	3,337	3,447
Bank-owned life insurance	22,231	17,659
Core deposit intangible, net	583	782
Goodwill	10,037	10,037
Deferred income taxes, net	10,743	12,162
Other assets	2,896	3,067
TOTAL ASSETS	$ 1,181,285	$ 1,116,440
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand	$ 74,150	$ 73,547
Savings, NOW and money market	641,634	784,191
Time	195,077	133,198
	910,861	990,936
FHLB Advances	45,000	49,000
Federal Reserve borrowings	133,000	-
Subordinated debentures, net of $199 and $264 issuance costs at December 31, 2023 and 2022, respectively	14,801	14,736
Accrued interest payable	3,983	526
Accrued expenses and liabilities	3,309	2,140
	1,110,954	1,057,338
Shareholders' equity:		
Common stock, $0.625 par value, 4,400,300 shares authorized; 1,674,331 and 1,656,709 shares issued; 1,654,602 and 1,650,838 shares outstanding at December 31, 2023 and 2022, respectively	1,046	1,035
Treasury stock, 19,729 and 5,871 shares, at cost, at December 31, 2023 and 2022, respectively	(1,508)	(427)
Additional paid-in capital	30,016	28,664
Retained earnings	79,787	75,838
Accumulated other comprehensive loss, net of tax	(39,010)	(46,008)
	70,331	59,102
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,181,285	$ 1,116,440

See accompanying notes to the consolidated financial statements.

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands, except per share data)

	2023	2022 (As restated)
Interest income:		
Loans	$ 43,677	$ 32,769
Securities:		
Taxable	5,247	4,082
Tax-exempt	1,325	2,331
Other	1,309	571
	51,558	39,753
Interest expense:		
Deposits	11,704	3,431
Borrowings	4,637	1,353
	16,341	4,784
Net interest income	35,217	34,969
Provision (benefit) for credit losses	244	(1,915)
Net interest income after provision (benefit) for credit losses	34,973	36,884
Non-interest income:		
Service charges and fees	3,615	3,575
Net realized loss on available-for-sale securities	(122)	(22)
Gain on sale of loans	150	275
Increase in cash surrender value on bank-owned life insurance	572	445
Other	1,753	1,602
	5,968	5,875
Non-interest expense:		
Salaries and employee benefits	16,425	15,152
Net occupancy expense	2,780	3,043
Intangible asset amortization	199	199
Deposit insurance premium	725	252
Data processing	5,056	5,298
State franchise taxes	440	718
Professional fees	1,121	1,231
Sales and marketing	775	877
Other	3,327	3,757
	30,848	30,527
Income before income taxes	10,093	12,232
Provision for income taxes	1,600	1,958
Net income	$ 8,493	$ 10,274
Earnings per share of common stock	$ 5.15	$ 6.25

See accompanying notes to the consolidated financial statements.

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands)

	2023	2022 (as restated)
Net income	$ 8,493	$ 10,274
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 $2,030 and $(11,456) in 2023 and 2022, respectively	7,640	(43,095)
Reclassification adjustment for recognized losses on available-for-sale securities during the year, net of tax of $26 and $5 in 2023 and 2022, respectively	96	17
	7,736	(43,078)
Cash-flow hedge:		
Unrealized loss on cash flow hedge arising during the year, net of	(738)	-
Other comprehensive income (loss)	6,998	(43,078)
Comprehensive income (loss)	$ 15,491	$ (32,804)

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, 2023 AND 2022
(In thousands, except share data)

	Common Stock		Treasury Stock		Additional Paid-In Capital	(restated) Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
Balance at January 1, 2022 (as restated)	1,642,336	$ 1,026	1,894	$ (134)	$ 27,626	$ 67,288	$ (2,930)	$ 92,876
Net income (restated)	-	-	-	-	-	10,274	-	10,274
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 common stock from treasury stock	-	-	(10,569)	784	(138)	-	-	646
Purchase of common stock for treasury stock	-	-	16,394	(1,215)	-	-	-	(1,215)
Balance at December 31, 2022 (as restated)	1,656,709	1,035	5,871	(427)	28,664	75,838	(46,008)	59,102
Cumulative impact of ASC 326 adoption (CECL), net of tax	-	-	-	-	-	(2,172)	-	(2,172)
Net income	-	-	-	-	-	8,493	-	8,493
Other comprehensive income, net of tax	-	-	-	-	-	-	6,998	6,998
Sale of common stock	17,622	11	-	-	1,368	-	-	1,379
Dividends on common stock, $1.44 per share	-	-	-	-	-	(2,372)	-	(2,372)
Share based compensation, net of forfeitures	-	-	-	-	179	-	-	179
Acquisition of treasury shares surrendered upon vesting of restricted stock for payment of taxes	-	-	(1,545)	121	(74)	-	-	47
Sale of common stock from treasury stock	-	-	(20,074)	1,570	(121)	-	-	1,449
Purchase of common stock for treasury stock	-	-	35,477	(2,772)	-	-	-	(2,772)
Balance at December 31, 2023	1,674,331	$ 1,046	19,729	$ (1,508)	$ 30,016	$ 79,787	$ (39,010)	$ 70,331

See accompanying notes to the consolidated financial statements.

RICHWOOD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands)

	2023	2022 (as restated)
Cash flows from operating activities:		
Net income	$ 8,493	$ 10,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and discounts on securities, net	1,366	1,717
Net realized loss on available-for-sale securities	122	22
Provision (benefit) for credit losses	244	(1,915)
Amortization	295	258
Gain on sale of loans	(150)	(275)
Proceeds from the sale of loans	4,242	11,977
Origination of loans held for sale	(4,181)	(11,836)
Depreciation	1,291	1,745
Net loss on disposal of premises and equipment	-	4
Gain on sale of other real estate owned	-	(24)
Debt issuance costs	65	(323)
Share based compensation expense	179	231
Increase in cash surrender value on bank-owned life insurance	(572)	(445)
Deferred income taxes	(61)	(149)
Changes in operating assets and liabilities:		
Accrued interest receivable	(2,168)	(895)
Other assets	(544)	(113)
Accrued interest payable	3,460	412
Accrued expenses and other liabilities	547	169
Net cash provided by operating activities	12,628	10,834
Cash flows from investing activities:		
Purchases of available-for-sale securities	(2,798)	(55,096)
Proceeds from calls, maturities, and paydowns of available-for-sale securities	23,356	26,784
Proceeds from calls, maturities, and paydowns of held-to-maturity securities	55	47
Proceeds from sales of available-for-sale securities	7,163	215
Net change in loans	(42,028)	(143,655)
Purchases of bank-owned life insurance	(4,000)	-
Proceeds from sale of other real estate owned	-	44
Net redemptions (purchases) of FHLB stock	110	(75)
Purchase of Federal Reserve and other stock	(53)	(97)
Purchases of premises and equipment	(2,925)	(835)
Net cash used in investing activities	(21,120)	(172,668)
Cash flows from financing activities:		
Net change in deposits	(80,075)	123,109
Net increases in (repayments of) FHLB borrowings	(4,000)	41,818
Proceeds from Federal Reserve borrowings	133,000	-
Repayments of other borrowings	-	(10,966)
Proceeds from issuance of subordinated debt	-	15,000
Proceeds from sale of common stock	1,379	1,050
Proceeds from sale of treasury stock	1,496	688
Purchase of treasury stock	(2,772)	(1,215)
Dividends paid	(2,372)	(1,724)
Net cash provided by financing activities	46,656	167,760

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, 2023 AND 2022
(In thousands)

	2023	2022 (as restated)
Net change in cash and cash equivalents	38,164	5,926
Cash and cash equivalents, beginning of year	24,511	18,585
Cash and cash equivalents, end of year	$ 62,675	$ 24,511
Supplemental disclosures:		
Interest paid	$ 12,884	$ 4,372
Income taxes paid	$ 1,475	$ 1,795

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:

Nature of operations

Richwood Bancshares, Inc. and its Subsidiary (the "Company") function as a bank holding company, primarily overseeing its wholly-owned subsidiary, The Richwood Banking Company (the "Bank"). As a privately held entity, the Company's main focus lies in the ownership and management of The Richwood Banking Company. The Bank's core operations revolve around offering a range of banking and financial services to both individual and community corporate clientele, primarily located in Union, Marion, Logan, Delaware, and Clark counties in Ohio, along with the surrounding regions. With roots tracing back to 1867, the Bank has a workforce of 196 employees and operates nine branches. It has been a part of central Ohio's financial landscape for over 156 years.

The Bank is subject to competition from other financial institutions. The Bank is a state-charted 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. The Bank is subject to the regulation of certain federal and state agencies and undergoes examinations by those regulatory authorities on an 18-month cycle.

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.

Principles of consolidation

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

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 credit 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 credit 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 $17.1 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, exceeds 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
Debt Securities: Debt securities are classified as held-to maturity and carried at amortized cost when management has positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before 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 other comprehensive income, net of tax. At December 31, 2023 and 2022 investment securities were classified as held-to-maturity or available-for-sale.

Interest income on debt securities 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. The fair value of debt securities is primarily obtained from third-party pricing services.

Allowance for Credit Losses - Held-to-Maturity Debt Securities
The Company follows Accounting Standards Codification (ASC) 326-20, Financial Instruments - Credit Loss - Measured at Amortized Cost, to measure expected credit losses on held-to-maturity debt securities on a collective basis by security investment grade. The Company classifies the held-to-maturity debt securities

into the following major security types, state and political subdivisions. These securities have a history of no credit losses and are reviewed as a part of the quarterly allowance for credit losses process.

Allowance for Credit Losses - Available-for-Sale Debt Securities

The Company follows ASC 326-30, Financial Instruments - Credit Loss - Available-for-Sale Debt Securities, which provides guidance related to the recognition of and expanded disclosure requirements for expected credit losses on available-for-sale debt securities. For available-for-sale debt securities in an unrealized loss position, the Company first evaluates whether it intends to sell, or if it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either criterion is met, the security's amortized cost basis is reduced to fair value and recognized as a reduction to Noninterest income in the Consolidated Statements of Income. For debt securities available-for-sale in which the Company does not intend to sell, or it is not likely the security would be required to be sold before recovery, it evaluates whether a decline in fair value has resulted from credit losses or other adverse factors, such as a change in the security's credit rating. In assessing whether a credit loss exists, the Company compares the present value of cash flows expected to be collected from the security with the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance is recorded, limited to the fair value of the security. Any impairment not recorded through an allowance for credit loss is included in other comprehensive income (loss), net of the tax effect. The Company is required to use its judgment in determining impairment in certain circumstances. Accrued interest receivable on available-for-sale debt securities totaled $1.3 million at December 31, 2023 and is excluded from the estimate of credit losses.

Nearly all of the mortgage-backed residential securities held by the Company are issued by U.S. government entities and agencies. These securities are either implicitly guaranteed by the U.S government, highly rated by major rating agencies and have a long history of no credit losses.

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, 2023, and 2022, the direct reduction of income taxes payable was approximately $149 and $80, respectively. The Bank has $593 of unfunded commitments related to these tax credits at December 31, 2023.

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 amortized cost or fair value. 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 credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the 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 credit 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 credit losses

The allowance for credit losses ("ACL") is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged-off.

The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions, and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period. Management uses a discounted cash flow ("DCF") model to calculate the expected cash flows for pools of loans that share similar risk characteristics and compares the results of this calculation to the amortized cost basis to determine its allowance for credit loss balance.

Historical credit loss experience is the basis for the estimation of expected credit losses. The Bank applies historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. The qualitative adjustments for current conditions are based upon national and local economic trends and conditions, levels of and trends in delinquency rates and nonaccrual loans, trends in volumes and terms of loans, effects of changes in lending policies, experience, ability, and depth of lending staff, value of underlying collateral, concentrations of credit from a loan type, industry, and/or geographic standpoint. These modified historical loss rates are multiplied by the outstanding principal balance of each loan to calculate a required reserve.

The contractual term used in projecting the cash flows of a loan is based on the maturity date of a loan and is adjusted for prepayment or curtailment assumptions which may shorten that contractual time period. Options to extend are considered by management in determining the contractual term.
The key inputs to the DCF model are (1) probability of default (“PD”), (2) prepayment and curtailment rates, (3) reasonable and supportable economic forecasts, (4) forecast reversion period, (5) expected recoveries on charged off loans, and (6) discount rate.

Loss Rate (LR)
In order to incorporate economic factors into forecasting within the DCF model, management elected to use the loss driver method to generate the PD rate inputs. The loss driver method analyzes how one or more economic factors change the default rate using a statistical regression analysis. Management selected economic factors that had strong correlations to historical default rates.

Prepayment and Curtailment Rates
Prepayment Rates: Loan-level transaction data is used to calculate semi-annual prepayment rates. These semi-annual rates are annualized, and the average of the annualized rates is used in the DCF calculation for fixed payment or term loans. Rates are calculated for each pool.

Curtailment Rates: Loan-level transaction data is used to calculate annual curtailment rates using available historical loan-level data. The average of the historical rates is used in the DCF model for interest-only payment or line-of-credit type loans. Rates are calculated for each pool.

Reasonable and Supportable Forecasts
The forecast data utilized in the discounted cash flow model is sourced from the Federal Reserve Economic Database (FRED) and a reputable company known for publishing widely recognized home price indices and forecast scenarios. Management assesses these scenarios to ascertain a reasonable and supportable scenario.

Forecast Reversion Period
Management uses forecasts to predict how economic factors will perform and has determined to use a four-quarter forecast period as well as a four-quarter straight-line reversion period to historical averages (also commonly referred to as the mean reversion period).

Expected Recoveries on Charged-off Loans
Management relies on a third party to supply industry benchmarks for anticipated recovery rates.

Discount Rate
The effective interest rate of the underlying loans of the Company serves as the discount rate applied to the expected periodic cash flows. Management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Individual Evaluation
Management considers a financial asset as collateral dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral, based on management's assessment as of the reporting date. Measurement of the expected credit losses on collateral-dependent loans is based on the fair value of the collateral, less any costs to sell.

The ACL calculation for individual loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and should, therefore, be individually assessed. The Bank will automatically consider all non-accrual loans greater than $250 for individual analysis. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate, 2) the loan's observable market price, or 3) the fair value of the collateral when the loan is collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a charge-off is taken if the fair value of the loan is less than the loan balance.

The allowance for credit losses is calculated collectively when there are similar risk characteristics. The company's loan portfolio is divided into segments that enable management to track risk and performance. For more information, refer to the Loans Receivable footnote.

The Bank has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on nonaccrual status, any outstanding accrued interest is reversed against interest income.

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, 2023 and 2022. 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 2023 and 2022. Other real estate owned expenses recognized in other expenses during 2023 and 2022 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. In 2018, the company recognized $10.0 million in goodwill related to the acquisition of Home City Federal Savings. Goodwill is no longer amortized following an accounting election change but is tested for impairment annually or when events or changes in circumstances indicate that the carrying value may be greater than fair value. No impairment was recorded as of December 31, 2023. See Note 2 for more information.

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 2023 or 2022. 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 subsidiary are subject to U.S. federal income tax.

Derivative Financial Instruments

The Company accounts for derivatives in accordance with ASC 815, Derivatives and Hedging. Derivatives are recognized as either assets or liabilities at fair value in the Consolidated Balance Sheets with changes in fair value recorded to earnings or accumulated other comprehensive income, as appropriate. At the inception of a derivative contract, the Company designates the derivative as a hedging or non-hedging instrument. To qualify for hedge accounting, derivatives must be highly effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the derivative contract. For fair value hedges, changes to the fair value are recorded in earnings, while for cash flow hedges, fair value changes are recorded in accumulated other comprehensive income and subsequently reclassified into earnings in the period that the hedged forecast transaction affects earnings. The ineffective portion of a hedge's change in fair value is recognized in earnings immediately. For derivatives not designated as hedges, adjustments to fair value are recorded through earnings. For additional detail regarding derivatives, see Note 18.

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 $384 and $340 for the years ended December 31, 2023 and 2022, 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 and cash-flow hedges which are also recognized as separate components of equity.

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 consolidated financial statements when they become payable.

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the provision for credit losses. This estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Adoption of New Accounting standards

Effective January 1, 2023, the Bank adopted ASU No. 2016-13 Financial Instruments – Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also extends to credit exposure off the balance sheet that is not recorded as insurance, encompassing loan commitments, standby letters of credit, financial guarantees, and similar instruments.

The following table illustrates the pre-tax impact of the adoption of this ASU. The Bank expanded the pooling utilized under the legacy incurred loss method to include additional segmentation based on risk. The impact of the change from the incurred loss model to the current expected credit loss model is detailed below (in thousands).

	January 1, 2023		
	Pre-adoption	Adoption Impact	As Reported
ACL on loans:			
Construction	$ 358	$ 82	$ 440
Farmland	893	(376)	517
1-4 Family 1st Lien	153	823	976
1-4 Family Junior Lien	1,228	(1,165)	63
Multifamily	260	159	419
Commercial Owner Occupied	1,028	2,024	3,052
Commercial Non-Owner Occupied	957	1,006	1,963
Agricultural	198	(171)	27
Commercial, Industrial & Consumer	768	(253)	515
Total	$ 5,843	$ 2,129	$ 7,972
ACL on unfunded commitments	$ -	$ 621	$ 621

The Bank adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost, including loans, available-for-sale debt securities and unfunded commitments. On January 1, 2023, the Bank recorded a cumulative effect decrease to retained earnings of $2.1 million related to loans and $621 related to unfunded commitments, net of related tax impact of $577.

Effective January 1, 2023, the Company adopted ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures, which eliminated the accounting guidance for troubled debt restructurings (TDRs) while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. This guidance was applied on a prospective basis. Upon adoption of this guidance, the Company no longer establishes a specific reserve for modifications to borrowers experiencing financial difficulty. Instead, these modifications are included in their historical loss rate which is applied to the current loan balance to arrive at the quantitative baseline portion of the Allowance for Credit Losses.

Reclassifications

Certain reclassifications have been made to the previous consolidated financial statements to conform to the 2023 consolidated financial statement presentation. These reclassifications had no effect on the reported consolidated net income or retained earnings except for as disclosed in Note 2.

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 19, 2024, the date on which the financial statements were available to be issued.

2. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Through December 31, 2022, the Company applied the guidance in Accounting Standards Update (ASU) 2014-02, *Intangibles – Goodwill and Other*, which permits private companies to amortize goodwill over a ten-year period.

During 2023, the Company determined that it was preferable to not apply the private company guidance and instead to not amortize goodwill but test for impairment annually or when events or changes in circumstances indicate that the carrying value may be greater than fair value. As a result, the Company has restated its consolidated financial statements as of and for the year ended December 31, 2022 to reflect this change.

This decision to restate the prior financial statements for the change in accounting for goodwill is aimed at improving transparency and relevance of the Company's consolidated financial statements. The adjustment reflects the Company's dedication to aligning with best practices and providing stakeholders with a clearer understanding of the Company's financial position.

The Company will now account for goodwill using a qualitative assessment for testing the impairment of goodwill on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts.

In addition to the tables below, various footnotes reflect the effects of this restatement, including Note 1 , *Summary of Significant Accounting Policies*; Note 7, *Goodwill and Intangibles*; Note 10, *Income Taxes*; and Note 16, *Condensed Financial Statements of Richwood Bancshares, Inc. (Parent Company Only).*

The tables below show the effect of this restatement on the Company's consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive loss, consolidated statement of changes in shareholders' equity, and consolidated statement of cash flows as of and for the year ended December 31, 2022:

	December 31, 2022		
CONSOLIDATED BALANCE SHEET	**(As previously reported)**	**Adjustments**	**(As restated)**
ASSETS			
Cash and cash equivalents:			
Cash and cash due from banks	$ 19,450	-	19,450
Federal funds sold	5,061	-	5,061
	24,511	-	24,511
Investment securities:			
Available-for-sale securities, at fair value	289,647	-	289,647
Held-to-maturity securities, at cost	4,091	-	4,091
Loans held for sale	659	-	659
Loans receivable, net	727,316	-	727,316
Accrued interest receivable	5,026	-	5,026
Other real estate owned	-	-	-
Premises and equipment	17,326	-	17,326
Federal Reserve and other stock, at cost	710	-	710
Federal Home Loan Bank stock, at cost	3,447	-	3,447
Bank-owned life insurance	17,659	-	17,659
Core deposit intangible	782	-	782
Goodwill	5,939	4,098	10,037
Deferred income taxes	12,162	-	12,162
Other assets	3,067	-	3,067
TOTAL ASSETS	$ 1,112,342	4,098	1,116,440
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Demand	$ 73,547	-	73,547
Savings, NOW and money market	784,191	-	784,191
Time	133,198	-	133,198
	990,936	-	990,936
FHLB Advances	49,000	-	49,000
Subordinated debentures, net	14,736	-	14,736
Accrued interest payable	526	-	526
Accrued expenses and liabilities	2,140	-	2,140
	1,057,338	-	1,057,338
Shareholders' equity:			
Common stock, $0.625 par value, 4,400,300 shares authorized; 1,656,709 shares issued; 1,650,838 shares outstanding	1,035	-	1,035
Treasury stock, 5,871 shares, at cost	(427)	-	(427)
Additional paid-in capital	28,664	-	28,664
Retained earnings	71,740	4,098	75,838
Accumulated other comprehensive loss, net of tax	(46,008)	-	(46,008)
	55,004	4,098	59,102
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,112,342	4,098	1,116,440

	December 31, 2022		
CONSOLIDATED STATEMENT OF INCOME	(As previously reported)	Adjustments	(As restated)
Interest income:			
Loans	$ 32,769	-	32,769
Securities:			
Taxable	4,082	-	4,082
Tax-exempt	2,331	-	2,331
Other	571	-	571
	39,753	-	39,753
Interest expense:			
Deposits	3,431	-	3,431
Borrowings	1,353	-	1,353
	4,784	-	4,784
Net interest income	34,969	-	34,969
Provision (benefit) for credit losses	(1,915)	-	(1,915)
Net interest income after provision (benefit) for loan losses	36,884	-	36,884
Non-interest income:			
Service charges and fees	3,575	-	3,575
Net realized gain (loss) on available-for-sale securities	(22)	-	(22)
Gain on sale of loans	275	-	275
Increase in cash surrender value on bank-owned life insurance	445	-	445
Other	1,602	-	1,602
	5,875	-	5,875
Non-interest expense:			
Salaries and employee benefits	15,152	-	15,152
Net occupancy expense	3,043	-	3,043
Goodwill and itangible asset amortization	1,202	(1,003)	199
Deposit insurance premium	252	-	252
Data processing	5,298	-	5,298
State franchise taxes	718	-	718
Professional fees	1,231	-	1,231
Sales and marketing	877	-	877
Other	3,757	-	3,757
	31,530	(1,003)	30,527
Income before income taxes	11,229	1,003	12,232
Provision for income taxes	1,958	-	1,958
Net income	$ 9,271	1,003	10,274
Earnings per share of common stock	$ 5.64	$ 0.61	$ 6.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS	December 31, 2022 (As previously reported)	Adjustments	(As restated)
Net income	$ 9,271	1,003	10,274
Other comprehensive income (loss), net of tax			
Available-for-sale investment securities:			
Unrealized losses on available-for-sale securities arising during the year, net of tax of $(11,456)	(43,095)	-	(43,095)
Reclassification adjustment for recognized losses on available-for-sale securities during the year, net of tax of $5	17	-	17
Other comprehensive income (loss)	(43,078)	-	(43,078)
Comprehensive loss	$ (33,807)	$ 1,003	$ (32,804)

CONSOLIDATED STATEMENT OF CASH FLOW CHANGES	December 31, 2022 (As previously reported)	Adjustments	(As restated)
Cash flows from operating activities:			
Net income	$ 9,271	1,003	10,274
Amortization	1,261	(1,003)	258
Net cash provided by operating activities	10,834	-	10,834

3. INVESTMENT SECURITIES:

Amortized cost and fair value of investment securities, by category, consist of the following at December 31, 2023 and 2022:

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
U.S. Government agencies	$ 1,452	$ -	$ (85)	$ 1,367
Obligations of states and political subdivisions	102,616	11	(16,745)	85,882
Mortgage-backed securities in Government-sponsored entities	203,679	-	(31,370)	172,309
Corporate bonds	10,904	69	(325)	10,648
	$ 318,651	$ 80	$ (48,525)	$ 270,206
Held-to-maturity securities:				
Obligations of states and political subdivisions	$ 4,036	$ -	$ -	$ 4,036

	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

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, 2023 and 2022.

	December 31, 2023					
	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	$ -	$ -	$ 1,367	$ (85)	$ 1,367	$ (85)
Obligations of states and political subdivisions	2,469	(115)	80,238	(16,630)	82,707	(16,745)
Mortgage-backed securities in Government-sponsored entities	-	-	172,304	(31,370)	172,304	(31,370)
Corporate bonds	-	-	7,683	(325)	7,683	(325)
	$ 2,469	$ (115)	$ 261,592	$ (48,410)	$ 264,061	$ (48,525)
Number of investments	7		260		267	

	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	

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. As a result, there is no allowance for credit losses recorded for available-for-sale debt securities as of December 31, 2023. As of December 31, 2023 and 2022, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of shareholders' equity.

Contractual maturities of debt securities available for sale at December 31, 2023 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	$ 4,896	$ 4,948	$ 430	$ 430
Due after one year through five years	5,712	5,502	1,758	1,758
Due after five years through ten years	22,381	20,635	1,848	1,848
Due after ten years	285,662	239,121	-	-
	$ 318,651	$ 270,206	$ 4,036	$ 4,036

Investment securities with a fair value of $178,139 and $132,562 were pledged at December 31, 2023 and 2022, respectively, to secure certain deposits and for other purposes as permitted or required by law. The Federal Reserve created a new Bank Term Funding Program ("BTFP") in 2023 as an additional source of liquidity against high-quality securities, offering loans of up to one year to eligible institutions pledging qualifying assets as collateral. The BTFP enables depository institutions to pledge eligible investment securities, primarily government and agency securities, to the Federal Reserve with borrowing capacity based upon the par value, not the fair value, of collateral. As of December 31, 2023, the Bank had pledged securities of $163,776 in par value to the BTFP facility. See Note 8 for more information.

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

	2023	2022
Proceeds	$ 7,163	$ 215
Gross gains	34	-
Gross losses	(156)	(22)
Tax provision (benefit)	(26)	(5)

4. LOANS RECEIVABLE:

The composition of loans is as follows at December 31:

	2023	2022
Construction	$ 71,213	$ 47,453
Farmland	113,597	118,372
1-4 Family - First Lien	164,379	162,809
1-4 Family - Junior Lien	23,623	20,261
Multifamily	30,063	34,520
Commercial Owner Occupied	160,449	133,609
Commercial Nonowner Occupied	122,789	126,915
Agricultural	26,923	26,203
Commercial, Industrial & Consumer	64,319	64,779
Total loans	777,355	734,921
Less: deferred loan origination costs, net	(1,885)	(1,762)
Less: allowance for credit losses	(8,141)	(5,843)
Net loans	$ 767,329	$ 727,316

Net loans at January 1, 2022 were $581,746. The Bank modified the pooling utilized under the legacy incurred loss method to include additional segmentation based on risk. The composition of loans as of December 31, 2022, as presented above, reflects the modified pooling. The remaining tables herein are carried forward without change from the 2022 consolidated financial statements.

Management segregates the loan portfolio into segments based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate. These segments are used to assist the Bank in developing and documenting a systematic method for determining its allowance for loan losses.

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

Construction: This portfolio segment includes construction loans to individuals and builders, primarily for the construction of residential properties. Construction financing generally involves greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost proves to be inaccurate, the Bank may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project proves to be inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment. Construction loans also expose the Bank to the risks that improvements will not be completed on time in accordance with specifications and projected costs and that repayment will depend on the successful operation or sale of the properties.

Farmland: This portfolio segment includes loans secured by farmland and improvements thereon, as evidenced by mortgages or other liens. Farmland includes all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not.

1-4 Family - First Lien: This portfolio segment includes the origination of first mortgage loans secured by one to four family owner occupied or non-owner occupied residential properties.

1-4 Family - Junior Lien: This portfolio segment includes the origination of home equity second mortgage loans secured by one to four family owner occupied or non-owner occupied residential properties.

Multifamily: This portfolio segment includes all other nonfarm residential loans secured by real estate as evidenced by mortgages (FHA and conventional) or other liens that are not reportable segments 1-4 Family First Lien and 1-4 Family Junior Lien.

Commercial Owner Occupied: This portfolio segment includes loans secured by owner-occupied nonfarm nonresidential properties are those nonfarm nonresidential property loans for which the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the party, or an affiliate of the party, who owns the property. Thus, for loans secured by owner-occupied nonfarm nonresidential properties, the primary source of repayment is not derived from third party, nonaffiliated, rental income associated with the property or the proceeds of the sale, refinancing, or permanent financing of the property.

Commercial Nonowner Occupied: This portfolio segment includes loans secured by other nonfarm nonresidential properties that are those nonfarm nonresidential property loans where the primary source of repayment is derived from rental income associated with the property or the proceeds of the sale, refinancing, or permanent financing of the property.

Agricultural: This portfolio segment includes loans and advances made for the purpose of financing agricultural production, including the growing and storing of crops, the marketing or carrying of agricultural products by the growers thereof, and the breeding, raising, fattening, or marketing of livestock. This segment also includes loans made to farmers for purchases of farm machinery, equipment, and all other purposes associated with the maintenance or operations of the farm, including purchases of private passenger automobiles and other retail consumer goods and provisions for the living expenses of farmers or ranchers and their families.

Commercial, Industrial & Consumer: This portfolio segment includes commercial business loans generally secured by assignments of corporate assets and/or personal guarantees of the business owners. Commercial business loans generally have higher interest rates and shorter terms than one to four family residential loans, but they also may involve higher average balances, increased difficulty of loan monitoring and a higher risk of default since their repayment generally depends on the successful operation of the borrower's business. This portfolio segment also includes credit extended to individuals for household, family and other personal expenditures that are not secured by real estate, whether direct loans or purchased paper. Consumer loans generally have higher interest rates and shorter terms than one to four family residential loans but involve lower average balances.

Allowance for credit losses

On January 1, 2023, the Company adopted CECL. This methodology for calculating the allowance for credit losses 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. To develop the ACL estimate under the current expected loss model, the Company segments the loan portfolio into loan pools based on Federal Call Code and similar credit risk elements. An ACL is maintained to absorb losses from the loan portfolio. The ACL is based on management's continuing evaluation of the risk characteristics and credit quality of the loan portfolio, assessment of current economic conditions, diversification and size of the portfolio, adequacy of collateral, past and anticipated loss experience, and the amount of nonperforming loans.

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

	2023									
	Construction	Farmland	1-4 Family 1st Lien	1-4 Family Junior Lien	Multifamiliy	Commercial Owner Occupied	Commercial Nonowner Occupied	Agricultural	Commercial, Industrial & Consumer	Total
Allowance for credit losses:										
Beginning balance	$ 358	$ 893	$ 153	$ 1,228	$ 260	$ 1,028	$ 957	$ 198	$ 768	$ 5,843
Impact of adoption of ASC 326	82	(376)	824	(1,165)	158	2,023	1,005	(170)	(252)	2,129
Provision (benefit) for credit losses	4	(32)	(1,002)	747	(163)	644	(105)	59	348	500
Charge-offs	-	-	(12)	-	-	(67)	-	(80)	(508)	(667)
Recoveries	-	-	100	71	48	-	-	11	106	336
Ending balance	$ 444	$ 485	$ 63	$ 881	$ 303	$ 3,628	$ 1,857	$ 18	$ 462	$ 8,141
Ending balance:										
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ 855	$ -	$ -	$ -	$ 855
Collectively evaluated for impairment	444	485	63	881	303	2,773	1,857	18	462	7,286
Loans receivable:										
Ending balance	$ 71,213	$ 113,597	$ 164,379	$ 23,623	$ 30,063	$ 160,449	$ 122,789	$ 26,923	$ 64,319	$ 777,355
Ending balance:										
Individually evaluated for impairment	-	856	187	-	-	7,097	2,537	-	-	10,677
Collectively evaluated for impairment	$ 71,213	$ 112,741	$ 164,192	$ 23,623	$ 30,063	$ 153,352	$ 120,252	$ 26,923	$ 64,319	$ 766,678

	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

ACL for Unfunded Commitments

Upon adoption of CECL on January 1, 2023, the Company recorded a separate ACL for unfunded commitments using a methodology that is inherently similar to the methodology used for calculating the ACL for loans. The liability for credit losses on these exposures is included in "Accrued interest payable and other liabilities" on the consolidated balance sheet. Prior to the adoption of CECL, this type of liability was not recognized on the consolidated balance sheet.

The following table summarizes the ACL for unused commitments for the year ended December 31, 2023:

Balance, beginning of year	$ -
CECL adoption	621
Provision for (reduction in) credit losses	(256)
Balance, end of year	$ 365

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.

Pass loans are of reasonable credit strength and repayment ability or better proving an average credit risk due to one or more underlying weaknesses.

Special Mention 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 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 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.

The following tables represent the credit risk profile by creditworthiness category at December 31:

	Credit Risk Profile by Internally Assigned Grade December 31, 2023					
	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Real Estate:						
Construction	$ 71,213	$ -	$ -	$ -	$ -	$ 71,213
Farmland	112,741	-	856	-	-	113,597
1-4 Family - First Lien	162,808	532	1,039	-	-	164,379
1-4 Family - Junior Lien	23,488	5	130	-	-	23,623
Multifamily	29,692	170	201	-	-	30,063
Commercial Owner Occupied	149,550	4,380	6,519	-	-	160,449
Commercial Nonowner Occupied	120,253	-	2,536	-	-	122,789
Agricultural	26,838	85	-	-	-	26,923
Commercial, Industrial & Consumer	63,985	225	109	-	-	64,319
Total	$ 760,568	$ 5,397	$ 11,390	$ -	$ -	$ 777,355

	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

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

2023

	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	Nonaccrual with no ACL
Real Estate:										
Construction	$ 399	$ 124	$ -	$ 523	$ 70,690	$ -	$ 71,213	$ -	$ -	$ -
Farmland	477	-	-	477	113,120	-	113,597	-	-	-
1-4 Family - First Lien	1,451	344	376	2,171	162,113	95	164,379	883	-	-
1-4 Family - Junior Lien	364	54	-	418	23,182	23	23,623	49	-	-
Multifamily	-	-	-	-	30,063	-	30,063	-	-	-
Commercial Owner Occupied	286	-	3,372	3,658	156,639	152	160,449	2,623	901	2,471
Commercial Nonowner Occupied	-	-	-	-	122,789	-	122,789	-	-	-
Agricultural	22	-	-	22	26,901	-	26,923	-	-	-
Commercial, Industrial & Consumer	533	46	336	915	63,401	3	64,319	262	-	-
Total	$ 3,532	$ 568	$ 4,084	$ 8,184	$ 768,898	$ 273	$ 777,355	$ 3,817	$ 901	$ 2,471

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

As of December 31, 2023, the Company had collateral dependent loans totaling $10,677 which were all collateralized by real estate.

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

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, 2023.

A major factor in determining the appropriateness of the allowance for credit losses is the type of collateral that secures the loans. All nonperforming loans at December 31, 2023 were secured by real estate.

Loan Modifications

Effective January 1, 2023, the Company implemented ASU 2022-02, which eliminated the recognition and measure of troubled debt restructurings and enhanced disclosures for loan modifications to borrowers experiencing financial difficulty. During the year ended December 31, 2023, no loans were modified for borrowers experiencing financial difficulty. As of December 31, 2023, the Company did not have any loans that were modified for borrowers experiencing financial difficulty and subsequently defaulted. Payment default is defined as movement to nonperforming status, foreclosure or charge-off, whichever occurs first.

Prior to the adoption of ASU 2022-02, a troubled debt restructuring (TDR) describes loans for which the Bank has granted concessions for reasons related to the customer's financial difficulties. Such concessions may include one or more of the following: reduction in the interest rate to below-market rates, extension of repayment requirements beyond normal terms, reduction of the principal amount owed, reduction of accrued interest due, or acceptance of other assets in full or partial repayment of a debt. In each case, the concession is made due to deterioration in the borrower's financial condition, and the new terms are less stringent than those required on a new loan with similar risk.

As of December 31, 2022, the Company did not have any loans classified as a TDR.

5. 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 $95,101 and $99,119 as of December 31, 2023 and 2022, respectively. The unpaid principal balance of traditional loan participations sold was $8,260 and $11,803 as of December 31, 2023 and 2022, respectively. The unpaid principal balance of traditional loan participations purchased was $69,998 and $51,627 as of December 31, 2023 and 2022, respectively.

The Bank sells mortgage loans in the secondary market under terms of a Mortgage Purchase Program ("MPP"). Gain on sales of loans was $150 and $275 during the years ended December 31, 2023 and 2022, 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:

	2023	2022
Balance, beginning of year	$ 732	$ 776
Additions, net	46	72
Amortization	(96)	(116)
Balance, end of year	$ 682	$ 732

6. PREMISES AND EQUIPMENT:

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

	2023	2022
Land	$ 2,990	$ 2,990
Banking premises	17,897	17,420
Furniture, fixtures and equipment	5,970	5,580
Construction in progress	2,777	719
	29,634	26,709
Less accumulated depreciation	(10,674)	(9,383)
Net	$ 18,960	$ 17,326

7. GOODWILL AND INTANGIBLES:

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

	December 31, 2023			
	Useful Life	Gross	Accumulated Amortization	Net
Amortized intangible asset:				
Core deposit intangible	8 years	$ 1,590	$ 1,007	$ 583
Goodwill	indefinite	$ 10,037	$ -	$ 10,037

	December 31, 2022			
	Useful Life	Gross	Accumulated Amortization	Net
Amortized intangible asset:				
Core deposit intangible	8 years	$ 1,590	$ 808	$ 782
Goodwill (as restated)	indefinite	$ 10,037	$ -	$ 10,037

Intangible asset amortization expense totaled $199 and $199 for the years ended December 31, 2023 and 2022, respectively.

The future estimated annual amortization of intangible asset is as follows at December 31, 2023:

Years Ending December 31	
2024	$ 199
2025	199
2026	185
	$ 583

8. DEPOSITS:

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

	2023	2022
In one year or less	$ 173,084	$ 94,478
After one year through two years	17,401	29,028
After two years through three years	1,814	7,890
After three years through four years	2,007	1,511
After four years through five years	676	78
After five years	95	213
Total time deposits	$ 195,077	$ 133,198

Time deposits in denominations of $250 or more were $96,250 and $59,476 at December 31, 2023 and 2022, respectively.

9. BORROWINGS:

Federal Home Loan Bank and Federal Reserve 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	2023	2022
FHLB CMA variable advances	2/21/2023 to 3/22/2023	4.42%	4.42%	$ -	$ 49,000
FHLB fixed- and floating-rate	1/2/2024 to 8/12/2024	5.37%	4.88% to 5.41%	45,000	-
Total				**$ 45,000**	**$ 49,000**

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. As a member of the FHLB, the Company is required to purchase and hold shares of capital stock in the FHLB and was in compliance with this requirement with a stock investment in FHLB of $3.3 million at December 31, 2023 and $3.4 million at December 31, 2022. This stock is carried on the accompanying Consolidated Balance Sheets at cost, which approximates liquidation value. The carrying value of the loans pledged as collateral for these borrowings totaled $367.4 million and $355.4 million at December 31, 2023 and 2022, respectively. The Bank's unused remaining available borrowing capacity at the FHLB was approximately $157.9 million and $193.8 million at December 31, 2023 and 2022, respectively. All outstanding FHLB borrowings at December 31, 2023 mature within one year.

Federal Reserve Borrowings
In March 2023, the Federal Reserve established the Bank Term Funding Program ("BTFP") to make available funding to eligible depository institutions in order to help assure they have the ability to meet the needs of their depositors following events that occurred in the banking industry earlier in 2023. The program allows for advances for up to one year secured by eligible high-quality securities at par value extended at the one-year overnight index swap ("OIS") rate, plus 10 basis points, as of the day the advance is made. The interest rate is fixed for the term of the advance and there are no prepayment penalties. At December 31, 2023, eligible high-quality securities with a total carrying value of $143.8 million and a par value of $163.7 million were pledged as collateral to secure a $133.0 million advance under the Federal Reserve's Bank Term Funding Program. At December 31, 2023, the Company had a $133.0 million advance under the BTFP at an average borrowing rate of 4.63% with maturity dates ranging from March 25, 2024 to December 20, 2024. Total interest expense recorded in 2023 on these borrowings was $3.2 million.

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, 2023 and 2022. These federal funds lines with correspondent banks are reviewed periodically with $20 million set to mature on June 30, 2024.

Other Long-Term Borrowings
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 used the proceeds for general corporate purposes, which included, 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.

10. INCOME TAXES:

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

	2023	2022
Current tax expense	$ 1,661	$ 2,107
Deferred tax (benefit)	(61)	(149)
	$ 1,600	$ 1,958

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

	2023	2022
Federal income taxes computed at statutory rate	$ 2,119	$ 2,569
Change in taxes resulting from:		
Tax exempt interest	(286)	(374)
Bank-owned life insurance	(120)	(93)
Low income housing tax credit	(149)	(92)
Other	36	(52)
	$ 1,600	$ 1,958

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 2020 and forward and for state from 2019 and forward.

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

	2023	2022
Deferred income tax assets:		
Allowance for loan losses	$ 1,786	$ 1,253
Net unrealized loss on available-for-sale securities	10,173	12,230
Deferred loan fees	354	341
Other	107	260
	12,420	14,084
Deferred income tax liabilities:		
Depreciation	$ 1,211	$ 1,317
FHLB stock dividend	97	210
Intangible assets	123	164
Mortgage servicing	143	154
Other	103	77
	1,677	1,922
Net deferred income tax position	$ 10,743	$ 12,162

11. 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 2023 and 2022.

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 7,124 and 4,786 shares of restricted stock granted in 2023 and 2022, respectively.

The following table presents the activity related to awards of restricted stock during the years ended December 31, 2023 and 2022:

	2023		2022	
	Units	Weighted Average Grant Price per Share	Units	Weighted Average Grant Price per Share
Unvested units outstanding at beginning of year	1,605	$ 73.70	-	$ -
Granted	7,124	76.55	4,786	71.20
Vested	(2,482)	73.74	(3,121)	74.95
Forfeited/expired/cancelled	-	-	(60)	74.95
Unvested units outstanding at end of year	6,247	$ 76.30	1,605	$ 73.70

As of December 31, 2023, there was $477 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 2.4 years. The fair value of shares vested during the years ended December 31, 2023 and 2022 was $183 and $234, respectively.

12. 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:

	2023	2022
Commitments to extend credit	$ 140,653	$ 143,196
Standby letters of credit	6,569	6,569
	$ 147,222	$ 149,765

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.

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.

13. 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, 2023, 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 2023 and 2022, 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, 2023 and 2022, 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 2023 and 2022 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, 2023						
Common equity tier 1 capital (to risk-weighted capital)						
Bank	$ 106,845	12.09%	$ 39,756	4.5%	$ 57,425	6.5%
Company	109,341	12.38%	39,756	4.5%	N/A	N/A
Total capital (to risk-weighted assets)						
Bank	113,722	12.87%	70,677	8.0%	88,346	10.0%
Company	116,219	13.15%	70,677	8.0%	N/A	N/A
Tier 1 capital (to risk-weighted assets)						
Bank	106,845	12.09%	53,008	6.0%	70,677	8.0%
Company	109,341	12.38%	53,008	6.0%	N/A	N/A
Tier 1 capital (to average assets)						
Bank	106,845	9.10%	46,968	4.0%	58,710	5.0%
Company	109,341	9.31%	46,968	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, 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

14. RELATED-PARTY TRANSACTIONS:

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

	2023	2022
Balance at beginning of year	$ 1,187	$ 1,452
New loans	373	286
Effect of changes in composition of related parties	(497)	(302)
Repayments	(68)	(249)
	$ 995	$ 1,187

Deposits from related parties held by the Bank totaled $5,305 and $9,489 at December 31, 2023 and 2022, respectively.

15. 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.

Derivatives

The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2). The derivatives are traded in an over the counter market where quoted market prices are not always available. Therefore, the fair values of derivatives are determined using quantitative models that utilize multiple market inputs. The inputs will vary based on the type of derivative, but could include interest rates, prices and indices to generate continuous yield or pricing curves, prepayment rates, and volatility factors to value the position. The majority of market inputs are actively quoted and can be validated through external sources. Including brokers, market transactions and third party pricing services.

Collateral-dependent impaired loans

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy. The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by management. Appraisals are reviewed for accuracy and consistency. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by comparison to market and historical results.

Impaired loans, prior to adoption of CECL

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, 2023				
Available-for-sale securities:				
U.S. government agency securities	$ -	1,367	-	$ 1,367
Obligations of states and political subdivisions	-	85,882	-	85,882
Mortgage-backed securities	-	172,309	-	172,309
Corporate bonds	-	10,648	-	10,648
	-	270,206	-	270,206
Derivatives:				
Interest rate swap assets	$ -	76	-	$ 76
Interest rate swap liabilities	-	(1,011)	-	(1,011)
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

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, 2023				
Collateral-dependent impaired loans	$ -	-	9,820	$ 9,820
December 31, 2022				
Impaired loans	$ -	21,344	-	$ 21,344

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in the nonrecurring Level 3 fair value measurements at December 31, 2023:

	Fair Value at 12/31/2023	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral-dependent impaired loans	$ 9,820	comparable properties	Marketability discounts	25%

16. 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

	2023	2022 (as restated)
Assets:		
Cash and cash equivalents	$ 8,445	$ 7,026
Investment in subsidiaries	76,825	62,911
Available-for-sale securities, at fair value	-	4,016
Other assets	43	60
Total assets	$ 85,313	$ 74,013
Liabilities:		
Accrued expenses and other liabilities	181	175
Subordinated debt	14,801	14,736
Borrowings	-	-
	14,982	14,911
Shareholders' Equity:		
Common stock	1,046	1,035
Treasury stock	(1,508)	(427)
Additional paid-in capital	30,016	28,664
Retained earnings	79,787	75,838
Accumulated other comprehensive loss	(39,010)	(46,008)
Total shareholders' equity	70,331	59,102
Total liabilities and shareholders' equity	$ 85,313	$ 74,013

Condensed Statements of Income and Comprehensive Income

	2023	2022 (as restated)
Income:		
Interest income	$ 190	$ 47
Total income	190	47
Expenses:		
Interest expense	627	849
Non-interest expenses	207	188
Total expenses	834	1,037
Loss before income taxes	(644)	(990)
Income tax benefit	135	220
Loss before equity in undistributed net earnings of subsidiaries	(509)	(770)
Earnings by subsidiaries	9,002	11,044
Net income	$ 8,493	$ 10,274
Comprehensive income (loss)	$ 15,491	$ (32,804)

Condensed Statements of Cash Flows

	2023	2022
Operating activities:		(as restated)
Net income	$ 8,493	$ 10,274
Adjustments to reconcile net income to net cash from operating activities:		
Equity in undistributed earnings of subsidiaries	(9,002)	(11,044)
Amortization of premiums and discounts on investment securities	(5)	(2)
Share based compensation expense	179	231
Change in assets and liabilities:		
Other assets	17	(25)
Accrued interest and other liabilities	(186)	172
Net cash from operations	(504)	(394)
Investing activities:		
Purchase of available-for-sale investment securities	-	(4,014)
Repayments, maturities and calls of available-for-sale investment securities	4,000	-
Net cash from investing activities	4,000	(4,014)
Financing activities:		
Paydown of long term borrowings	-	(11,231)
Proceeds from issuance of subordinated debt	-	15,000
Proceeds from sale of common stock	1,376	1,050
Proceeds from sale of treasury stock	1,691	688
Purchase of treasury stock	(2,772)	(1,215)
Cash dividends paid	(2,372)	(1,724)
Net cash from financing activities	(2,077)	2,568
Net change in cash	1,419	(1,840)
Cash - beginning of year	7,026	8,866
Cash - end of year	$ 8,445	$ 7,026

17. 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:

	2023	2022
Noninterest income		
In-scope of Topic 606:		
Service charge on deposits	$ 1,472	$ 1,549
ATM/Interchange fees	2,142	2,026
Other	2,327	2,047
Noninterest income (in-scope of Topic 606)	5,941	5,622
Noninterest income (out-of-scope of Topic 606)	27	253
Total noninterest income	$ 5,968	$ 5,875

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.

18. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Bank uses interest rate swaps to reduce interest rate risks and to manage net interest income. During the normal course of business, the Company enters into interest rate swap loan relationships ("loan swaps") with borrowers to meet their financing needs. Upon entering into the loan swaps, the Company enters into offsetting positions with counterparties in order to minimize interest rate risk. These back-to-back loan swaps qualify as financial derivatives with fair values reported in "Other assets" and "Other liabilities" in the Consolidated Balance Sheets.

The Bank uses interest rate swaps to manage the risk of increases in interest rates associated with the majority our floating-rate overnight FHLB advances by converting the balances subject to variable interest rates to a fixed interest rate, which have been designated and accounted for as cash flow hedges. These cash flow hedges are intended to protect against the variability in the expected future cash flows on the designated variable rate. During 2023, the Company entered into two swaps with a total notional amount of $60 million and maturity dates ranging from 2 to 3 years. The pay fixed receive variable swaps hedge the interest rate risk in a rising rate environment, wherein the Company will receive an interest rate based on the three-month Secured Overnight Financing Rate (“SOFR”) from the counterparty and pays an interest rate ranging from 4.21% to 4.35% to the counterparty calculated on the notional amount.

All swaps were entered into with counterparties that met the Company’s credit standards and the agreement contains collateral provisions protecting the at-risk party. As of December 31, 2023 the Company had $2.6 million of cash pledged as collateral for both loan and borrowing swap agreements.

Interest differentials paid or received under the swap agreements are reflected as adjustments to interest income. These interest rate swap agreements are considered cash flow hedge derivative instruments that qualify for hedge accounting. The notional amounts of the interest rate swaps are not exchanged and do not represent exposure to credit loss. In the event of default by a counter party, the risk in these transactions is the cost of replacing the agreements at current market rates.

Summary information about the Bank's interest rate swaps as of December 31, 2023 is as follows:

	Borrowing Derivatives	**Loan Derivatives**
Notional amounts	$ 60,000	$ 7,871
Weighted-average pay rates	4.29%	3.62%
Weighted-average receive rates	5.35%	3.62%
Weighted-average maturity (years)	2.54	5.90
Unrealized losses	$ 935	$ -

There were no interest rate swaps outstanding as of December 31, 2022.

All of the Company's interest rate swaps were determined to be fully effective during the year ended December 31, 2023. As such, no amount of ineffectiveness has been included in net income. Therefore, the aggregate fair value of the swaps is recorded in "Other assets" and "Other liabilities" with changes in fair value recorded in "Other comprehensive (loss) income". The amount included in "Accumulated other comprehensive (loss) income, net of tax" would be reclassified to net income should the hedges no longer be considered effective. No income or expense related to early termination was recognized during the year ended December 31, 2023.

The following table presents the net gains (losses), net of income taxes, recorded in OCI and the Consolidated Statements of Income related to interest rate swaps for the year ended December 31, 2023:

	Amount of Gain (Loss) Recorded in OCI (Effective Portion)	Amount of Gain (Loss) Reclassified from OCI to Interest Income
Interest rate contracts	$ (738)	$ -

The following table reflects the interest rate swaps included in the Consolidated Balance as of December 31, 2023:

	Notional Amount	Fair Value
Included in Other Assets:		
Borrowing derivatives - interest rate swaps related to FHLB Advances	$ -	$ -
Loan derivatives - instruments associated with loans:		
Matched interest rate swaps with borrower	-	-
Matched interest rate swaps with counterparty	7,871	76
Total amount included in Other Assets	$ 7,871	$ 76
Included in Accrued Expenses and Liabilities:		
Borrowing derivatives - interest rate swaps related to FHLB Advances	$ 60,000	$ (935)
Loan derivatives - instruments associated with loans:		
Matched interest rate swaps with borrower	7,871	(76)
Matched interest rate swaps with counterparty	-	-
Total amount included in Accrued Expenses and Liabilities	$ 67,871	$ (1,011)

PROTECT

We're dedicated to preventing fraud by educating both our staff and customers on how to spot and block fraudulent activities. Through comprehensive training and ongoing education, we empower our team to proactively protect you.

Together, we strive to ensure that you have the knowledge and tools needed to stay safe from scams and fraud.

Defending Your Assets:

A CONTACT CENTER SUCCESS STORY

Our Contact Center consists of highly trained employees who handle all incoming phone calls. They represent the first line of defense against fraudulent access to accounts.

One of these agents is Macie. She received a call from a customer who wanted her to authorize a transfer of $2,000 from their account. Macie asked the usual security questions and this person had all the right answers, but something didn't feel right. She disconnected the call and attempted to contact the customer with the phone number we had on-file. When she was connected with the same person she'd just been talking to, she asked the customer to visit a branch to complete the verification.

Even when the caller pushed hard, Macie listened to her instincts and held firm. Macie alerted the contact center and our branches to the situation. When the real customer happened to stop by the branch, she was shocked to learn that someone had requested a transfer. Our team helped her discover that her phone had been hacked and the scammers were diverting all incoming calls to themselves.

This isn't an isolated event. In that same week, we experienced three such instances of this imposter scam. Not a single dollar went out on any of those attempts, due to the instincts and diligence of our Contact Center team.

Secure Your Accounts

RICHWOOD'S LATEST ONLINE BANKING FEATURE ENHANCES PROTECTION

In case you missed it, Richwood Bank did a major upgrade to our online banking platform in 2023. While the new platform retains popular security features like text alerts and dual-factor authentication from the previous version, it also introduces several new services.

Card Control Integration:

Proactively prevent debit card fraud by turning your card off when not in use, set transaction limits, and adjust them as needed—all from your mobile device or desktop.

Credit Score & Report:

A monitoring feature that provides your credit score and ongoing reports. You'll receive alerts if there are changes to your score or if new inquiries appear in your report.

Positive Pay for ACH:

Stop fraud before it hits your business account by setting up real-time alerts, review and verify ACH transaction details, and reject transactions that don't match your records.

EDUCATE AND EMPOWER: RICHWOOD'S FRAUD PREVENTION EDUCATION TOOLS

We believe in proactive measures to protect our customers from fraud. As part of our mission to protect, we educate our customers about common scams and provide them with tools to stop it in its tracks.

We regularly share information about recent scams on our social media channels and blog posts on our website. If you don't already, consider following us on Facebook or Instagram to stay up-to-date on our posts.

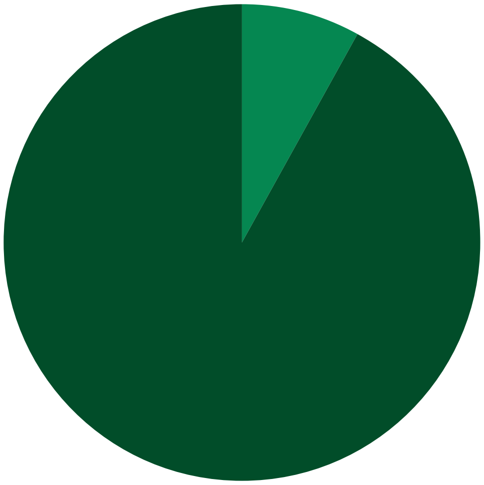
In 2023, we launched a new email address, sketchy@richwoodbank.com, where customers can report fraud attempts. This initiative turns our customers into active members of our fraud prevention team, as their reports provide us with valuable information about the origin and methods of these attempts. We use this information to educate ourselves and our customers further and report fraudulent activities to the authorities for action.

STOPPING FRAUD IN ITS TRACKS:

The Positive Pay Advantage

In the fourth quarter of 2023 alone, Positive Pay proved its effectiveness by stopping nearly $80,000 in fraud. Of this amount, $71,553.33 were check payments, and $6,042.21 were ACH payments.

It's important to note that the ACH protection feature was only launched in December, making this achievement even more impressive.



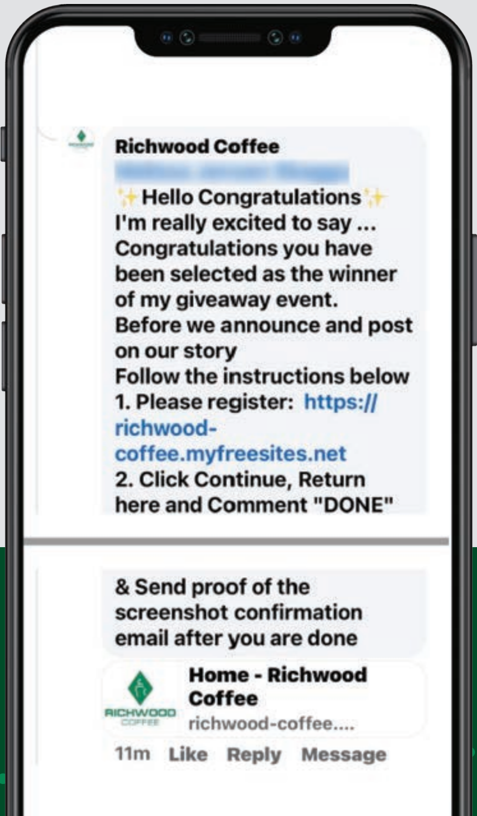
CHECK PAYMENTS

ACH PAYMENTS

Fighting Back:

HOW YOUR REPORT TO SKETCHY@RICHWOODBANK.COM HELPED US TAKE DOWN SCAMMERS

Recently, a report to our fraud prevention team through ***sketchy@richwoodbank.com*** led to the successful shutdown of a fake website. This success story highlights the importance of our customers' vigilance and our proactive approach to combating fraud.



DECEMBER 21
We were alerted that someone had replied to our social post, posing as Richwood Coffee.

DECEMBER 25-31
Richwood Bank IT completed an investigation to identify the hosting server of the imposter Richwood Coffee website.

JANUARY 01-07
With the hosting server identified, the IT team worked to have the site taken down. After persistent communication to the host, citing the fact that the website was engaging in criminal activities, the site was removed.

By empowering our customers to report suspicious activity, we can work together to protect against fraud and ensure the security of our banking community.

OUR VALUED SERVICE LINES:

RICHWOOD FINANCIAL

Offers tailored advice and comprehensive financial counsel that seeks to increase confidence in investing, helping you to pursue your goals.

$78,958,217

ASSETS UNDER MANAGEMENT IN 2023

RICHWOOD PAYROLL

Provides complete, customized payroll processing including payroll tax preparation and payment with full personalized reports

224 CUSTOMERS » **520** PAYROLLS/MONTH » **$303,721** IN GROSS REVENUE

RICHWOOD MARKETING

Provides world class creative services to any Richwood Bank business customer, to share the power of strong branding with our customers.

166 CLIENTS » **$784,000** IN GROSS REVENUE

CELEBRATE

WORKPLACE AWARDS

Richwood believes that happy employees lead to satisfied customers. Workplace awards let us know when we're getting it right. They are also a vital part of our retention strategy, ensuring that we retain top talent who are dedicated to delivering exceptional service. Additionally, workplace recognition helps us attract new talent, as they highlight Richwood Bank as an employer of choice.

INDUSTRY AWARDS

Industry awards serve as powerful validations of our performance and standing in the financial sector. For shareholders, these distinctions provide tangible evidence of our excellence, such as when our agricultural lending performance was recognized on a national level. Our consistent recognition as a Bauer 5 Star Bank reinforces our commitment to safety and optimal performance.

These awards are not just about recognition; they play a vital role in attracting new clients. When potential customers see that we have been consistently honored for our achievements and service, they are more likely to choose us as their financial partner, knowing they are aligning with a trusted and high-performing institution.

Celebrating Success: A Look Back at Richwood's Accolades in 2023

A great return is built on the backs of great employees, and at Richwood Bank, we are fortunate to have some of the best. In 2023, several of our team members were recognized for their outstanding contributions and achievements. These honors highlight not only their individual excellence but also the collective strength of our team. We are incredibly proud of their accomplishments and the positive impact they have had on our organization and the communities we serve.

BETHANY WATTS

Logan Co. Chamber
Young Professional of the Year

Bethany's exceptional work in building connections and expanding Richwood Bank's presence in Logan County has not gone unnoticed. This award is a testament to her dedication, hard work, and the positive impact she has made in our community. We are proud to have Bethany as part of our team and look forward to her continued success. Way to go, Bethany!

Bethany Watts | Logan County Development Officer

DOUG WILSON

Delaware Area Chamber
Corporate Citizen of the Year

Doug's dedication to serving the community is truly commendable. He generously volunteers his time and expertise to various boards and organizations, tirelessly working to make Delaware a better place for all. This recognition is a testament to his commitment and the positive impact he has on our community. Congratulations, Doug, on this well-deserved honor!

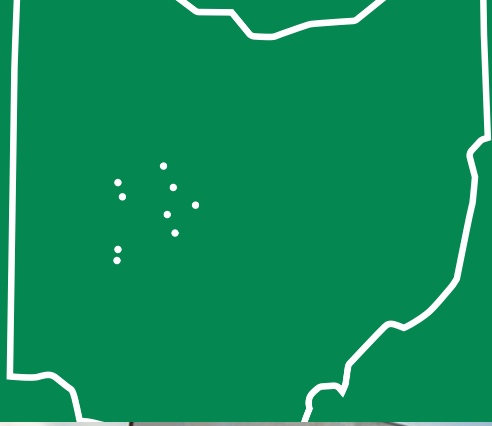
Doug Wilson | Delaware County Development Officer

JONATHAN WHITACRE

Nehemiah Foundation
Hopeful Leader Award

The Hopeful Leader Award is a testament to unwavering commitment and dedication to our community, showcasing exceptional leadership qualities and the remarkable impact they have had on the City of Springfield. The Nehemiah Foundation Hopeful Leader Award recognizes leaders who embody a set of unique attributes that are essential for uplifting our community and fostering a sense of hope for a brighter future.

Jonathan Whitacre | Springfield Branch Manager



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

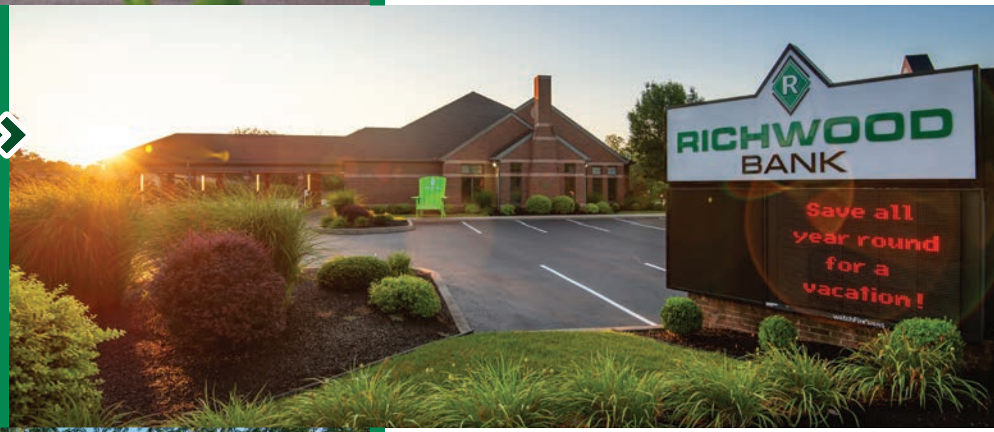
4848 Napoleon St
Huntsville, OH 43324

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

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