Taking care of our communities

MCSB

MERCER COUNTY STATE BANCORP, INC.

Subsidiary MERCER COUNTY STATE BANK

2022 Annual Report

MERCER COUNTY STATE BANCORP, INC.

Subsidiary MERCER COUNTY STATE BANK

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MERCER COUNTY STATE BANCORP, INC.
Subsidiary MERCER COUNTY STATE BANK

A Message from the President and CEO

To Our Shareholders and Friends:

I am happy to report that 2022 was another solid year for Mercer County State Bank! We again saw tremendous growth in loans with balances increasing almost 13%. Deposits were down slightly as a result of no new stimulus from the government and an elevated level of inflation.

Many of you have probably heard that we will be opening a new branch in Mercer, PA. This is exciting news for us and the Mercer community. In the past two years three national banks have left Mercer or announced they are leaving. We believe we have a lot to offer the Mercer community and there is a lot of excitement about us coming. We plan to be open in Mercer no later than September 1st at 147 N Diamond Street.

We have already opened several new accounts in anticipation of the opening of our full-service branch. I believe we can bring our franchise to Mercer to serve that community and still provide an appropriate return for our efforts. Towns and cities like Mercer are why community banks are needed. We see opportunity where the large national and regional banks see an opportunity to take their dollars and invest them elsewhere.

Our initiatives last year to grow checking accounts was very successful. Through marketing efforts and a focus on gaining new customers we almost doubled our yearly average of new account openings. These core relationships will help us to remain independent and ensure the communities we serve have a bank for years to come. I am thankful that our shareholders and board of directors are committed to remaining independent and providing our communities with a great place to bank!

2023 is off and running and we continue to be focused on being the best that we can be. We have started to take a comprehensive look at the core operating system of the bank to determine what system is best for Mercer County State Bank and our customers going forward. This includes the operating system we use internally and our digital presence for our customers. We want to have the best we can offer to attract those looking for a new bank and to retain our current customers. It is amazing how quickly technology changes and the way we do our banking!

We continue to give back in our communities as a bank and through our GIVES program. Last year we provided over $160,000 to our local communities through sponsorships and giving. Our employees also contributed over $5,000 to local organizations through jeans day and a matching giving event we have in February. I am proud that the bank and its employees are committed to the communities we serve!

This will be a challenging year for the bank but I believe we are well positioned to succeed. That was the same line I used last year but it couldn't be more true today. Inflation is well over 7% and interest rates continue to rise as the Fed attempts to bring inflation under control. We are well positioned to succeed with the team we have and the partners we rely on. Mercer County State Bank will continue to be here for our communities, employees and our shareholders.

I want to thank you for your continued support of MCSB and the communities we serve!

Sincerely,

Scott Patton
President and CEO

Mercer County State Bancorp, Inc.

BOARD OF DIRECTORS

Scott D. Patton
President and CEO
Mercer County State Bank

Kevin E. Watts
President
Laubscher Cheese Company

Ray J. Kaltenbaugh
Retired CEO
Mercer County State Bank

Brian J. Raymond
President
Sandy Lake Mills, Inc.

John O. Smith
Retired President
Hazlett Tree Service, Inc.

Michelle Gerwick
Chief Financial Officer
George Junior Republic

Susan M. Cyphert
Partner McGill, Power, Bell
& Associates, LLP

Stephen K. Miller
SVP, Secretary, Treasurer and CFO
Mercer County State Bank

Mercer County State Bank Management

Scott D. Patton .... President and CEO
Stephen K. Miller .... Senior Vice President/Secretary, Treasurer & CFO
Deborah L. Barbour .... Senior Vice President/Chief Compliance Officer
Aubery L. Guzzo .... Senior Vice President/Chief Operating Officer
Sarah A. Palmer .... Senior Vice President/Chief Lending Officer
Cathleen L. Beatrice .... Vice President/Financial Services
Shelley S. Carfolo .... Vice President/Senior Commercial Lender
Jeffrey S. DiLullo .... Vice President/Loan Administration
Tara B. DiMaria .... Vice President/Human Resources
Bradley E. Doyle .... Vice President/Director of Branch Banking-Sales
Matthew V. Feleppa .... Vice President/Senior Commercial Lender
Mark A. Kaltenbaugh .... Vice President/Director of Branch Banking-Operations
James L. Price .... Vice President/Risk & Internal Controls
Michael R. Tarnovich .... Vice President/Chief Information Officer

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Independent Auditors' Report

To the Board of Directors and Stockholders of
Mercer County State Bancorp, Inc.

Opinion

We have audited the consolidated financial statements of Mercer County State Bancorp, and subsidiaries (the Company) which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statement of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Company as of and for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements dated March 16, 2022.

Responsibilities of Management for the Consolidated Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the Annual Report. The other information comprises the Message from the President and CEO but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Baker Tilly US, LLP

Pittsburgh, Pennsylvania
March 16, 2023

MERCER COUNTY STATE BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2022	**2021**
ASSETS		
Cash and due from banks	$ 8,056,330	$ 12,655,715
Interest-bearing deposits	741,884	995,168
Cash and cash equivalents	8,798,214	13,650,883
Investment securities available for sale	164,766,938	209,794,843
Equity securities	1,662,662	1,555,186
Loans	348,659,964	308,928,071
Less allowance for loan losses	4,093,328	3,678,190
Net loans	344,566,636	305,249,881
Premises and equipment, net	7,122,283	7,510,448
Bank-owned life insurance	10,930,638	10,668,448
Regulatory stock	3,549,200	2,497,500
Goodwill	1,952,291	1,952,291
Accrued interest and other assets	9,702,287	3,301,869
TOTAL ASSETS	$ 553,051,149	$ 556,181,349
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 147,684,629	$ 171,196,407
Interest-bearing demand	68,819,203	56,438,848
Savings	82,493,961	84,557,358
Money market	55,468,501	64,829,987
Time	116,154,457	101,185,963
Total deposits	470,620,751	478,208,563
Short-term borrowings	24,771,700	-
Other borrowed funds	16,968,831	19,016,416
Accrued interest and other liabilities	4,972,747	4,777,637
TOTAL LIABILITIES	517,334,029	502,002,616
STOCKHOLDERS' EQUITY		
Common stock, par value $0.20; 40,000,000 shares authorized, 1,094,050 shares issued, 1,043,994 and 1,046,594 outstanding at December 31, 2022 and 2021, respectively	218,810	218,810
Capital surplus	2,099,806	2,099,806
Retained earnings	58,870,201	54,297,333
Treasury stock, at cost (50,056 and 47,456 shares)	(1,988,747)	(1,858,747)
Accumulated other comprehensive loss	(23,482,950)	(578,469)
TOTAL STOCKHOLDERS' EQUITY	35,717,120	54,178,733
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 553,051,149	$ 556,181,349

See accompanying notes to the consolidated financial statements.

MERCER COUNTY STATE BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 2022	2021
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 15,892,130	$ 15,480,607
Interest and dividends on investment securities:		
Taxable	2,406,643	1,941,802
Exempt from federal income tax	1,428,959	1,362,678
Total interest and dividend income	19,727,732	18,785,087
INTEREST EXPENSE		
Deposits	1,150,003	1,339,306
Short-term borrowings	379,171	2,008
Other borrowed funds	277,543	423,634
Total interest expense	1,806,717	1,764,948
NET INTEREST INCOME	17,921,015	17,020,139
PROVISION FOR LOAN LOSSES	485,000	375,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	17,436,015	16,645,139
NON-INTEREST INCOME		
Service charges on deposit accounts	967,387	800,230
Investment securities (losses) gains, net	(76,441)	16,630
Equity securities (losses) gains, net	(36,370)	270,571
Mortgage banking operations	109,097	124,702
Earnings on bank-owned life insurance	262,190	241,812
Insurance commissions	147,517	268,267
Merchant exchange fees	762,457	868,312
Brokerage fees	583,917	613,473
Gain on sale of OREO	7,069	-
Other income	564,231	477,207
Total non-interest income	3,291,054	3,681,204
NON-INTEREST EXPENSE		
Salaries and employee benefits	8,255,326	7,657,658
Occupancy expense	793,620	823,385
Equipment expense	767,387	774,416
Professional fees	483,243	538,253
Data processing	668,400	658,599
Pennsylvania shares tax	381,467	383,475
Federal insurance expense	152,681	142,045
Other expense	2,254,371	2,143,193
Total non-interest expense	13,756,495	13,121,024
Income before income taxes	6,970,574	7,205,319
Income tax expense	1,071,834	1,150,976
NET INCOME	$ 5,898,740	$ 6,054,343
EARNINGS PER SHARE	$ 5.65	$ 5.78
AVERAGE SHARES OUTSTANDING	1,043,998	1,046,627

See accompanying notes to the consolidated financial statements.

MERCER COUNTY STATE BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Year Ended December 31,	
	2022	2021
Net income	$ 5,898,740	$ 6,054,343
Other comprehensive (loss) income:		
Unrealized holding losses on available-for-sale securities	(29,069,455)	(3,812,967)
Tax effect	6,104,586	800,724
Reclassification adjustment for investment securities losses (gains), net	76,441	(16,630)
Tax effect	(16,053)	3,492
Total other comprehensive (loss) income	(22,904,481)	3,025,381
Total comprehensive (loss) income	$ (17,005,741)	$ 3,028,962

See accompanying notes to the consolidated financial statements.

MERCER COUNTY STATE BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, December 31, 2020	$ 218,810	$ 2,099,806	$ 49,498,944	$ (1,855,435)	$ 2,446,912	$ 52,409,037
Net income			6,054,343			6,054,343
Other comprehensive loss					(3,025,381)	(3,025,381)
Treasury stock purchase (69 shares)				(3,312)		(3,312)
Cash dividends declared ($1.20 per share)			(1,255,954)			(1,255,954)
Balance, December 31, 2021	$ 218,810	$ 2,099,806	$ 54,297,333	$ (1,858,747)	$ (578,469)	$ 54,178,733
Net income			5,898,740			5,898,740
Other comprehensive loss					(22,904,481)	(22,904,481)
Treasury stock purchase (2,600 shares)				(130,000)		(130,000)
Cash dividends declared ($1.27 per share)			(1,325,872)			(1,325,872)
Balance, December 31, 2022	$ 218,810	$ 2,099,806	$ 58,870,201	$ (1,988,747)	$ (23,482,950)	$ 35,717,120

See accompanying notes to the consolidated financial statements.

MERCER COUNTY STATE BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2022	2021
OPERATING ACTIVITIES		
Net income	$ 5,898,740	$ 6,054,343
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization, and accretion	871,902	879,284
Investment securities losses (gains), net	76,441	(16,630)
Equity securities losses (gains), net	36,370	(270,571)
Provision for loan losses	485,000	375,000
Gain on sale of loans	(14,205)	(124,702)
Proceeds from the sale of loans held for sale	1,011,221	6,842,767
Originations of loans held for sale	(1,004,550)	(6,718,065)
Deferred income taxes	(172,577)	(27,122)
Earnings on bank-owned life insurance	(262,190)	(241,812)
Gain on sale of other real estate owned	(7,069)	-
Loss on sale of premises and equipment	-	65,388
(Increase) decrease in accrued interest receivable	(220,058)	19,815
Increase (decrease) in accrued interest payable	222,952	(107,105)
Other, net	(91,732)	208,842
Net cash provided by operating activities	6,830,245	6,939,432
INVESTING ACTIVITIES		
Investment securities available for sale:		
Proceeds from sales	5,065,411	370,825
Proceeds from calls	1,160,000	2,330,000
Proceeds from maturities or repayments	18,463,792	26,743,267
Purchases	(9,185,210)	(111,134,961)
Purchase of equity securities	(143,846)	-
Increase in loans, net	(39,794,221)	(2,441,348)
Purchase of bank-owned life insurance	-	(760,035)
Purchases of premises and equipment	(29,280)	(42,205)
Purchase of regulatory stock	(4,523,600)	(1,018,800)
Redemption of regulatory stock	3,471,900	1,250,600
Proceeds from sale of other real estate owned	101,069	-
Net cash used for investing activities	(25,413,985)	(84,702,657)
FINANCING ACTIVITIES		
Net increase in deposits	(7,587,812)	82,135,168
Increase in short-term borrowings, net	24,771,700	-
Proceeds from other borrowed funds	3,000,000	2,500,000
Repayment of other borrowed funds	(5,047,585)	(7,546,499)
Purchase of treasury stock	(130,000)	(3,312)
Cash dividends paid	(1,275,232)	(627,998)
Net cash provided by financing activities	13,731,071	76,457,359
Decrease in cash and cash equivalents	(4,852,669)	(1,305,866)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,650,883	14,956,749
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 8,798,214	$ 13,650,883

See accompanying notes to the consolidated financial statements.

MERCER COUNTY STATE BANCORP, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

The consolidated financial statements include the accounts of Mercer County State Bancorp, Inc. (the "Company") and its wholly owned subsidiary, Mercer County State Bank (the "Bank"), and the Bank's wholly owned subsidiary MCSB Insurance Services, LLC. All intercompany transactions have been eliminated in consolidation.

The Company is a Pennsylvania corporation organized to become the holding company of the Bank. The Bank is a state-chartered bank headquartered in Sandy Lake, Pennsylvania. The Company's principal sources of revenues emanate from its investment securities and portfolio of residential real estate, commercial mortgage, commercial, and consumer loans, as well as a variety of deposit services provided to its customers through 10 full-service locations. The Company is supervised by the Board of Governors of the Federal Reserve System, while the Bank is subject to regulation and supervision by the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking. MCSB Insurance Services, LLC is a title insurance agency organized under Pennsylvania law and supervised by the Pennsylvania Insurance Department.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the Consolidated Balance Sheets date and reported amounts of revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan loss, deferred tax assets, other-than-temporary impairment of securities, and potential impairment of goodwill.

Cash and Cash Equivalents

The Company maintains cash deposits in other depository institutions that occasionally exceed the amount of deposit insurance available. Management periodically assesses the financial condition of these institutions and believes that the risk of any possible credit loss is minimal. The Company has defined cash and cash equivalents as cash and due from banks, interest-bearing demand deposits and federal funds sold.

Investment Securities Available for Sale

The Company has classified investment securities as available for sale to serve principally as a source of liquidity. Unrealized holding gains and losses for available-for-sale securities are reported as a separate component of stockholders' equity, net of tax, until realized. Realized security gains and losses are computed using the specific identification method. Amortization of premiums and accretion of discounts are computed using the level yield method and recognized as an adjustment to interest income. Interest and dividends on investment securities are recognized as income when earned on the accrual method.

Securities are evaluated on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. For debt securities, management considers whether the present value of cash flow expected to be collected is less than the security's amortized cost basis (the difference defined as the credit loss), the magnitude and duration of the decline, the reasons underlying the decline, and the Company's intent to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in market value, to determine whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, if the investor does not intend to sell the security, and it is more likely than not that it will not be required to sell the security before recovery of the security's amortized cost basis, the charge to earnings is limited to the amount of credit loss. Any remaining difference between fair value and amortized cost (the difference defined as the non-credit portion) is recognized in other comprehensive (loss), net of applicable taxes. Otherwise, the entire difference between fair value and amortized cost is charged to earnings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Securities

Equity securities are held at fair value. Holding gains and losses are recorded in non-interest income on the Consolidated Statements of Income. Dividends on equity securities are recognized as income when earned.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. There were no loans held for sale as of December 31, 2022 or 2021.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their principal amount net of the allowance for loan losses. Interest on loans is recognized as income when earned on the accrual method. The accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions, the borrower's financial condition is such that collection of interest is doubtful. Interest payments received on nonaccrual loans are recorded as income or applied against principal according to management's judgment as to the collectability of such principal.

Loan origination fees are being deferred and the net amount amortized as an adjustment of the related loan's yield. Management is amortizing these amounts over the contractual life of the related loans using the interest method.

Regulatory Stock

Common stock of the Federal Home Loan Bank of Pittsburgh (FHLB) and Atlantic Community Bancshares, Inc. (ACB) represents ownership in institutions that are wholly owned by other financial institutions. These equity securities are accounted for at cost.

The Bank is a member of the FHLB 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 bought 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 for impairment 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 to 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. Management evaluated the stock and concluded that the stock was not impaired for the periods presented herein.

Allowance for Loan Losses

The allowance for loan losses represents the amount that management estimates is adequate to provide for probable losses inherent in its loan portfolio. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance, and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses charged to operations. The provision for loan losses is based on management's periodic evaluation of individual loans, economic factors, past loan loss experience, changes in the composition and volume of the portfolio, and other relevant factors. The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, are particularly susceptible to changes in the near term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impaired loans are commercial, agricultural, agricultural real estate, and commercial real estate loans for which it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans also include all troubled debt restructurings. The Company individually evaluates such loans for impairment and does not aggregate loans by major risk classifications. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. The Company may choose to place a loan on nonaccrual status due to payment delinquency or uncertain collectability, while not classifying the loan as impaired if the loan is not a commercial, agricultural, agricultural real estate, or commercial real estate loan. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of impaired loans is determined by the difference between the present value of the expected cash flows related to the loan, using the original interest rate, and its recorded value, or as a practical expedient in the case of collateralized loans, the difference between the fair value of the collateral, less estimated selling costs, and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

Management typically considers commercial real estate loans, commercial and industrial loans, agricultural real estate loans, and agricultural loans that are 90 days or more past due to be impaired. After becoming 90 days or more past due, these loan relationships are measured for impairment.

Loans are considered for nonaccrual upon reaching 90 days of delinquency even though the Company may be receiving partial payments of interest and partial repayments of principal on such loans, or sooner if the Company believes receiving payment in full may be in doubt. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income.

Mortgage loans on one-to-four family properties and all consumer loans are large groups of smaller-balance homogeneous loans and are measured for impairment collectively. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired unless they are a troubled debt restructuring or part of an impaired commercial relationship. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all circumstances surrounding the loan and the borrower including the length of the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed.

In addition to the allowance for loan losses, the Company also estimates probable losses related to unfunded lending commitments, such as letters of credit, financial guarantees, and unfunded loan commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Company's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, performance trends within specific portfolio segments, and any other pertinent information, result in the estimation of the reserve for unfunded lending commitments. Provision for loan losses related to the loan portfolio and unfunded lending commitments is reported in the Consolidated Statements of Income.

Bank-Owned Life Insurance (BOLI)

The Bank has purchased life insurance policies on certain key employees. BOLI is recorded at its cash surrender value, or the amount that can be realized. Any increases in the cash surrender value are recorded as non-interest income. The policies can be liquidated, if necessary, with tax costs associated. However, the Company intends to hold these policies and, accordingly, has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years for furniture, fixtures, and equipment and 25 to 50 years for buildings and improvements. Expenditures for maintenance and repairs are expensed as incurred. Costs of major additions and improvements are capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates, applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense.

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 the net assets acquired. Goodwill is not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that impairment may have occurred. The Company tests for impairment in the fourth quarter of each year. Based on the results of the annual impairment tests, the Company did not recognize any impairment in 2022 or 2021.

As of December 31, 2022, no impairment existed; however, if for any future period the Company determines that there has been impairment in the carrying value of goodwill, the Company would record a charge to earnings, which could have a material adverse effect on the Company's financial condition and net income.

Earnings Per Share

The Company maintains a simple capital structure; therefore, there are no dilutive effects on earnings per share. As such, earnings per share are calculated using the weighted-average number of shares outstanding for the periods. Treasury shares are not deemed outstanding for earnings-per-share calculations.

Comprehensive Income

The Company is required to present comprehensive loss in a full set of general-purpose financial statements for all periods presented. Other comprehensive loss comprises unrealized holding losses on the available-for-sale securities portfolio.

Cash Flow Information

The Company has defined cash and cash equivalents as those amounts included in the balance sheet captions "Cash and due from banks" and "Interest-bearing deposits," with original maturities of 90 days or less.

Cash payments for interest in 2022 and 2021 were $1,583,765 and $1,872,053, respectively. The Company made income tax payments of $1,300,000 and $1,175,000 in 2022 and 2021, respectively. At December 31, 2022 and 2021, dividends of $678,596 and $627,956, respectively were declared but not paid until the following year. During 2022 and 2021, $165,226 and $0 of loans were transferred to other real estate owned, respectively.

Other Real Estate Owned

Real estate acquired by foreclosure is included with other assets on the Consolidated Balance Sheets at lower of cost or fair value less estimated costs of sale. Prior to foreclosure, the value of the underlying collateral is written down by a charge to the allowance for loan losses, if necessary. Any subsequent write-downs are charged against operating expenses. Operating expenses of such properties, net of related income and losses on their disposition, are included in non-interest expense. Other real estate owned amounted to $71,226 and $0 at December 31, 2022 and 2021, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as the costs are incurred. Advertising expense amounted to $400,106 and $172,950 for 2022 and 2021, respectively.

Revenue Recognition

Service Charges

Service charges on deposit accounts consist of overdraft charges, monthly service fees, check orders, and other deposit account related fees. The Company's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Check orders and 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.

Debit Card Network Fees

The Company earns interchange fees from debit cardholder transactions conducted primarily through the Mastercard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, net of card network fees, concurrently with the transaction processing services provided to the cardholder.

Insurance Commissions

Insurance commissions represent fees earned upon the payment by a customer for an insurance policy. Commissions are recognized when received by the Company, generally in the month following payment by the customer.

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 time of delivery of an executed deed. When the Company finances the sale of OREO to the buyer, management assesses whether the buyer is committed to perform the buyer's obligation under the contract and whether collectability of the transaction price is probable. Once these criteria are met, 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. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Adoption of New Accounting Standards and Newly Issued, Not Yet Effective Accounting Standards:

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Additionally, the ASU amends the accounting for credit losses on available for sale debt securities and purchased financial assets with credit deterioration.

The Company adopted ASU 2016-13 on January 1, 2023 using the modified retrospective approach. Adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.

Subsequent Events

The Company assessed events occurring subsequent to December 31, 2022, through March 16, 2023, for potential recognition and disclosure in the consolidated financial statements. No other events have occurred that would require adjustment to or disclosure in the consolidated financial statements.

2. INVESTMENT AND EQUITY SECURITIES

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

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 17,773,364	$ -	$ (3,360,630)	$ 14,412,734
Obligations of states and political subdivisions	61,407,481	2,115	(8,490,632)	52,918,964
Agency and government sponsored enterprise mortgage-backed securities	113,552,617	7,650	(17,436,336)	96,123,931
Trust-preferred securities	1,758,729	-	(447,420)	1,311,309
Total debt securities	$ 194,492,191	$ 9,765	$ (29,735,018)	$ 164,766,938

2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agency securities	$ 17,772,352	$ -	$ (560,676)	$ 17,211,676
Obligations of states and political subdivisions	64,795,053	1,821,633	(364,595)	66,252,091
Agency and government sponsored enterprise mortgage-backed securities	126,209,705	835,173	(2,081,394)	124,963,484
Trust-preferred securities	1,749,972	-	(382,380)	1,367,592
Total debt securities	$ 210,527,082	$ 2,656,806	$ (3,389,045)	$ 209,794,843

Equity Securities

The following summary of realized and unrealized gains and losses recognized in net income for equity securities during 2022 and 2021 were as follows:

	2022	2021
Net (losses) gains recognized during the period on equity securities	$ (36,370)	$ 270,571
Less: Net gains recognized during the period on equity securities sold during the period	-	-
Net (losses) gains from change in fair value of equity securities still held at the reporting date	$ (36,370)	$ 270,571

2. INVESTMENT AND EQUITY SECURITIES (Continued)

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

	2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agency securities	$ -	$ -	$ 14,412,734	$ (3,360,630)	$ 14,412,734	$ (3,360,630)
Obligations of states and political subdivisions	36,130,815	(4,074,121)	15,480,333	(4,416,511)	51,611,148	(8,490,632)
Agency and government sponsored enterprise mortgage-backed securities	22,947,930	(1,743,177)	72,511,683	(15,693,159)	95,459,613	(17,436,336)
Trust-preferred securities in financial institutions	-	-	1,311,309	(447,420)	1,311,309	(447,420)
Total debt securities	$ 59,078,745	$ (5,817,298)	$ 103,716,059	$ (23,917,720)	$ 162,794,804	$ (29,735,018)

	2021					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government agency securities	$ 6,881,660	$ (111,695)	$ 10,330,016	$ (448,981)	$ 17,211,676	$ (560,676)
Obligations of states and political subdivisions	19,196,477	(360,159)	402,817	(4,436)	19,599,294	(364,595)
Agency and government sponsored enterprise mortgage-backed securities	96,110,515	(2,041,228)	2,169,802	(40,166)	98,280,317	(2,081,394)
Trust-preferred securities in financial institutions	-	-	1,367,593	(382,380)	1,367,593	(382,380)
Total debt securities	$ 122,188,652	$ (2,513,082)	$ 14,270,228	$ (875,963)	$ 136,458,880	$ (3,389,045)

There were 228 securities in an unrealized loss position on December 31, 2022, 107 of which were in a continuous loss position for twelve or more months. At least quarterly, the Company conducts a comprehensive security-level impairment assessment. The assessments are based on the nature of the securities, the extent and duration of the securities, the extent and duration of the loss, and management's intent to sell or if it is more likely than not that management will be required to sell a security before recovery of its amortized cost basis, which may be maturity. The unrealized losses are considered to result from changes in interest rates and not from downgrades in the creditworthiness of the issuers. Management believes the Company will fully recover the cost of these securities and it does not intend to sell these securities and likely will not be required to sell them before the anticipated recovery of the remaining amortized cost basis, which may be maturity. As a result, management concluded that these securities were not other-than-temporarily impaired on December 31, 2022.

The amortized cost and fair value of debt securities available for sale at December 31, 2022, by contractual maturity, are shown below. The Company's mortgage-backed securities have contractual maturities ranging from 9 to 32 years. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

2. INVESTMENT AND EQUITY SECURITIES (Continued)

	Amortized Cost	Fair Value
Due after one year through five year	$ 2,359,649	$ 2,023,296
Due after five years through ten years	32,609,744	27,471,667
Due after ten years	159,522,798	135,271,975
Total	$ 194,492,191	$ 164,766,938

Proceeds from sales of investment securities available for sale during 2022 and 2021 and the related gross gains and losses realized were as follows:

	2022	2021
Proceeds from sales	$ 5,065,411	$ 370,825
Gross gains	-	16,630
Gross losses	(76,441)	-

Investment securities with a carrying value of $54,459,348 and $67,185,357 at December 31, 2022 and 2021, respectively, were pledged to secure public deposits and other purposes as required by law.

3. LOANS

Major classifications of loans are summarized as follows at December 31:

	2022	2021
Real estate:		
Commercial	$ 163,176,307	$ 122,284,124
Agricultural	16,952,838	18,499,154
Residential	118,006,102	116,256,340
Commercial and industrial	42,149,997	43,292,536
Agricultural	5,136,603	5,999,037
Consumer	3,238,117	2,596,880
	348,659,964	308,928,071
Less allowance for loan losses	4,093,328	3,678,190
Net loans	$ 344,566,636	$ 305,249,881

Real estate loans serviced for the FHLB that are not included in the Consolidated Balance Sheets totaled $31,606,216 and $35,493,531 at December 31, 2022 and 2021, respectively.

The Company's primary business activity is with customers located within its identified area. Although the Bank had a diversified loan portfolio at December 31, 2022 and 2021, loans outstanding to individuals and businesses are dependent upon economic conditions in its primary market area.

3. LOANS (Continued)

During 2021 and 2020 the Bank participated in the Paycheck Protection Program (PPP), administered directly by the U.S. Small Business Administration (SBA). The PPP provides loans to small businesses who were affected by economic conditions as a result of COVID-19 to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt during the COVID-19 emergency. As of May 31, 2021 the PPP program ended for new borrowings, however, outstanding balances remain as of the close of 2022. At December 31, 2022 and 2021, the Company had outstanding principal balances of approximately $76,000 and $6,100,000, respectively. The PPP loans are fully guaranteed by the SBA and may be eligible for forgiveness by the SBA to the extent that the proceeds are used to cover eligible costs over a period of up to 24 weeks after the loan is made as long as certain conditions are met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Company. PPP loans are included in the Commercial loan category.

The Company received approximately $1.4 million in fees during the year ending December 31, 2021 associated with the processing of PPP loans in accordance with the SBA terms and conditions. The fees were deferred and are being amortized over the life of the loan as an adjustment to yield. For the years ending December 31, 2022 and 2021, the Company recognized $325,892 and $1,476,878 in fees respectively, related to PPP loans.

In the normal course of business, loans are extended to directors, officers and their related interests and affiliates. In management's opinion, all of these loans are on substantially the same terms and conditions as loans to other individuals and businesses of comparable credit worthiness. The aggregate amount of credit extended to these directors and executive officers at December 31,2022 and 2021 was $755,648 and $582,327, respectively. During 2022, there were $699,364 new loans or principal advances and repayments totaled $526,043.

4. ALLOWANCE FOR LOAN LOSSES

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Company has segmented certain loans in the portfolio by product type. Loans are segmented into the following pools: commercial real estate loans, agricultural real estate loans, residential real estate loans, commercial and industrial loans, agricultural loans, and consumer loans. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. These historical loss percentages are calculated over a five-year period for all portfolio segments. Certain qualitative factors are then added to the historical loss percentages to get the adjusted factor to be applied to nonclassified loans. The following qualitative factors are analyzed to determine allocations for nonclassified loans for each portfolio segment.

- Changes in lending policies and procedures
- Changes in economic and business conditions
- Changes in nature and volume of the loan portfolio
- Changes in lending staff experience and ability
- Changes in past-due loans, nonaccrual loans, and classified loans
- Levels of credit concentrations

These qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the Company's operating environment. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

We consider commercial real estate loans, commercial and industrial loans, agricultural loans, agricultural real estate loans, and consumer loans to be riskier than one-to-four family residential mortgage loans. Commercial real estate and agricultural real estate loans entail significant additional credit risks compared to one-to-four family residential mortgage loans, as they involve large loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties typically depends on the successful operation of the related real estate project and/or business operation of the borrower who is also the primary occupant, and thus may be subject to a greater extent to adverse conditions in the real estate market and in the general economy. Commercial and industrial loans, along with agricultural loans, involve a higher risk of default than residential mortgage loans of like duration, since their repayment is generally dependent on the successful operation of the borrower's business and the sufficiency of collateral, if any. The repayment of agricultural loans can also be impacted by commodity prices going up and down. Although a customer's ability to repay for both one-to-four family residential mortgage loans and consumer loans is highly dependent on the local economy, especially employment levels, consumer loans as a group generally present a higher degree of risk because of the nature of collateral, if any.

4. ALLOWANCE FOR LOAN LOSSES (Continued)

The following tables present, by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans as of and for the years ended December 31, 2022 and 2021. Allocation of a portion of the allowance to one segment does not preclude its availability to absorb losses in other segments.

2022	Commercial Real Estate	Agricultural Real Estate	Residential Real Estate	Commercial and Industrial	Agricultural	Consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 1,128,190	$ 286,000	$ 798,000	$ 408,000	$ 1,029,000	$ 29,000	$ -	$ 3,678,190
Charge-offs	-	-	(18,273)	-	(24,159)	(52,586)	-	(95,018)
Recoveries	2,359	-	4,444	-	-	18,353	-	25,156
Provision	247,779	(87,000)	(163,171)	525,000	(97,841)	36,233	24,000	485,000
Ending balance	$ 1,378,328	$ 199,000	$ 621,000	$ 933,000	$ 907,000	$ 31,000	$ 24,000	$ 4,093,328
Ending balance individually evaluated for impairment	$ 156,593	$ 133,192	$ 18,935	$ 652,767	$ 886,686	$ -	$ -	$ 1,848,173
Ending balance collectively evaluated for impairment	$ 1,221,735	$ 65,808	$ 602,065	$ 280,233	$ 20,314	$ 31,000	$ 24,000	$ 2,245,155
Loans:								
Individually evaluated for impairment	$ 4,200,997	$ 2,568,527	$ 127,804	$ 3,499,492	$ 1,240,314	$ -	$ -	$ 11,637,134
Collectively evaluated for impairment	158,975,310	14,384,311	117,878,298	38,650,505	3,896,289	3,238,117	-	337,022,830
Ending balance	$163,176,307	$ 16,952,838	$118,006,102	$ 42,149,997	$ 5,136,603	$ 3,238,117	$ -	$348,659,964

2021	Commercial Real Estate	Agricultural Real Estate	Residential Real Estate	Commercial and Industrial	Agricultural	Consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 914,309	$ 238,000	$ 809,000	$ 413,690	$ 823,000	$ 48,000	$ 79,445	$ 3,325,444
Charge-offs	-	-	(15,000)	(6,524)	-	(26,366)	-	(47,890)
Recoveries	7,684	-	5,218	1,233	2,020	9,481	-	25,636
Provision	206,197	48,000	(1,218)	(399)	203,980	(2,115)	(79,445)	375,000
Ending balance	$ 1,128,190	$ 286,000	$ 798,000	$ 408,000	$ 1,029,000	$ 29,000	$ -	$ 3,678,190
Ending balance individually evaluated for impairment	$ 17,475	$ 141,069	$ 30,818	$ 79,549	$ 989,207	$ -	$ -	$ 1,258,118
Ending balance collectively evaluated for impairment	$ 1,110,715	$ 144,931	$ 767,182	$ 328,451	$ 39,793	$ 29,000	$ -	$ 2,420,072
Loans:								
Individually evaluated for impairment	$ 4,454,403	$ 2,693,729	$ 104,452	$ 3,201,235	$ 1,414,117	$ 4,365	$ -	$ 11,872,301
Collectively evaluated for impairment	117,829,721	15,805,425	116,151,888	40,091,301	4,584,920	2,592,515	-	297,055,770
Ending balance	$122,284,124	$ 18,499,154	$116,256,340	$ 43,292,536	$ 5,999,037	$ 2,596,880	$ -	$308,928,071

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Information

The following table represents the commercial credit exposures by internally assigned grades for the years ended December 31, 2022 and 2021. The grading analysis estimates the capability of the borrower to repay the contractual obligations under the loan agreements as scheduled or at all. The Company's internal credit risk grading system is based on experiences with similarly graded loans.

Pass loans are loans that are protected by the current net worth and paying capacity of the obligor or by the value of the underlying collateral. Special Mention loans are loans where a potential weakness or risk exists, which could cause a more serious problem if not corrected. Substandard loans are loans that have a well-defined weakness based on objective evidence and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Doubtful loans have all the weaknesses inherent in a Substandard asset. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable, based on existing circumstances. Finally, loans classified as Loss are considered uncollectible, or of such value that continuance as an asset is not warranted.

The Company's internally assigned grades are as follows at December 31:

	2022				
	Commercial Real Estate	Agricultural Real Estate	Commercial and Industrial	Agricultural	Total
Pass	$ 156,890,285	$ 14,428,660	$ 38,383,562	$ 3,854,988	$ 213,557,495
Special Mention	5,778,038	-	2 ,730,947	-	8,508,985
Substandard	507,984	2,524,178	1,035,488	1,281,615	5,349,265
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	$ 163,176,307	$ 16,952,838	$ 42,149,997	$ 5,136,603	$ 227,415,745

	2021				
	Commercial Real Estate	Agricultural Real Estate	Commercial and Industrial	Agricultural	Total
Pass	$ 118,243,354	$ 15,638,605	$ 40,482,271	$ 4,648,073	$ 179,012,303
Special Mention	3,746,026	-	2,781,946	-	6,527,972
Substandard	294,744	2,860,549	28,319	1,350,964	4,534,576
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
Total	$ 122,284,124	$ 18,499,154	$ 43,292,536	$ 5,999,037	$ 190,074,851

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Information (Continued)

The following tables present the balances of residential real estate and consumer loans based on payment performance as of December 31:

2022	Residential Real Estate	Consumer	Total
Performing	$ 117,750,745	$ 3,226,423	$ 120,977,168
Nonperforming	255,357	11,694	267,051
Total	$ 118,006,102	$ 3,238,117	$ 121,244,219

2021	Residential Real Estate	Consumer	Total
Performing	$ 116,100,528	$ 2,593,289	$ 118,693,817
Nonperforming	155,812	3,591	159,403
Total	$ 116,256,340	$ 2,596,880	$ 118,853,220

Age Analysis of Past-Due Loans by Class

The following tables show the aging analysis of past-due loans as of December 31:

2022	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans	Recorded Investment 90 Days and Accruing
Commercial real estate	$ 219,726	$ 136,342	$ 495,203	$ 851,271	$ 162,325,036	$ 163,176,307	$ 71,689
Agricultural real estate	155,004	-	201,711	356,715	16,596,123	16,952,838	-
Residential real estate	778,350	245,064	255,357	1,278,771	116,727,331	118,006,102	-
Commercial and industrial	79,267	126,910	1,039,010	1,245,187	40,904,810	42,149,997	434
Agricultural	5,256	-	65,817	71,073	5,065,530	5,136,603	-
Consumer	13,042	23,598	11,694	48,334	3,189,783	3,238,117	4,478
Total	$ 1,250,645	$ 531,914	$ 2,068,792	$ 3,851,351	$ 344,808,613	$ 348,659,964	$ 76,601

2021	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater	Total Past Due	Current	Total Loans	Recorded Investment 90 Days and Accruing
Commercial real estate	$ 304,778	$ 268,969	$ 173,171	$ 746,918	$ 121,537,206	$ 122,284,124	$ 94,678
Agricultural real estate	338,502	1,129	303,678	643,309	17,855,844	18,499,153	-
Residential real estate	648,908	126,196	155,812	930,916	115,325,425	116,256,341	43,539
Commercial and industrial	242,787	642,318	117,362	1,002,467	42,290,069	43,292,536	117,362
Agricultural	77,487	-	34,930	112,417	5,886,620	5,999,037	-
Consumer	15,622	30,329	3,591	49,542	2,547,338	2,596,880	-
Total	$ 1,628,084	$ 1,068,941	$ 788,544	$ 3,485,569	$ 305,442,502	$ 308,928,071	$ 255,579

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans

Impaired loans also include troubled debt restructurings. These loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the fair value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized through a provision or through a charge to the allowance for loan losses.

The following tables include the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount as of December 31:

	2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ 3,999,654	$ 4,016,550	$ -	$ 4,167,075	$ 262,020
Agricultural real estate	1,007,748	1,092,676	-	1,006,750	76,908
Residential real estate	-	-	-	13,077	-
Commercial and industrial	2,032,122	2,032,122	-	2,486,994	119,872
Agricultural	30,052	53,262	-	37,948	-
Consumer	-	-	-	2,033	129
	$ 7,069,576	$ 7,194,610	$ -	$ 7,713,877	$ 458,929
With an allowance recorded:					
Commercial real estate	$ 201,343	$ 201,343	$ 156,593	$ 77,440	$ -
Agricultural real estate	1,560,780	1,560,780	133,192	1,567,978	78,194
Residential real estate	127,804	154,987	18,935	127,519	-
Commercial and industrial	1,467,370	1,467,370	652,767	642,842	25,035
Agricultural	1,210,262	1,296,610	886,686	1,267,419	1,124
Consumer	-	-	-	-	-
	$ 4,567,559	$ 4,681,090	$ 1,848,173	$ 3,683,198	$ 104,353
Total:					
Commercial real estate	$ 4,200,997	$ 4,217,893	$ 156,593	$ 4,244,515	$ 262,020
Agricultural real estate	2,568,528	2,653,456	133,192	2,574,728	155,102
Residential real estate	127,804	154,987	18,935	140,596	-
Commercial and industrial	3,499,492	3,499,492	652,767	3,129,836	144,907
Agricultural	1,240,314	1,349,872	886,686	1,305,367	1,124
Consumer	-	-	-	2,033	129
	$ 11,637,135	$ 11,875,700	$ 1,848,173	$ 11,397,075	$ 563,282

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

2021					
With no related allowance recorded:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Commercial real estate	$ 4,336,524	$ 4,336,524	$ -	$ 4,510,131	$ 270,443
Agricultural real estate	717,853	717,853	-	723,615	17,948
Residential real estate	-	-	-	7,723	-
Commercial and industrial	2,796,659	2,796,659	-	2,953,228	165,401
Agricultural	-	-	-	-	-
Consumer	4,365	4,365	-	6,426	426
	$ 7,855,401	$ 7,855,401	$ -	$ 8,201,123	$ 454,218
With an allowance recorded:					
Commercial real estate	$ 17,475	$ 17,475	$ 17,475	$ 19,569	$ -
Agricultural real estate	1,975,876	1,975,876	141,069	1,985,838	99,004
Residential real estate	104,452	104,452	30,818	52,509	-
Commercial and industrial	504,979	504,979	79,549	510,313	25,436
Agricultural	1,414,117	1,414,117	989,207	1,436,737	50,705
Consumer	-	-	-	-	-
	$ 4,016,899	$ 4,016,899	$ 1,258,118	$ 4,004,966	$ 175,145
Total:					
Commercial real estate	$ 4,353,999	$ 4,353,999	$ 17,475	$ 4,529,700	$ 270,443
Agricultural real estate	2,693,729	2,693,729	141,069	2,709,453	116,952
Residential real estate	104,452	104,452	30,818	60,232	-
Commercial and industrial	3,301,638	3,301,638	79,549	3,463,541	190,837
Agricultural	1,414,117	1,414,117	989,207	1,436,737	50,705
Consumer	4,365	4,365	-	6,426	426
	$ 11,872,300	$ 11,872,300	$ 1,258,118	$ 12,206,089	$ 629,363

Nonaccrual Loans

The following table summarizes loans on nonaccrual status as of December 31:

	2022	2021
Commercial real estate	$ 700,630	$ 298,445
Agricultural real estate	508,366	820,831
Residential real estate	843,140	821,078
Commercial and industrial	1,052,679	-
Agricultural	1,343,370	1,394,125
Consumer	10,330	10,760
Total	$ 4,458,515	$ 3,345,239

4. ALLOWANCE FOR LOAN LOSSES (Continued)

Troubled Debt Restructuring

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a troubled debt restructuring. Management strives to identify borrowers in financial difficulty early and work with them to modify more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring by calculating the present value of the revised loan terms and comparing this balance to the Company's investment in the loan prior to the restructuring. As these loans are individually evaluated, they are excluded from pooled portfolios when calculating the allowance for loan and lease losses and a separate allocation within the allowance for loan and lease losses is provided. Management continually evaluates loans that are considered troubled debt restructurings, including payment history under the modified loan terms, the borrower's ability to continue to repay the loan based on continued evaluation of their operating results, and cash flows from operations. Based on this evaluation, management would no longer consider a loan to be a troubled debt restructuring when the relevant facts support such a conclusion.

The Company had troubled debt restructuring of $9,938,782 and $10,668,575 as of December 31, 2022 and 2021, respectively, with $1,049,933 and $1,126,631 specific reserves, respectively, allocated to customers whose loan terms have been modified in troubled debt restructuring. At December 31, 2022, $8,259,408 were performing in accordance with their modified terms. The remaining $1,679,375 were classified as nonaccrual.

At December 31, 2021, $9,377,373 were performing in accordance with their modified terms. The remaining $1,291,202 were classified as nonaccrual.

Loan modifications that are considered TDRs completed during the year are as follows:

2022

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	December 31 Outstanding Recorded Investment
Troubled debt restructurings:				
Agricultural real estate	1	$ 294,374	$ 312,554	$ 306,655
Commercial and industrial	2	62,464	93,115	91,104
	3	$ 356,838	$ 405,669	$ 397,759

2021

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	December 31 Outstanding Recorded Investment
Troubled debt restructurings:				
Commercial and industrial	1	$ 2,841,867	$ 2,841,867	$ 2,696,256

No troubled debt restructurings defaulted within the following twelve months during 2022 or 2021.

5. PREMISES AND EQUIPMENT

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

	2022	2021
Land	$ 2,665,190	$ 2,666,691
Buildings and building improvements	8,847,572	8,817,182
Furniture, fixtures, and equipment	2,049,418	1,994,751
In process	3,673	-
	13,565,853	13,478,624
Less accumulated depreciation	(6,443,570)	(5,968,176)
Total	$ 7,122,283	$ 7,510,448

Depreciation charged to operations was $417,444 and $455,255 in 2022 and 2021, respectively.

6. DEPOSITS

The scheduled maturities of time deposits approximate the following:

Year Ending December 31,	Amount
2023	$ 71,741,458
2024	27,153,607
2025	7,113,299
2026	5,507,390
2027	4,561,542
Thereafter	77,161
	$ 116,154,457

The aggregate of all time deposit accounts of $250,000 or more amounted to $25,492,016 and $19,956,359 at December 31, 2022 and 2021, respectively.

Deposits from executive officers, directors and their affiliates at year-end 2022 and 2021 were $9,733,182 and $11,518,832, respectively.

7. SHORT-TERM BORROWINGS

Short-term borrowings consist of an FHLB line of credit and short-term FHLB advances with original maturities less than a year; they are summarized as follows:

Short-term borrowings	2022	2021
Balance at year-end	$ 24,771,700	$ -
Maximum amount outstanding at any month-end	29,625,000	7,000,000
Average balance outstanding during the year	11,869,696	489,135
Weighted-average interest rate:		
As of year-end	4.55 %	-
Paid during the year	3.19 %	0.41 %

The Company has a line of credit with the FHLB, with a borrowing limit of approximately $89.5 million. This credit line is subject to annual renewal, incurs no service charges, and is secured by a blanket security agreement on FHLB stock, investment securities held at the FHLB, and outstanding residential mortgage loans. At December 31, 2022, the Bank's maximum borrowing capacity with the FHLB was $195.8 million.

The Company may request a Federal Reserve advance secured by acceptable collateral. The Company's maximum borrowing capacity with the Federal Reserve Bank as of December 31, 2022, was $11.3 million.

The Company also maintains a $5.0 million federal funds line of credit with one other financial institution. The Company did not have outstanding borrowings related to this line of credit at December 31, 2022.

8. OTHER BORROWED FUNDS

Other borrowed funds consist of fixed advances from the FHLB as follows:

Maturity	Interest Rate	2022	2021
April 19, 2022	2.06 %	$ -	$ 2,500,000
October 20, 2022	2.19 %	-	2,500,000
March 27, 2023	2.86 %	2,500,000	2,500,000
June 27, 2024	2.09 %	2,500,000	2,500,000
February 24, 2025	1.56 %	3,000,000	3,000,000
September 15, 2025	0.49 %	3,245,000	3,245,000
December 22, 2025	4.37 %	3,000,000	-
January 27, 2026	0.74 %	2,500,000	2,500,000
May 26, 2027	2.31 %	223,831	271,416
Total	2.07 %	$ 16,968,831	$ 19,016,416

9. INCOME TAXES

The provision for federal income taxes at December 31 consists of:

	2022	2021
Currently payable	$ 1,244,411	$ 1,178,098
Deferred	(172,577)	(27,122)
Total provision	$ 1,071,834	$ 1,150,976

The tax effects of deductible and taxable differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31 are as follows:

	2022	2021
Deferred tax assets:		
Allowance for loan losses	$ 821,696	$ 723,687
Board of Directors retirement plan	100,842	94,479
Net unrealized loss on investment securities	6,242,303	153,770
Total deferred tax assets	7,164,841	971,936
Deferred tax liabilities:		
Premises and equipment	113,451	175,872
Deferred loan origination	16,683	22,011
Goodwill	409,981	409,981
Gain on equity securities	95,348	102,986
Investment discount accretion	8,623	1,441
Total deferred tax liabilities	644,086	712,291
Net deferred tax assets	$ 6,520,755	$ 259,645

No valuation allowance was established against the deferred tax assets in view of the Company's tax strategies and anticipated future taxable income, as evidenced by the Company's earnings potential at December 31, 2022 and 2021.

9. INCOME TAXES (Continued)

The reconciliation between the federal statutory rate and the Company's effective consolidated income tax rate at December 31 is as follows:

	2022		2021	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed at statutory rate	$ 1,465,149	21.0 %	$ 1,513,116	21.0 %
Tax-exempt income	(341,134)	(4.9)	(322,776)	(4.5)
Nondeductible interest to carry tax-exempt assets	10,142	0.1	8,999	0.1
Other	(62,323)	(0.8)	(48,363)	(0.7)
Income tax expense and effective rate	$ 1,071,834	15.4 %	$ 1,150,976	15.9 %

GAAP prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information.

A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. GAAP also provides guidance on the accounting for and disclosure of unrecognized tax benefits, interest, and penalties. Interest or penalties incurred for income taxes will be recorded as a component of non-interest expenses. There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statements of Income. The Company's federal and state income tax returns for taxable years through 2018 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

10. COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, there are various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. These commitments comprise the following at December 31:

	2022	2021
Commitments to extend credit	$ 64,396,000	$ 64,748,000
Standby letters of credit and financial guarantees	2,469,000	2,284,000
Total	$ 66,865,000	$ 67,032,000

10. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets. The Company's exposure to credit loss, in the event of nonperformance by the other parties to the financial instruments, is represented by the contractual amounts as disclosed. The Company minimizes its exposure to credit loss under these commitments by subjecting them to credit approval and review procedures and collateral requirements as deemed necessary. Commitments generally have fixed expiration dates within one year of their origination.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Performance letters of credit represent conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These instruments are issued primarily to support bid or performance-related contracts. The coverage period for these instruments is typically a one-year period, with an annual renewal option subject to prior approval by management. Fees earned from the issuance of these letters are recognized over the coverage period. For secured letters of credit, the collateral is typically Company deposit instruments or customer business assets.

11. EMPLOYEE BENEFITS

Defined Contribution Plan

The Company maintains a defined contribution plan that covers all full-time employees with one year or more of completed service. The participants are also permitted to contribute to the plan up to the maximum amount permitted by law. Employee contributions are vested at all times, and the Company's contributions are fully vested after six years. Contributions by the Company for 2022 and 2021 amounted to $556,147 and $549,860, respectively.

Deferred Compensation Agreements

The Company entered into deferred compensation agreements with several key management employees, all of whom are officers. Under the agreements, the Company is obligated to provide for each employee's beneficiaries, at the time of the employee's death, benefits totaling $3,488,835 and $3,470,605 at December 31, 2022 and 2021, respectively. The Company is the beneficiary of life insurance policies with a cash surrender value at December 31, 2022 and 2021, of $10,930,638 and $10,668,448, respectively that have been purchased as a method of financing benefits under this plan.

Board of Directors Retirement Plan

The Company maintains a Board of Directors' Retirement Plan to provide postretirement payments over a five-year period to members of the Board of Directors who have completed ten or more years of service. Benefit payments cease upon the director's death. Expenses for each of the years ended December 31, 2022 and 2021, amounted to $49,500 and $49,517, respectively, and are included as a component of non-interest expenses.

	2022	2021
Net periodic cost:		
Service cost	$ 33,214	$ 34,287
Interest cost	16,286	15,230
Net periodic cost	$ 49,500	$ 49,517

11. EMPLOYEE BENEFITS (Continued)

Board of Directors Retirement Plan (Continued)

The following table presents a reconciliation of prior and ending balances of the projected benefit obligation for the years ended December 31, 2022 and 2021:

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 435,306	$ 404,989
Service cost	33,214	34,287
Interest cost	16,286	15,230
Benefits paid	(19,200)	(19,200)
Benefit obligation at end of year and accrued status included in other liabilities	$ 465,606	$ 435,306

The discount rate used to determine benefit obligations at the measurement dates was 3.27 percent and 3.08 percent for the periods ended December 31, 2022 and 2021, respectively.

At December 31, 2022, the projected benefit payments for the Board of Directors Retirement Plan are anticipated to be $1,085,571, with payments ranging from January 1, 2023, through December 31, 2046.

12. REGULATORY MATTERS

Federal regulations require the Bank to maintain minimum amounts of capital. Specifically, the Bank is required to maintain certain minimum dollar amounts and ratios of total and Tier 1 capital to risk-weighted assets and of Tier 1 capital to average total assets. Management believes, as of December 31, 2022 and 2021, the Bank meets all capital adequacy requirements to which it is subject.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, Tier 1 capital and common equity Tier 1 (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets.

As of December 31, 2022 and 2021, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well-capitalized financial institution, common equity Tier 1 risk-based, Total risk-based, Tier 1 risk-based, and Tier 1 leverage capital ratios must be at least 6.5 percent, 10 percent, 8 percent, and 5 percent, respectively.

12. REGULATORY MATTERS (Continued)

As of December 31, 2022 and 2021, management believes that the Bank met all capital adequacy requirements to which it was subject. The following table reflects the Bank's capital amounts and ratios at December 31:

	2022		2021	
	Amount	Ratio	Amount	Ratio
	(In Thousands)			
Total capital				
(to risk-weighted assets)				
Actual	$ 57,226,433	15.78 %	$ 50,913,481	15.73 %
For capital adequacy purposes	29,014,960	8.00	25,896,560	8.00
To be well capitalized	36,268,700	10.00	32,370,700	10.00
Tier 1 capital				
(to risk-weighted assets)				
Actual	$ 53,133,105	14.65 %	$ 47,235,291	14.59 %
For capital adequacy purposes	21,761,220	6.00	19,422,420	6.00
To be well capitalized	29,014,960	8.00	25,896,560	8.00
Common equity Tier 1 capital				
(to risk-weighted assets)				
Actual	$ 53,133,105	14.65 %	$ 47,235,291	14.59 %
For capital adequacy purposes	16,320,915	4.50	14,566,815	4.50
To be well capitalized	23,574,655	6.50	21,040,955	6.50
Tier 1 capital				
(to average assets)				
Actual	$ 53,133,105	9.02 %	$ 47,235,291	8.48 %
For capital adequacy purposes	23,553,480	4.00	22,276,828	4.00
To be well capitalized	29,441,850	5.00	27,846,035	5.00

The Federal Reserve Bank has established capital guidelines for bank holding companies. These guidelines allow small bank holding companies, as defined, an exemption from regulatory capital requirements. The Company meets the eligibility criteria and is exempt from regulatory capital requirements.

Dividend Restriction

The Pennsylvania Banking Code restricts the availability of capital surplus for dividend purposes. At December 31, 2022, the Bank had a capital surplus of $2,287,145, which was not available for distribution to the Company as dividends.

13. FAIR VALUE MEASUREMENTS

The following disclosures show the hierarchal disclosure framework associated with the level of pricing observations utilized in measuring assets and liabilities at fair value. The three levels prescribed by GAAP are as follows:

Level I: Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

Level II: Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

Level III: Valuations are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data, when available.

The following table presents the assets reported on the Consolidated Balance Sheets at their fair value as of December 31, 2022 and 2021, by level within the fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	December 31, 2022			
Assets:	**Level I**	**Level II**	**Level III**	**Total**
U.S. government agency securities	$ -	$ 14,412,734	$ -	$ 14,412,734
Obligations of states and political subdivisions	-	52,918,964	-	52,918,964
Agency and government sponsored enterprise mortgage-backed securities	-	96,123,931	-	96,123,931
Trust-preferred securities	-	1,311,309	-	1,311,309
Equity securities	1,662,662	-	-	1,662,662
Total	$ 1,662,662	$ 164,766,938	$ -	$ 166,429,600

	December 31, 2021			
Assets:	**Level I**	**Level II**	**Level III**	**Total**
U.S. government agency securities	$ -	$ 17,211,676	$ -	$ 17,211,676
Obligations of states and political subdivisions	-	66,252,091	-	66,252,091
Agency and government sponsored enterprise mortgage-backed securities	-	124,963,484	-	124,963,484
Trust-preferred securities	-	1,367,592	-	1,367,592
Equity securities	1,555,186	-	-	1,555,186
Total	$ 1,555,186	$ 209,794,843	$ -	$ 211,350,029

13. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the assets measured on a nonrecurring basis on the Consolidated Balance Sheets at their fair value as of December 31, 2022 and 2021, by level within the fair value hierarchy. Impaired loans that are collateral-dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secures the impaired loan include quoted market prices for identical assets classified as Level I inputs and observable inputs, employed by certified appraisers, for similar assets classified as Level II inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level III inputs.

	December 31, 2022			
	Level I	Level II	Level III	Total
Assets measured on a nonrecurring basis:				
Impaired loans	$ -	$ -	$ 2,719,386	$ 2,719,386

	December 31, 2021			
	Level I	Level II	Level III	Total
Assets measured on a nonrecurring basis:				
Impaired loans	$ -	$ -	$ 2,758,781	$ 2,758,781

The unobservable inputs for Level III measurements are as follows:

2022				
	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Impaired loans	$ 2,719,386	Property appraisals	Management discount for property type and recent market volatility	0% to 100% discount (35.29%)

2021				
	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Impaired loans	$ 2,758,781	Property appraisals	Management discount for property type and recent market volatility	0% to 75% discount (35.27%)

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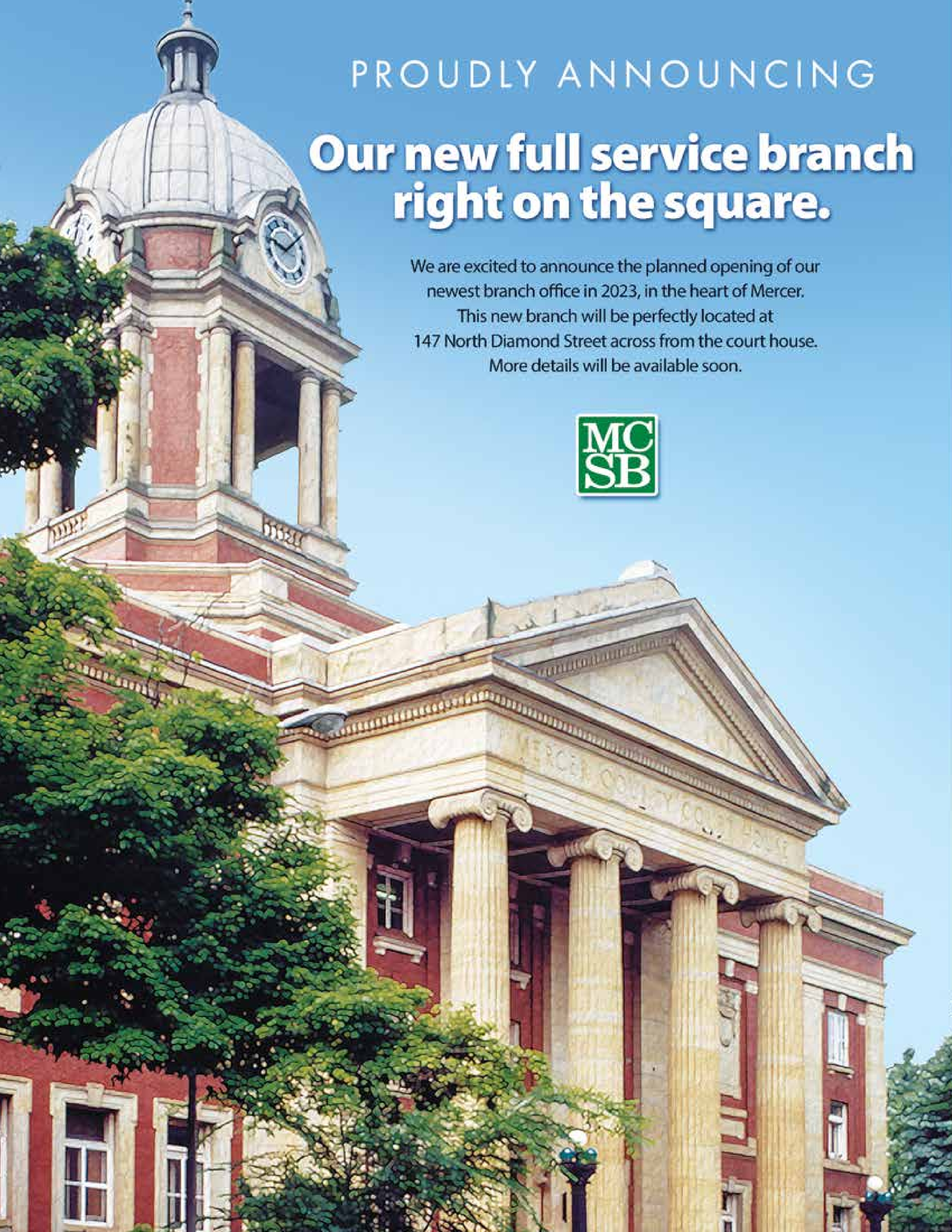
PROUDLY ANNOUNCING
Our new full service branch right on the square.
We are excited to announce the planned opening of our newest branch office in 2023, in the heart of Mercer. This new branch will be perfectly located at 147 North Diamond Street across from the court house. More details will be available soon.
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