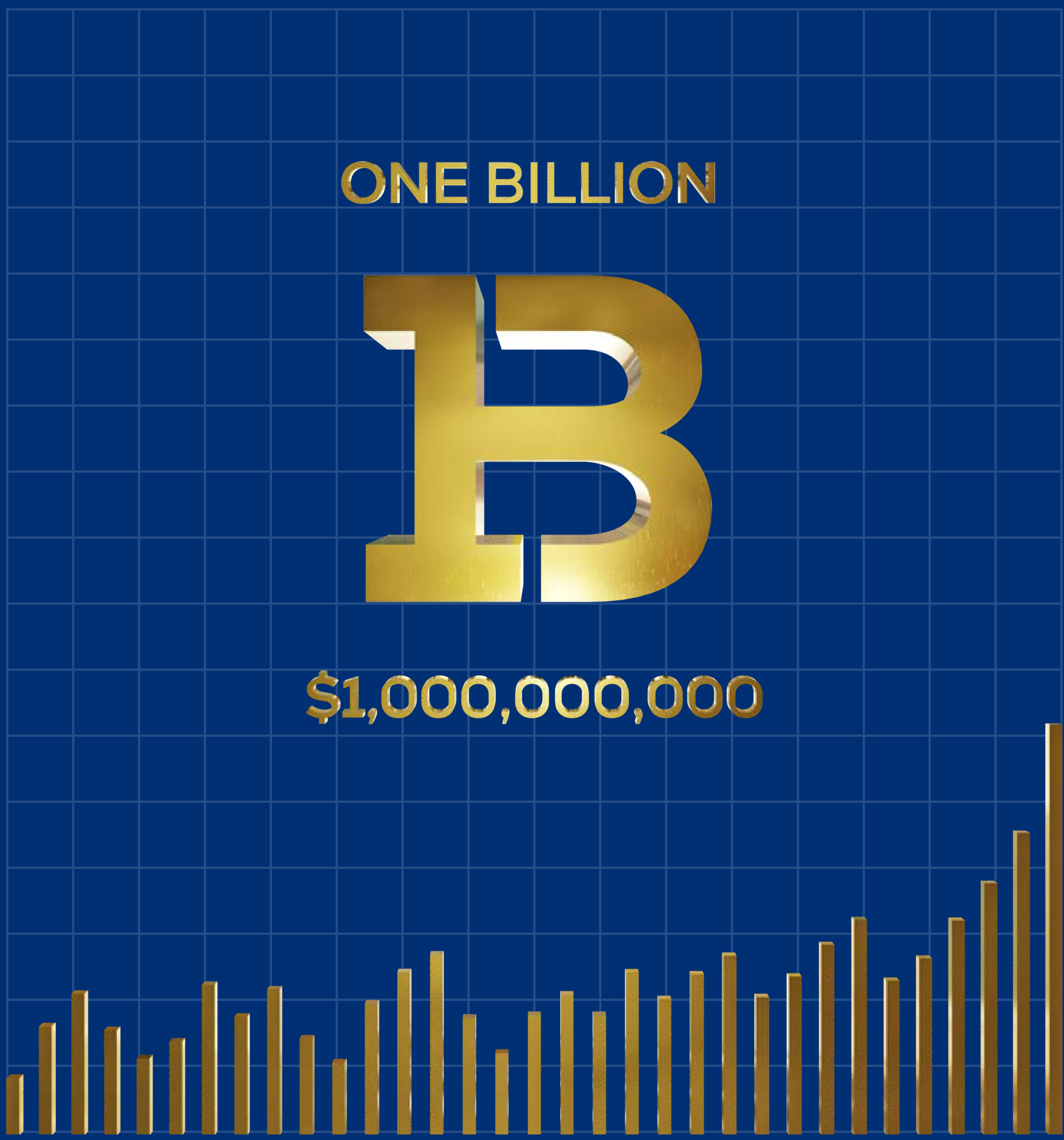
FIRST OTTAWA BANCSHARES, INC.

American Commercial Bank & Trust

First National Bank of Ottawa



ANNUAL REPORT 2022

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First Ottawa Bancshares, Inc.

Annual Report Two Thousand Twenty Two

March 23, 2023

Dear Shareholders,

We began the fourth year of our growth strategy in 2022 with a new name, American Commercial Bank & Trust, at just over $970 Million in assets, with interest rates at near historic lows, and global inflation surging. By the time the first quarter ended, our average assets exceeded $1 Billion for the first time in our company's history. Throughout the rest of 2022, we continued extraordinary growth driven by our burgeoning reputation and ended the year with $1.35 Billion in assets, an increase of 39%. Loans grew by 34% from $811 Million to $1.09 Billion and deposits grew by 29% from $840 Million to $1.08 Billion. This loan growth, coupled with increases in interest rates, drove Total Interest and Dividend Income up by 30% to $51.9 Million.

In March of 2022, the Federal Reserve Open Markets Committee (FOMC) finally responded to inflation with a .25% increase in the Fed Funds Rate (from near zero) and the Prime Borrowing Rate followed suit to 3.5%. At each successive meeting the FOMC increased the Fed Funds Rate and by the time 2022 ended, the Prime Rate was 7.25%. These historic rate increases had a profound effect on our company.

Our strategy is biased toward partnering with Commercial and Industrial (C&I) clients in more meaningful relationships than transactional real estate. A small percentage of banks have the expertise and experience to safely and profitably partner with C&I clients. C&I relationships typically require higher deposits and variable rate loans, which reduces interest rate risk by minimizing the mismatch of durations between deposits and loans. As interest rates rose in 2022, a significant portion of our loans repriced higher and faster than deposit rates resulting in an increasing net interest margin at a time when most banks saw declining margins. Our asset quality remained very strong due in part to our measured risk selection, consistent underwriting standards, active credit oversight, and experienced lending and credit teams.

Our investment portfolio continues to serve as a source of strength and liquidity. During 2021, and early 2022, many banks succumbed to the pressure to extend durations in a desperate search for yield at a time when the Fed Funds Rate (the rate banks were paid for deposits held at the Federal Reserve) was 0%. Despite the pressure, we maintained discipline and a bias towards cash and variable rate investments. Banks that accepted the experts' advice saw the value of their investments drop precipitously as interest rates began their dramatic rise. We did not. The same experts addressed the growing problem with benign sentiment; after all these were "unrealized" losses and would only be realized losses if another issue created a lack of liquidity and the need to sell the under-water investments. Frankly, there were few options for banks whose Tangible Common Equity (TCE) fell to dangerous levels and most failed to address the problem. As I started this letter, I intended to address my concern with a cautionary warning of what could happen if the problem got worse and then, on March 10, 2023, Silicon Valley Bank failed for precisely these reasons. Signature Bank of New York failed the same weekend. While I don't expect there to be a contagion effect on the rest of the banking industry; the issue will only resolve with time. Because we did not succumb to the pressure, our investment portfolio's yield performance is in the 88th percentile amongst our peers and provides a competitive advantage as new clients search for a trusted banking partner with the financial strength to navigate the most difficult circumstances.

Our non-interest lines of business and services performed well in 2022 despite strong headwinds in residential mortgages. Treasury Management and service charge income grew from $1.45 Million to $2 Million. Secondary market servicing fees for residential mortgages grew from $1.05 Million to $1.15 Million. The dramatic rise in residential mortgage rates resulted in a significant decline in mortgage loan origination fees and gain on sale of loans which declined from $6.04 Million to $2.63 Million. Trust, fiduciary, and farm management fee income rose from $977,000 to $1 Million.

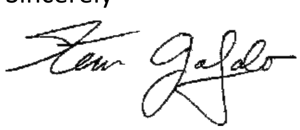
The sum of this performance resulted in Bank Net Income growth from $12.6 Million in 2021 to $13.6 Million in 2022. Earnings per share for First Ottawa Bancshares grew from $13.61 in 2021 to $13.95 in 2022 and equated to 18.28% Return on Average Equity. Over the last 10 years, the Compound Annual Growth Rate (CAGR) of our Total Investment Return (including dividends) is 19.46% and over the same period our Internal Rate of Return (IRR) is 21.34%.

At our Annual Shareholder Meeting in May, the board re-elected Lynn Dubajic as Chairman of the Board and announced a second $0.75/share dividend for 2022 marking the 6th consecutive year of annual dividends at or above $1.50/share.

I want to extend my thanks to our Board of Directors for their counsel in 2022 and our team members for their commitment and hard work which will again be vital to our success in 2023. Together, I believe we are well-positioned to navigate any environment and remain committed to being the finest entrepreneurial bank.

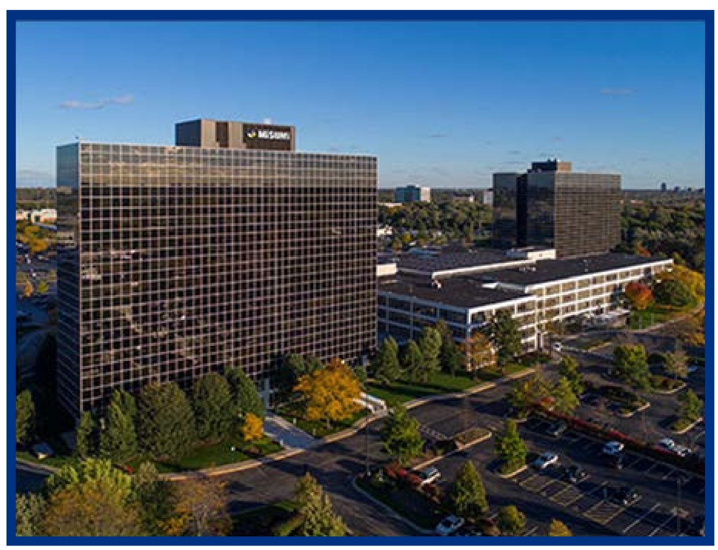
On behalf of your Board of Directors, we thank you for your commitment and loyalty.

Sincerely



Steven M. Gonzalo
First Ottawa Bancshares
President & CEO


American Commercial
Bank & Trust



First Ottawa Bancshares, Inc.
Board of Directors

Lynn M. Dubajic Kellogg - Chairman
William K. Walsh
Bradley J. Armstrong
Joseph Chiariello
Steven M. Gonzalo
Donald J. Harris
Daniel K. Miller
Brian P. Zabel
Christina M. Cantlin-VanWiggeren

Secretary to Board of Directors
Karla Jones

First Ottawa Bancshares, Inc.
Officers

Steven M. Gonzalo
President & Chief Executive Officer
Vincent G. Easi
Chief Financial Officer &
Corporate Secretary

Shareholder Relations / Corporate Reporting

Vincent G. Easi
Corporate Secretary

American Commercial Bank & Trust, NA
Board of Directors

Daniel K. Miller, Chairman
Bradley J. Armstrong
Joseph Chiariello
Lynn M. Dubajic Kellogg
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Brian P. Zabel
Christina M. Cantlin-VanWiggeren

Secretary to Board of Directors
Karla Jones

American Commercial Bank & Trust, NA
Executive Officers

Daniel K. Miller
Chairman
Steven M. Gonzalo
President & Chief Executive Officer
John T. Armstrong
Executive Vice President & Chief Operating Officer
Vincent G. Easi
Executive Vice President & Chief Financial Officer
Kevin D. Steward
Executive Vice President & Chief Trust Officer
William E. Vogel
Executive Vice President & Chief Lending Officer
Joseph Chiariello
Executive Vice President & Partner


FIRST NATIONAL BANK
FIRST


THE FIRST NATIONAL BANK
1ST
OTTAWA • ILLINOIS
FIRST
NATIONAL BANK of OTTAWA
ATM
24 Hour
Drive-Up


The First National
Bank of Ottawa


THE FIRST NATIONAL BANK


FIRST
NATIONAL BANK of OTTAWA
24 HR ATM
Drive Thru

FIRST OTTAWA BANCSHARES, INC.
AND SUBSIDIARY
Ottawa, Illinois

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY
Ottawa, Illinois

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Audit Committee
First Ottawa Bancshares, Inc. and Subsidiary
Ottawa, Illinois

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of First Ottawa 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the 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 First Ottawa Bancshares, Inc. and Subsidiary 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 First Ottawa 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 audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises a shareholder letter and nonfinancial Information 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Peoria, Illinois
March 20, 2023

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(In thousands, except share and per share data)

	2022	2021
Assets		
Cash and Due from Banks	$ 7,590	$ 8,196
Interest Bearing Deposits in Financial Institutions	45,224	10,985
Cash and Cash Equivalents	52,814	19,181
Securities Available for Sale at Fair Value (Amortized Cost is $120,290 in 2022 and $67,059 in 2021)	113,045	67,817
Loans Held for Sale	35,460	19,974
Loans, Net of Allowance for Loan Losses of $16,023 in 2022 and $12,122 in 2021	1,088,775	810,909
Premises and Equipment, Net	10,437	9,821
Goodwill	2,446	2,446
Other Real Estate Owned	-	654
Cash Surrender Value of Life Insurance	24,280	18,642
Accrued Interest Receivable and Other Assets	27,431	21,436
Total Assets	$ 1,354,688	$ 970,880
Liabilities and Shareholders' Equity		
Liabilities		
Deposits	$ 1,082,765	$ 839,582
Borrowings	189,800	58,500
Other Liabilities	10,622	9,131
Total Liabilities	1,283,187	907,213
Shareholders' Equity		
Common Stock, $1 Par Value, 2,000,000 Shares Authorized; 979,742 and 944,162 Issued in 2022 and 2021, Respectively	$ 980	$ 944
Additional Paid-In Capital	20,873	17,888
Retained Earnings	60,200	49,287
Treasury Stock, at cost, 87,743 and 87,743 shares in 2022 and 2021, Respectively	(4,830)	(4,830)
Accumulated Other Comprehensive Income (Loss)	(5,722)	378
Total Shareholders' Equity	71,501	63,667
Total Liabilities and Shareholders' Equity	$ 1,354,688	$ 970,880

The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2022 and 2021
(In thousands, except share and per share data)

	2022	2021
Interest and Dividend Income		
Loans, Including Fees	$ 48,302	$ 38,479
Securities Available for Sale:		
Taxable	2,832	923
Exempt from Federal Tax	189	203
Other	531	229
Total Interest and Dividend Income	51,854	39,834
Interest Expense		
Deposits	4,545	1,390
Borrowings	3,179	1,901
Total Interest Expense	7,724	3,291
Net Interest Income	44,130	36,543
Provision for Loan Losses	3,975	3,000
Net Interest Income After Provision for Loan Losses	40,155	33,543
Noninterest Income		
Service Fees	2,295	1,726
Trust and Farm Management Fees	1,001	977
Mortgage Servicing Income, Net	2,334	5,372
Increase in Cash Value of Life Insurance, Net	787	276
Other	407	396
Total Noninterest Income	6,824	8,747
Noninterest Expense		
Salaries and Employee Benefits	21,450	18,936
Occupancy and Equipment	2,695	2,160
Data Processing Fees	1,839	1,610
Insurance	1,145	824
Professional Fees	911	635
Other Real Estate Owned, Net	(109)	146
Advertising	326	286
Supplies	155	130
Other	2,014	1,756
Total Noninterest Expenses	30,426	26,483
Income Before Income Tax	16,553	15,807
Income Tax Expense	4,310	4,291
Net Income	$ 12,243	$ 11,516
Earnings Per Share - Basic	$ 13.95	$ 13.61
Average Shares Outstanding	877,303	846,020

The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2022 and 2021
(In thousands)

	2022	2021
Net Income	$ 12,243	$ 11,516
Other Comprehensive Income (Loss):		
Unrealized Gains (Losses) on Securities Available for Sale	(8,000)	(792)
Income Tax Benefit (Expense) Relating to Securities Available for Sale	1,680	166
Net Gain (Loss) Relating to Pension Benefit Liability	278	(49)
Income Tax Benefit (Expense) Relating to Pension Benefit Liability	(58)	10
Total Other Comprehensive Income (Loss)	(6,100)	(665)
Total Comprehensive Income	$ 6,143	$ 10,851

The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years Ended December 31, 2022 and 2021
(In thousands, except share and per share data)

Net Income	-	-	11,516	-	-	11,516
Other Comprehensive Loss	-	-	-	-	(665)	(665)
Cash Dividends Declared ($1.50 per share)	-	-	(1,279)	-	-	(1,279)
Stock Options Exercised	-	-		-	-	-
RSUs Vested (2,188 shares)	2	152	-	-	-	154
Common Shares Sold to ESOP (3,205 shares)	3	208	-	-	-	211
Common Shares Sold (25,220 shares)	25	1,631	-	-	-	1,656
Balance, December 31, 2021	944	17,888	49,287	(4,830)	378	63,667
Net Income	-	-	12,243	-	-	12,243
Other Comprehensive Loss	-	-	-	-	(6,100)	(6,100)
Cash Dividends Declared ($1.50 per share)	-	-	(1,330)	-	-	(1,330)
RSUs Vested (3,298 shares)	3	277	-	-	-	280
Common Shares Sold to ESOP (3,395 shares)	4	285	-	-	-	289
Common Shares Sold (28,887 shares)	29	2,423	-	-	-	2,452
Balance, December 31, 2022	$ 980	$ 20,873	$ 60,200	$ (4,830)	$ (5,722)	$ 71,501

The accompanying notes are an integral part of the consolidated financial statements.

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021
(In thousands)

	2022	2021
Operating Activities		
Net Income	$ 12,243	$ 11,516
Items Not Requiring (Providing) Cash:		
Provision for Loan Losses	3,975	3,000
(Accretion) Amortization on Securities Available for Sale, Net	4	(24)
Depreciation	894	763
Deferred Income Taxes	(861)	225
Loans Originated for Sale	(34,252)	(181,839)
Gain on Sale of Loans Held for Sale	(557)	(3,608)
Net Mortgage Servicing Rights Recorded	(1,777)	(1,764)
Proceeds from Sale of Loans Originated for Sale	37,054	199,050
Writedowns and Net (Gain) Loss on Sales of Other Real Estate Owned	(135)	114
Net Change in:		
Interest Receivable and Other Assets	863	(4,121)
Interest Payable and Other Liabilities	1,491	269
Net Cash Provided by Operating Activities	18,942	23,581
Investing Activities		
Purchase of Securities Available for Sale	(63,521)	(19,652)
Proceeds from Maturities, Calls and Paydowns of Securities Available for Sale	10,289	6,712
Purchase of Bank Owned Life Insurance	(5,800)	(14,000)
Purchase of FRB Stock	(1,492)	-
Purchase of FHLB Stock	(2,443)	-
Redemption of FHLB Stock	-	1,532
Purchase of Loans for Resale	(37,329)	(207,164)
Proceeds from Sales of Loans Purchased for Resale	21,375	237,167
Net Change in Loans	(281,933)	(91,637)
Proceeds from Sales of Other Real Estate Owned	881	486
Net Purchases of Premises and Equipment	(1,510)	(525)
Net Cash Used by Investing Activities	(361,483)	(87,081)

FIRST OTTAWA BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2022 and 2021
(In thousands)

	2022	2021
Financing Activities		
Net Change in Deposits	$ 243,183	$ 149,353
Net Change in FHLB Advances	123,550	(100,500)
Proceeds from Issuance of subordinated debt	7,750	-
Dividends Paid	(1,330)	(1,279)
Shares Sold to ESOP	288	211
RSUs Vested	280	154
Common Shares Sold	2,453	1,656
Net Cash Provided by Financing Activities	376,174	49,595
Net Change in Cash and Cash Equivalents	33,633	(13,905)
Cash and Cash Equivalents, Beginning of Year	19,181	33,086
Cash and Cash Equivalents, End of Year	$ 52,814	$ 19,181
Additional Cash Flows Information		
Interest Paid	$ 6,920	$ 2,895
Income Taxes Paid	4,175	4,932
Transfers from Loans to Other Real Estate Owned	92	131
Change in Dividends Payable	669	(619)
Initial Operating Lease Right-Of-Use Assets	-	(4,728)
Initial Operating Lease Liabilities	-	4,728

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: First Ottawa Bancshares, Inc. is a bank holding company whose principal activity is the ownership and management of its wholly owned subsidiary, American Commercial Bank & Trust, National Association (formerly The First National Bank of Ottawa) (the Bank). The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in LaSalle, Grundy, Cook, and surrounding counties in Illinois. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities. The consolidated financial statements include First Ottawa Bancshares, Inc. and the Bank, and the Bank's wholly owned subsidiary, First Ottawa Financial Corporation, together referred to as the Company. First Ottawa Financial Corporation discontinued operations in the first quarter of 2020 and these discontinued operations are considered immaterial to the consolidated financial statements taken as a whole.

Intercompany transactions and balances are eliminated in consolidation.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, the classification and valuation of securities, valuation of mortgage servicing rights, valuation of other real estate owned, valuation of goodwill, fair values of financial instruments, and certain key assumptions related to the defined benefit plan are particularly subject to change.

Significant Group Concentrations of Credit Risk: Most of the Company's activities are with customers located within LaSalle, Grundy, Cook, and surrounding counties in Illinois. Note 2 discusses the types of securities that the Company invests in. Note 3 discusses the types of lending that the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

Commercial real estate, including commercial construction loans, represented 50.6%, and 51.4% of the total portfolio at December 31, 2022 and 2021, respectively.

Cash and Cash Equivalents: As of December 31, 2022, the Company has deposits of approximately $3.6 million at Northern Trust Bank, $1.3 million at US Bank, $3.0 Million at Pacific Coast Bankers Bank, and $41.1 million at the Federal Reserve Bank, which are not fully insured by the FDIC. For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold, all of which have original maturities of ninety days or less.

Securities Available for Sale: Debt securities are classified as available for sale. Securities available for sale are carried at fair value with unrealized gains and losses reported in other comprehensive income (loss). Realized gains and losses on securities available for sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income (loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

Declines in the fair value of individual securities available for sale below their cost that are other than temporary result in writedowns of the individual securities to their fair value. The Company monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the intent of the Company to not sell the security or whether it is more likely than not that the Company will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in noninterest income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Stock: The Bank, as a member of the Federal Home Loan Bank of Chicago (FHLB), is required to maintain an investment in the capital stock of the Federal Home Loan Bank. The Bank also maintains an investment in the capital stock of the Federal Reserve Bank of Chicago (FRB). For financial reporting purposes, such stock qualifies as Restricted stock and is carried at cost, subject to impairment, and reported as part of other assets on the consolidated balance sheets. Both cash and stock dividends are reported as income.

The Company owns $1,634,650 and $142,500 of FRB stock as of December 31, 2022 and 2021. The Company owns $6,683,274 and $4,240,500 of FHLB stock as of December 31, 2022 and 2021. Management performed an analysis and deemed the investments in restricted stock were not impaired at December 31, 2022 and 2021.

Derivatives: All derivative instruments are recorded at their fair values and the change in the fair value of a derivative is included in interest income. If derivative instruments are designated as hedges of fair values, both the change in the fair value of the hedge and the hedged item are included in current earnings. Fair value adjustments related to cash flow hedges are recorded in other comprehensive income and reclassified to earnings when the hedged transaction is reflected in earnings. Ineffective portions of hedges are reflected in earnings as they occur.

Loans Held for Sale: Mortgage loans originated or purchased and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and recognized as an adjustment of the related loan yield using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Interest income is accrued on the unpaid principal balance. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses: The allowance for loan losses (allowance) is an estimate of loan losses inherent in the Company's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after loan losses and loan growth. Loan losses are charged off against the allowance when the Company determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The allowance consists of three primary components, general reserves, specific reserves related to impaired loans, and unallocated components. The general component covers nonimpaired loans and is based on historical losses adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company over the most recent four years. The Company places more emphasis, or weight, on the more current quarters in the loss history period. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. These factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans determined to be impaired are individually evaluated for impairment. When a loan is impaired, the Company measures impairment based on the present value of expected future cash flows discounted at the original contractual interest rate, except that as a practical expedient, it may measure impairment based on an observable market price, or the fair value of the collateral if collateral dependent. A loan is collateral dependent if the repayment is expected to be provided solely by the underlying collateral.

The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Under certain circumstances, the Company will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Company for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal or interest due, or acceptance of other assets in full or partial satisfaction of the debt.

The Company assigns a risk rating to all loans except pools of homogeneous loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectibility of the portfolio. These risk ratings are also subject to examination by the Company's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into six major categories, defined as follows:

Satisfactory: Loans classified as satisfactory are supported by financial statements that indicate average risk. The loans have exhibited two or more years of satisfactory repayment with a reasonable reduction of principal.

Satisfactory/Monitored: Loans classified as satisfactory/monitored are considered to be of acceptable credit quality so long as they are given the proper level of management supervision.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Substandard: Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well-defined weaknesses include a borrower's lack of marketability, inadequate cash flow, or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. 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 as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectible and charged off immediately.

The Company categorizes homogenous loans (residential and consumer) possessing similar risk and loss characteristics into performing or nonperforming categories based on relevant information about the ability of the borrowers to service their debt. Such ability is determined based on the borrower's current payment status. Performing loans are less than 90 days past due on payments owed to the Company. Nonperforming loans are loans greater than or equal to 90 days past due and still accruing interest, loans on nonaccrual, and/or loans considered to be troubled debt restructurings that are not performing under the modified terms of the loan agreement.

The Company maintains a separate general valuation allowance for each portfolio segment. These portfolio segments include commercial real estate, commercial non-real estate, construction, and land development, agricultural, residential, and consumer with risk characteristics described as follows:

Commercial Real Estate: Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments, except land and construction loans. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Commercial Non-Real Estate: Commercial non-real estate loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Construction and Land Development: Construction and land development loans generally possess a higher inherent risk of loss than other real estate portfolio segments. A major risk arises from the necessity to complete projects within a specified cost and time line. Trends in the construction industry significantly impact the credit quality of these loans, as demand drives construction activity. In addition, trends in real estate values significantly impact the credit quality of these loans, as property values determine the economic viability of construction projects.

Agricultural: Agricultural loans generally possess a lower inherent risk of loss than commercial non-real estate or real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating agricultural businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are not closely correlated to the credit quality of these loans.

Residential: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans scheduled to be amortized over a specific period. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least quarterly, the board of directors reviews the adequacy of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions, and other factors. If the board of directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Company's primary regulator reviews the adequacy of the allowance. The regulatory agencies may require additions to the allowance based on their judgment about information available at the time of their examinations.

Off-Consolidated Balance Sheet Credit Related Financial Instruments: In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Premises and Equipment: Asset cost is reported net of accumulated depreciation. Buildings and related components are depreciated using the straight–line method with useful lives ranging from 7 to 39 years. Furniture, fixtures, and equipment are depreciated using the straight–line method with useful lives ranging from 5 to 15 years. These assets are reviewed for impairment when events indicate that the carrying amount may not be recoverable. Maintenance and repairs are charged to expense and improvements are capitalized.

Impairment of Long-Lived Assets: The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

Other Real Estate Owned: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated cost to sell at the date of foreclosure, establishing a new cost basis. Any writedowns based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated cost to sell. This evaluation is inherently subjective and requires estimates that are susceptible to significant revisions as more information becomes available. Due to potential changes in conditions, it is at least reasonably possible that changes in fair values will occur in the near term and that such changes could materially affect the amounts reported in the Company's consolidated financial statements. Revenue and expenses from operations are included in net expenses from other real estate owned.

Mortgage Servicing Rights: Servicing rights are recognized as assets for the allocated value of servicing rights retained on loans sold and are classified with accrued interest receivable and other assets in the consolidated balance sheets. Servicing rights are expensed in proportion to and over the period of estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights using groupings of the underlying loans as to interest rates and then, secondarily, as to geographic and prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market–based assumptions. Any impairment of a grouping is reported as a valuation allowance. There was no such valuation allowance recorded at December 31, 2022 and 2021.

Goodwill: Goodwill represents the excess of the original cost over fair value of assets acquired and liabilities assumed and related acquisition costs. Goodwill is reviewed for impairment annually with any loss recognized through the income statement. Goodwill is tested qualitatively and quantitatively for possible impairment at least annually or more frequently if events and circumstances occur that indicate a goodwill impairment test should be performed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Surrender Value of Life Insurance: The Company has purchased life insurance policies on certain key executives. These life insurance policies are recorded at their cash surrender value or the amount that can be realized, if lower.

Restricted Stock Units Award Agreements: The Company has Restricted Stock Unit Award Agreements (RSUs) that provide for the granting of shares to directors and select executives. Compensation expense is recognized at the vesting date of the awards based on the appraised value of the stock at the time of vesting.

Revenue Recognition: 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 gain or loss associated with mortgage servicing rights, investment transactions, and income from bank owned life insurance are also not within the scope of the new guidance. Topic 606 is applicable to noninterest income such as trust department income, deposit related fees, and ATM processing fees. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Noninterest income considered to be within the scope of Topic 606 is discussed below.

Non-transactional Deposit Account Fees: The Company earns fees from its deposit customers for non-transaction-based overdraft and nonsufficient funds (NSF) fees services. Overdraft and NSF fees are recognized at the point in time that the overdraft or NSF occurs. Service charges on deposits are withdrawn from the customer's account balance. Non-transactional deposit fees of $2,012,000 and $1,448,000 are included in Service Fees for 2022 and 2021, respectively.

Trust Department Fees: Trust management fees are billed fees as the management services are performed. Services provided to clients include personal and fiduciary services, investment management accounts, bill paying agency accounts, investment custody services, corporate fiduciary accounts, and farm management services.

ATM Processing Services: Revenue from ATM transaction processing and settlement services is recognized at the time the services are performed. ATM fees of approximately $285,000 and $283,000 are included in Services Fees for 2022 and 2021, respectively.

The Company does not typically enter into long-term revenue contracts with customers, and therefore, does not experience significant contract balances. As of December 31, 2022 and 2021, the Company did not have any significant contract balances. As of December 31, 2022 and 2021, the Company did not capitalize any contract acquisition costs.

Income Taxes: Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

These calculations are based on many complex factors including estimates of the timing of reversals of temporary differences, the interpretation of federal and state income tax laws, and a determination of the differences between the tax and the financial reporting basis of assets and liabilities. Actual results could differ significantly from the estimates and interpretations used in determining the current and deferred income tax liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under generally accepted accounting principles, a valuation allowance is required to be recognized if it is “more likely than not” that the deferred tax asset will not be realized. The determination of the realizability of the deferred tax assets is highly subjective and dependent upon judgment concerning management’s evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies and assessments of the current and future economic and business conditions.

With regards to uncertain tax matters, the Company can recognize in financial statements the impact of a tax position taken, or expected to be taken, if it is more likely than not that the position will be sustained during a tax audit based on the technical merit of the position. See Note 12 - Income Taxes for additional disclosures. When applicable, the Company recognizes both interest and penalties related to tax matters as a component of other operating expenses. The Company did not recognize any significant interest or penalties related to tax matters in 2022 or 2021.

The Company files consolidated federal and state income tax returns and it is not subject to federal or state income tax examinations for taxable years prior to 2019.

Earnings Per Share: Basic earnings per share are calculated based on the weighted-average common shares outstanding during the year.

Fair Values of Financial Instruments: The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Company may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Company adopted the policy to value certain financial instruments at fair value. The Company has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Comprehensive Income: Comprehensive income includes both net income and other comprehensive income (loss). Other comprehensive income (loss) includes the changes in unrealized gains and losses on securities available for sale, and minimum pension liability, net of deferred income taxes.

Trust Department Assets: Property held for customers in fiduciary or agency capacities is not included in the accompanying consolidated balance sheets, as such items are not assets of the Bank.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets and Participating Interests: Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Advertising Costs: Advertising costs are expensed as incurred.

Accounting for Certain Loans or Debt Securities Acquired in a Transfer: GAAP requires acquired loans to be initially recorded at fair value and prohibits carrying over valuation allowances in the initial accounting for acquired impaired loans. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of these requirements.

Leases: *Lease liabilities*. A lease liability is initially and subsequently measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate, and are measured using the index or rate at the commencement date. The discount rate is the implicit rate if it is readily determinable; otherwise the Company uses its incremental borrowing rate. The implicit rates of all the Company’s leases are not readily determinable; accordingly, the Company uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Company’s incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The Company determines its incremental borrowing rates by starting with the interest rates on its recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

ROU assets. A lessee’s ROU asset is measured at the commencement date at the amount of the initially-measured lease liability plus any lease payments made to the lessor before or at the commencement date, minus any lease incentives received; plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting policy election for short-term leases. The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

See Note 13, "COMMITMENTS, OFF–BALANCE–SHEET RISK, AND CONTINGENCIES" for additional information on the Company's leases.

New Accounting Pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses* (*Topic 326*): *Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU affect all entities that measure credit losses on financial instruments including loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial asset that has a contractual right to receive cash that is not specifically excluded. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this ASU replace the incurred loss impairment methodology required in current GAAP with a methodology that reflects expected credit losses that requires consideration of a broader range of reasonable and supportable information to estimate credit losses. The amendments in this ASU will affect entities to varying degrees depending on the credit quality of the assets held by the entity, the duration of the assets held, and how the entity applies the current incurred loss methodology. In November 2019, the FASB approved ASU 2019-10 which delayed the effective date for ASU 2016-13 for public business entities that are not filers with the SEC. The ASU is effective for the Company for the fiscal year beginning after December 15, 2022, and including interim periods within this fiscal year. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Company anticipates no material impact from ASU 2016-13 on its consolidated financial statements.

Subsequent Events: Management evaluated subsequent events through March 20, 2023, the date the consolidated financial statements were available to be issued.

(Table dollar amounts in thousands, except per share data)

NOTE 2 - SECURITIES AVAILABLE FOR SALE

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Treasury Securities	$ 7,619	$ -	$ (660)	$ 6,959
Federal Agencies	2,011	-	(89)	1,922
State and Municipal	15,759	115	(2,222)	13,652
Mortgage-Backed Securities and Collateral Mortgage Obligations	69,878	101	(3,680)	66,299
Asset Backed Securities	25,018	8	(816)	24,210
Other	5	-	(2)	3
Total Securities Available for Sale	$ 120,290	$ 224	$ (7,469)	$ 113,045

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
US Treasury Securities	$ 4,686	$ -	$ (35)	$ 4,651
Federal Agencies	4,017	105	-	4,122
State and Municipal	15,669	566	(221)	16,014
Mortgage-Backed Securities and Collateralized Mortgage Obligations	13,072	242	(48)	13,266
Asset Backed Securities	29,610	217	(69)	29,758
Other	5	1	-	6
Total Securities Available for Sale	$ 67,059	$ 1,131	$ (373)	$ 67,817

As of December 31, 2022 and 2021, the Company had approximately $2,390,000 and $3,382,000, respectively, invested in bonds issued by municipalities located within LaSalle County, Illinois.

Securities with a carrying value of $83,563,000 and $50,367,000 were pledged at December 31, 2022 and 2021, respectively, to secure trust and public deposits, and for other purposes as required or permitted by law.

(Table dollar amounts in thousands, except per share data)

NOTE 2 - SECURITIES AVAILABLE FOR SALE (CONTINUED)

The amortized cost and fair value of securities available for sale at December 31, 2022 by contractual maturity, was as follows. Securities not due at a single maturity date, primarily mortgage–backed and equity securities, are shown separately.

	Amortized Cost	Fair Value
Within One Year	$ 310	$ 313
One to Five Years	25,348	24,275
Five to Ten Years	12,657	12,235
After Ten Years	12,092	9,920
	50,407	46,743
Mortgage-Backed Securities and Collateralized Mortgage Obligations	69,878	66,299
Other	5	3
Total	$ 120,290	$ 113,045

There were no sales of securities available for sale for the years ended December 31, 2022 and 2021:

Certain investments in debt securities are reported in the financial statements at an amount less than their amortized cost. Total fair value of these investments at December 31, 2022 and 2021 was $103.3 million and $29.5 million, respectively, which was approximately 91.4% and 43.5% of the Company's available for sale investment portfolio at those dates.

(Table dollar amounts in thousands, except per share data)

NOTE 2 - SECURITIES AVAILABLE FOR SALE (CONTINUED)

The following tables show our investments' 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.

Description of Securities	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	Over 12 Months Fair Value	Over 12 Months Unrealized Losses	Total Fair Value	Total Unrealized Losses
December 31, 2022						
US Treasury Securities	$ 1,420	$ (62)	$ 5,539	$ (598)	$ 6,959	$ (660)
Federal Agencies	1,922	(89)	-	-	1,922	(89)
State and Municipal	3,866	(130)	5,886	(2,092)	9,752	(2,222)
Asset Backed Securities	15,187	(423)	8,647	(393)	23,834	(816)
Mortgage-Backed Securities and Collateralized Mortgage Obligations	55,486	(2,718)	5,109	(962)	60,595	(3,680)
Other	-	-	5	(2)	5	(2)
Total Temporarily Impaired Securities	$ 77,881	$ (3,422)	$ 25,186	$ (4,047)	$ 103,067	$ (7,469)
December 31, 2021						
US Treasury Securities	$ 4,651	$ (35)	$ -	$ -	$ 4,651	$ (35)
Federal Agencies	-	-	-	-	-	-
State and Municipal	5,208	(175)	1,007	(46)	6,215	(221)
Asset Backed Securities	11,051	(56)	1,172	(13)	12,223	(69)
Mortgage-Backed Securities and Collateralized Mortgage Obligations	6,017	(47)	349	(1)	6,366	(48)
Total Temporarily Impaired Securities	$ 26,927	$ (313)	$ 2,528	$ (60)	$ 29,455	$ (373)

At December 31, 2022, there were 96 securities that have an unrealized loss with aggregate depreciation of approximately 6.8% of the Company's amortized cost basis for such securities. These unrealized losses are a result of expected fluctuations in the bond market. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. The decline in value of these securities is deemed to be temporary, as management has the intent and ability to hold these investments to maturity or recovery.

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES

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

	2022	2021
Commercial:		
Real Estate	$ 514,215	$ 387,390
Non-Real Estate	392,316	271,236
Construction and Land Development	44,229	35,604
Agricultural	26,820	26,518
Residential	125,617	99,150
Consumer	1,601	3,133
Total Loans	1,104,798	823,031
Allowance for Loan Losses	(16,023)	(12,122)
Loans, Net	$ 1,088,775	$ 810,909

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was enacted, which included measures designed to address the impact of the COVID-19 pandemic. These provisions included the Paycheck Protection Program (“PPP”), which was designed to aid eligible businesses and non-profit entities through federally guaranteed loans distributed through local financial institutions under the oversight of the Small Business Administration (“SBA”).

During 2021, the Bank originated approximately 429 PPP loans with a carry balance of $113,000,000. PPP loans are forgivable by the SBA under certain circumstances if the funds are used by the borrower for eligible expenses including payroll during a specified period. The Bank generated net fees of approximately $10,200,000 on the origination of the loans, which is being recognized over the life of the PPP loan adjusted for prepayments resulting from loan forgiveness.

As of December 31, 2022 and 2021, the Company had approximately $4,049,000 and $33,468,000, respectively, in unforgiven PPP loans which are included in the Non-Real Estate Commercial Loan classification. Origination fees recognized as income on PPP loans for the two periods were approximately $792,000 and $6,028,000, respectively.

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following tables present the recorded investment in loans and the related allowance for loan losses by portfolio segment and based on impairment method as of December 31, 2022 and 2021:

	2022							
	Commercial Real Estate	Commercial Non-Real Estate	Construction and Land Development	Agricultural	Residential	Consumer	Unallocated	Total
Total Loans								
Individually Evaluated for Impairment	$ 5,728	$ 297	$ -	$ -	$ 100	$ -	$ -	$ 6,125
Collectively Evaluated for Impairment	508,487	392,019	44,229	26,820	125,517	1,601	-	1,098,673
Balances, December 31	$ 514,215	$ 392,316	$ 44,229	$ 26,820	$ 125,617	$ 1,601	$ -	$ 1,104,798
Allowance for Loan Losses:								
Balances, January 1	$ 7,531	$ 2,653	$ 374	$ 218	$ 1,263	$ 29	$ 54	$ 12,122
Provision for Loan Losses	1,148	2,455	68	13	158	2	131	3,975
Recoveries on Loans	127	-	-	-	22	-	-	149
Loans Charged-Off	(42)	-	-	(93)	(74)	(14)	-	(223)
Balances, December 31	$ 8,764	$ 5,108	$ 442	$ 138	$ 1,369	$ 17	$ 185	$ 16,023
Individually Evaluated for Impairment	$ 800	$ -	$ -	$ -	$ -	$ -	$ -	$ 800
Collectively Evaluated for Impairment	$ 7,964	$ 5,108	$ 442	$ 138	$ 1,369	$ 17	$ 185	$ 15,223

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

	2021							
	Commercial Real Estate	Commercial Non-Real Estate	Construction and Land Development	Agricultural	Residential	Consumer	Unallocated	Total
Total Loans								
Individually Evaluated for Impairment	$ 6,614	$ 337	$ -	$ -	$ 365	$ -	$ -	$ 7,316
Collectively Evaluated for Impairment	380,776	270,899	35,604	26,518	98,785	3,133	-	815,715
Balances, December 31	$ 387,390	$ 271,236	$ 35,604	$ 26,518	$ 99,150	$ 3,133	$ -	$ 823,031
Allowance for Loan Losses:								
Balances, January 1	$ 5,262	$ 2,614	$ 330	$ 399	$ 1,035	$ 9	$ 113	$ 9,762
Provision for Loan Losses	2,284	39	44	(181)	854	19	(59)	3,000
Recoveries on Loans	-	-	-	-	-	1	-	1
Loans Charged-Off	(15)	-	-	-	(626)	-	-	(641)
Balances, December 31	$ 7,531	$ 2,653	$ 374	$ 218	$ 1,263	$ 29	$ 54	$ 12,122
Individually Evaluated for Impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively Evaluated for Impairment	$ 7,531	$ 2,653	$ 374	$ 218	$ 1,263	$ 29	$ 54	$ 12,122

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following table presents impaired loans by class of loans as of December 31, 2022 and 2021:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	December 31, 2022				
With An Allowance Recorded:					
Commercial:					
Real Estate	$ 2,741	$ 2,814	$ 800	$ 2,634	$ -
Non-Real Estate	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Agricultural	-	-	-	-	-
Residential	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ 2,741	$ 2,814	$ 800	$ 2,634	$ -
With No Allowance Recorded:					
Commercial:					
Real Estate	$ 2,987	$ 3,037	$ -	$ 3,083	$ -
Non-Real Estate	297	415	-	424	-
Construction and Land Development	-	-	-	-	-
Agricultural	-	-	-	-	-
Residential	100	145	-	148	-
Consumer	-	-	-	-	-
Total	$ 3,384	$ 3,597	$ -	$ 3,655	$ -
Total:					
Commercial:					
Real Estate	$ 5,728	$ 5,851	$ 800	$ 5,717	$ -
Non-Real Estate	297	415	-	424	-
Construction and Land Development	-	-	-	-	-
Agricultural	-	-	-	-	-
Residential	100	145	-	148	-
Consumer	-	-	-	-	-
Total	$ 6,125	$ 6,411	$ 800	$ 6,289	$ -

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	December 31, 2021				
With An Allowance Recorded:					
Commercial:					
Real Estate	$ -	$ -	$ -	$ -	$ -
Non-Real Estate	-	-	-	-	-
Construction and Land Development	-	-	-	-	-
Agricultural	-	-	-	-	-
Residential					-
Consumer	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
With No Allowance Recorded:					
Commercial:					
Real Estate	$ 6,614	$ 6,672	$ -	$ 6,724	$ 198
Non-Real Estate	337	433	-	440	-
Construction and Land Development	-	-	-	-	-
Agricultural	-	-	-	-	-
Residential	365	416	-	419	3
Consumer	-	-	-	-	-
Total	$ 7,316	$ 7,521	$ -	$ 7,583	$ 201
Total:					
Commercial:					
Real Estate	$ 6,614	$ 6,672	$ -	$ 6,724	$ 198
Non-Real Estate	337	433	-	440	-
Construction and Land Development	-	-	-	-	-
Agricultural	-	-	-	-	-
Residential	365	416	-	419	3
Consumer	-	-	-	-	-
Total	$ 7,316	$ 7,521	$ -	$ 7,583	$ 201

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following tables present the recorded investment in loans by class based on current payment and accrual status as of December 31, 2022 and 2021:

	December 31, 2022				
	Accruing Interest				
	Current	30-89 Days Past Due	More Than 90 Days Past Due	Total Nonaccrual	Total Loans
Commercial:					
Real Estate	$ 506,243	$ 2,366	$ -	$ 5,606	$ 514,215
Non-Real Estate	392,007	12	-	297	392,316
Construction and Land Development	44,229	-	-	-	44,229
Agricultural	26,820	-	-	-	26,820
Residential	125,102	258	157	100	125,617
Consumer	1,579	1	21	-	1,601
Total	$ 1,095,980	$ 2,637	$ 178	$ 6,003	$ 1,104,798

	December 31, 2021				
	Accruing Interest				
	Current	30-89 Days Past Due	More Than 90 Days Past Due	Total Nonaccrual	Total Loans
Commercial:					
Real Estate	$ 376,592	$ 309	$ 3,880	$ 6,609	$ 387,390
Non-Real Estate	270,899	-	-	337	271,236
Construction and Land Development	35,604	-	-	-	35,604
Agricultural	26,518	-	-	-	26,518
Residential	98,160	481	144	365	99,150
Consumer	3,122	3	8	-	3,133
Total	$ 810,895	$ 793	$ 4,032	$ 7,311	$ 823,031

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following tables present loans by class based on their assigned classifications determined by management as of December 31, 2022 and 2021:

	Commercial Real Estate	Commercial Non-Real Estate	Construction and Land Development	Agricultural	Residential	Consumer	Total
	December 31, 2022						
Satisfactory	$ 57,398	$ 61,991	$ 5,282	$ 1,064	$ -	$ -	$ 125,735
Satisfactory/Mentioned	443,255	322,555	38,947	25,499	-	-	830,256
Special Mention	7,955	4,778	-	-	-	-	12,733
Substandard	5,607	2,992	-	257	-	-	8,856
Doubtful	-	-	-	-	-	-	-
Performing	-	-	-	-	125,360	1,579	126,939
Nonperforming	-	-	-	-	257	22	279
Total	$ 514,215	$ 392,316	$ 44,229	$ 26,820	$ 125,617	$ 1,601	$ 1,104,798

	Commercial Real Estate	Commercial Non-Real Estate	Construction and Land Development	Agricultural	Residential	Consumer	Total
	December 31, 2021						
Satisfactory	$ 24,213	$ 56,108	$ 278	$ 1,097	$ -	$ -	$ 81,696
Satisfactory/Mentioned	352,301	214,641	35,326	25,164	-	-	627,432
Special Mention	4,262	150	-	-	-	-	4,412
Substandard	6,614	337	-	257	-	-	7,208
Doubtful	-	-	-	-	-	-	-
Performing	-	-	-	-	98,641	3,125	101,766
Nonperforming	-	-	-	-	509	8	517
Total	$ 387,390	$ 271,236	$ 35,604	$ 26,518	$ 99,150	$ 3,133	$ 823,031

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following tables present information related to troubled debt restructurings as of December 31:

	December 31, 2022					
	Accruing			Non-Accruing		
	Number of Loans	Outstanding Balance	Specific Reserve	Number of Loans	Outstanding Balance	Specific Reserve
Commercial:						
Real Estate	-	$ -	$ -	1	$ 2,508	$ -
Non-Real Estate	1	145	-	-	-	-
Construction and Land Development	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-
Residential	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	1	$ 145	$ -	1	$ 2,508	$ -

	December 31, 2021					
	Accruing			Non-Accruing		
	Number of Loans	Outstanding Balance	Specific Reserve	Number of Loans	Outstanding Balance	Specific Reserve
Commercial:						
Real Estate	1	$ 5	$ -	1	$ 2,569	$ -
Non-Real Estate	-	-	-	-	-	-
Construction and Land Development	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-
Residential	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	1	$ 5	$ -	1	$ 2,569	$ -

The following tables present information related to troubled debt restructurings that have defaulted as of December 31:

	December 31, 2022		December 31, 2021	
	Number of Loans	Outstanding Balance	Number of Loans	Outstanding Balance
Commercial:				
Real Estate	-	$ -	2	$ 2,623
Non-Real Estate	-	-	-	-
Construction and Land Development	-	-	-	-
Agricultural	-	-	-	-
Residential	-	-	-	-
Consumer	-	-	-	-
Total Troubled Debt Restructurings That Subsequently Defaulted	-	$ -	2	$ 2,623

(Table dollar amounts in thousands, except per share data)

NOTE 3 - LOANS AND THE ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The post-modification outstanding balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of a restructuring are not significant.

Certain executive officers, directors, and their related interests are loan customers of the Company. A summary of such loans made by the Company in the ordinary course of business and made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons is as follows:

	2022	2021
Balance at January 1	$ 605	$ 660
New Loans	232	424
Repayments	(21)	(284)
Change in Related Party Status	-	(195)
Balance at December 31	$ 816	$ 605

NOTE 4 - LOAN SALES AND SERVICING

The Company sells mortgage loans with servicing retained to the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Bank (FHLB). The Company realized gross proceeds from the sales of originated mortgage loans totaling $37,054,000 and $200,814,000 in 2022 and 2021, respectively. Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans are summarized as follows:

	2022	2021
Total Loans Serviced	$ 473,043	$ 483,390

Following is an analysis of the changes in originated mortgage servicing rights:

	2022	2021
Balances, January 1	$ 4,659	$ 2,895
Servicing Rights Capitalized	2,877	2,864
Amortization of Servicing Rights	(1,099)	(1,100)
Balances, December 31	$ 6,437	$ 4,659
Fair value, December 31	$ 6,437	$ 4,659

(Table dollar amounts in thousands, except per share data)

NOTE 5 - PREMISES AND EQUIPMENT

Premises and equipment consisted of the following at December 31:

	2022	2021
Cost		
Land	$ 1,415	$ 1,415
Buildings and Land Improvements	13,068	12,869
Equipment	8,938	7,894
Total Cost	23,421	22,178
Accumulated Depreciation	(12,984)	(12,357)
Net	$ 10,437	$ 9,821

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to $894,000 and $763,000, respectively.

In 2021, the Company began to account for its leases in accordance with FASB ASC 842, Leases. The Company is a lessee in several non-cancellable operating leases, for office space and certain office equipment. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognized a lease liability of $4,728,000 and a right of use (ROU) asset of $4,728,000, after the initial adoption of this accounting policy.

Lease liabilities. A lease liability is initially and subsequently measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate, and are measured using the index or rate at the commencement date. The discount rate is the implicit rate if it is readily determinable; otherwise the Company uses its incremental borrowing rate. The implicit rates of all the Company's leases are not readily determinable; accordingly, the Company uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The Company determines its incremental borrowing rates by starting with the interest rates on its recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

ROU assets. A lessee's ROU asset is measured at the commencement date at the amount of the initially-measured lease liability plus any lease payments made to the lessor before or at the commencement date, minus any lease incentives received; plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Accounting policy election for short-term leases. The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

See Note 13, "COMMITMENTS, OFF–BALANCE–SHEET RISK, AND CONTINGENCIES" for additional information on the Company's leases.

(Table dollar amounts in thousands, except per share data)

NOTE 6 - OTHER REAL ESTATE OWNED

Activity in the other real estate owned account is as follows:

	2022	2021
Beginning of Year	$ 654	$ 1,123
Transfers from Loans	133	131
Initial Adjustment to Carrying Value	(41)	(6)
Sales of Other Real Estate Owned	(881)	(486)
Loss on Sales of Other Real Estate Owned	(16)	(9)
Gain on Sales of Other Real Estate Owned	166	1
Writedowns on Other Real Estate Owned, Net	(15)	(100)
End of Year	$ -	$ 654

Expenses related to other real estate owned included:

	2022	2021
(Gain) Loss on Sales, Net	$ (150)	$ 8
Writedowns	15	100
Operating Expenses, Net of Income	26	38
	$ (109)	$ 146

(Table dollar amounts in thousands, except per share data)

NOTE 7 - DEPOSITS

Deposits consisted of the following at December 31:

	2022	2021
Noninterest Bearing Demand	$ 375,847	$ 362,814
Interest Bearing Demand	250,347	194,526
Savings	62,909	61,390
Money Market Savings	188,996	126,587
Certificates and Other Time Deposits of $250,000 or More	40,994	23,941
Other Certificates and Time Deposits	163,672	70,324
Total	$ 1,082,765	$ 839,582

At December 31, 2022, the scheduled maturities of certificates and other time deposits were as follows:

Year Ending December 31,	Amount
2023	$ 140,799
2024	40,611
2025	10,587
2026	3,883
2027	8,786
Total	$ 204,666

Deposits held by the Company from related parties at December 31, 2022 and 2021 totaled $1,621,000 and $478,000, respectively.

NOTE 8 - BORROWINGS

At December 31, 2022, the Company had a revolving line of credit note payable with a total available amount of $10 million with Chippewa Valley Bank. The note will bear interest on unpaid principal at a fixed rate of 4.99% for three years, then converts to Wall Street Journal Prime less .75%. The note requires quarterly payments of interest. There is a $3 million outstanding balance at December 31, 2022. At December 31, 2021, the Company had a revolving line of credit note payable to Banker's Bank of Wisconsin with a total available amount $5.0 million. The note will bear interest on unpaid principal at a variable rate of Prime and Prime plus 25 basis points (3.50%) at December 31, 2021. The note required quarterly payments of interest and matured on July 17, 2022. There was no outstanding balance as of December 31, 2021. The notes with Chippewa Valley Bank and Banker's Bank of Wisconsin are secured by all outstanding shares of Bank stock.

As of December 31, 2022 and 2021, a blanket lien on the Company's portfolio of one-to-four family and multifamily mortgages, small farm and business loans, and other real estate related collateral which was approximately $978.0 and $617.5 million, respectively, was used to secure current and potential future FHLB borrowings. As of December 31, 2022 and 2021, the Company had short term fixed rate advances (30 days or less) outstanding of $139.3 million and $0, respectively. As of December 31, 2022 and 2021, the Company also had a letter of credit from the FHLB in connection with public funds held on deposit at the Company of $20.0 million and $0, respectively. As of December 31, 2022 and 2021, there was no outstanding principal balance for the letter of credit. At December 31, 2022 and 2021, long term advances were $11.3 and $30 million. All advances were fixed-rate, with interest rates ranging from 0 to 2.52%. The weighted average rate at December 31, 2022 and 2021 was 1.92% and 0.94%, respectively.

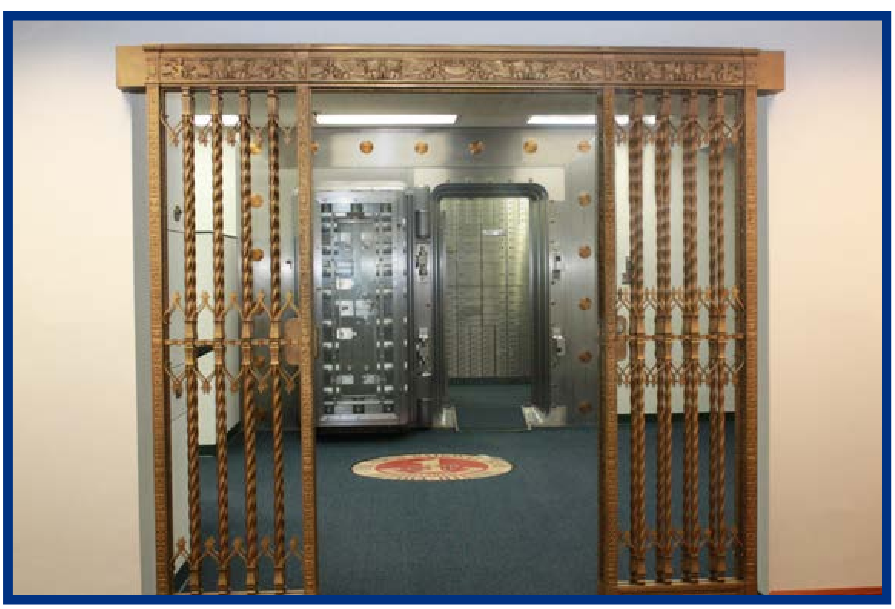
(Table dollar amounts in thousands, except per share data)

NOTE 8 - BORROWINGS (CONTINUED)

The Company issued $7.75 million and $28.5 million of ten-year subordinated debt at the Holding Company in 2022 and 2021, respectively. The subordinated debt bears a fixed rate of 5.5% for five years from the date of issuance at which time it converts to a variable rate. The Company can call on or after June 1, 2027 for the 2022 issuance and September 15, 2025 for the 2021 issuance. Both can be called in whole or part or at any time based on specified events.

At December 31, 2022, the scheduled maturities of borrowings were as follows:

Year Ending December 31,	Rate	Amount
2023	2.01% to 4.50%	$ 144,300
2024		-
2025	0%	1,250
2026		-
2027		-
Thereafter	2.13% to 5.50%	44,250
Total		$ 189,800



(Table dollar amounts in thousands, except per share data)

NOTE 9- ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the activity and accumulated balances for components of other comprehensive income (loss):

	(1) Unrealized Gains (Losses) On Securities	(2) Pension Loss	Total Accumulated Other Comprehensive Income (Loss)
Balances, December 31, 2020	$ 1,224	$ (181)	$ 1,043
Other Comprehensive Loss Before Reclassification	(792)	(54)	(846)
Amounts Reclassed from Accumulated Other Comprehensive Income (Loss)	-	5	5
Other Comprehensive Income (Loss), Before Tax	(792)	(49)	(841)
Income Tax effect	166	10	176
Balances, December 31, 2021	$ 598	$ (220)	$ 378
Other Comprehensive Income Before Reclassification	$ (8,000)	$ 278	$ (7,722)
Amounts Reclassed from Accumulated Other Comprehensive Income (Loss)	-	-	-
Other Comprehensive Income, Before Tax	(8,000)	278	(7,722)
Income Tax effect	1,680	(58)	1,622
Balances, December 31, 2022	$ (5,722)	$ -	$ (5,722)

(1) The pre-tax amounts reclassified from accumulated other comprehensive loss are included in “net realized gains on sales of securities available for sale” in the consolidated statements of income.

(2) The pre-tax amounts reclassified from accumulated other comprehensive loss are included in the computation of net periodic pension costs which is in “salaries and employee benefits” in the consolidated statements of income. For additional information refer to Note 10.

(Table dollar amounts in thousands, except per share data)

NOTE 10 – BENEFIT PLANS

The Company had a noncontributory defined-benefit pension plan covering all employees who meet the eligibility requirements. In 1999, all plan benefits were frozen.

The Company uses a December 31 measurement date for the plan. The Bank terminated the plan on December 29, 2022, and remaining assets were either annuitized or transferred to the 401k plan at the discretion of individual participants.

The following tables set forth the Company's pension plan's funded status and amounts actuarially determined for the years indicated:

	2022	2021
Change in Benefit Obligation:		
Beginning Benefit Obligation	$ 814	$ 755
Interest Cost	24	30
Actuarial (Gain) Loss	22	84
Settlements	(806)	-
Benefits Paid	(54)	(55)
Ending Benefit Obligations	$ -	$ 814
Beginning Fair Value	$ 1,333	$ 1,270
Actual Return	10	43
Employer Contribution	-	75
Settlements	(1,289)	-
Benefits Paid	(54)	(55)
Ending Fair Value	$ -	$ 1,333
Funded Status	$ -	$ 519

Funded status recognized in the consolidated balance sheets:

	Pension Benefits	
	2022	2021
Other Assets	$ -	$ 519

Gross amounts recognized in accumulated other comprehensive income not yet recognized as components of net periodic benefit cost consist of:

	Pension Benefits	
	2022	2021
Net Loss	$ -	$ 278

(Table dollar amounts in thousands, except per share data)

NOTE 10 - BENEFIT PLANS (CONTINUED)

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2022	2021
Accumulated Benefit Obligation	$ -	$ 814
Fair Value of Plan Assets	-	1,333

Other significant balances and costs are:

	2022	2021
Components of Net Periodic Benefit Cost		
Interest Cost	$ 24	$ 30
Return on Plan Assets	(13)	(13)
Amortization	7	5
Settlement Loss	297	-
Net Periodic Benefit Cost	$ 315	$ 22

Other changes in plan assets and benefit obligations recognized in other comprehensive income:

	Pension Benefits	
	2022	2021
Amounts Arising During the Period		
Net Gains (Losses)	$ 25	$ (49)

The estimated net loss for the defined-benefit pension plan that was recognized as a result of termination settlement during 2022 was $297,000.

	2022	2021
Assumptions Used to Determine Benefit Obligations		
Discount Rate	5.25%	4.00%
Return on Plan Assets	1.00%	1.00%
Assumptions Used to Determine Benefit Costs		
Discount Rate	3.00%	4.00%
Return on Plan Assets	1.00%	1.00%

The discount rate and expected return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information.

(Table dollar amounts in thousands, except per share data)

NOTE 10 - BENEFIT PLANS (CONTINUED)

Prior to termination the Company has estimated the long–term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long–term interest rates based on publicly available information.

Prior to termination plan assets were held by a bank–administered trust fund, which invested the plan assets in accordance with the provisions of the plan agreement. The permitted investments as established by the plan agreement included, but were not limited to, common and preferred stocks, open–end or closed–end mutual funds, bonds and other evidences of indebtedness or ownership, and real estate or any interest therein.

Asset allocation is primarily based on a strategy to provide stable earnings while attempting to recognize potentially higher returns through limited investments in equity securities. Plan assets are rebalanced periodically. At December 31, 2022 there were no remaining plan assets. At December 31, 2021, allocations by percentages were as follows:

	2021
Equity Mutual Funds	0.0%
Fixed Income Mutual Funds	0.0
Money Market Funds and Other	100.0

Asset Category	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
December 31, 2021				
Money Market and Time Deposit Funds	$ 1,333	$ -	$ -	$ 1,333
Total	$ 1,333	$ -	$ -	$ 1,333

NOTE 10 - BENEFIT PLANS (CONTINUED)

The Bank has a directors' retirement plan which provides retirement benefits primarily to former members of the board of directors. The Bank also maintains a supplemental executive retirement plan that provides benefits to certain key executive officers and directors in accordance with the plan document. The Bank accrued expenses related to these plans totaling $34,000 in 2022 and $254,000 in 2021.

The Company also has a combined employee stock ownership plan (ESOP) and 401(k) profit-sharing plan, also known as a KSOP. The Company's KSOP covers eligible employees with more than 90 days of service, as defined, and who are at least 21 years of age. The plan allows employee contributions. The Company may make a matching contribution equal to a percentage of salary deferral, and discretionary profit sharing and ESOP contributions. The Company's contributions are voluntary and at the discretion of the Board of Directors. All contributions are subject to statutory restrictions. The Company's matching contributions were made throughout the year in 2022, profit sharing contributions are made following the end of the calendar year, matching and profit sharing contributions totaled $898,000 for 2022, and $747,000 for 2021. There were 16,174 Company shares held by the plan as of December 31, 2022, and 12,179 as of December 31, 2021.

NOTE 11 – STOCK-BASED COMPENSATION

Restricted Stock Unit Award

Restricted Stock Unit Award Agreements (RSU) provides for the issuance of shares to directors and select executives. Compensation expense is recognized at the vesting date of the awards based on the appraised value of the stock at the timing of vesting. The fair value of the stock was determined using the appraised price. RSU shares fully vest in the same year of grant date for Directors and vest ratably over four years for select officers. Totals shares outstanding but unvested under the plan are 6,542 at December 31, 2022, and 2,900 shares at December 31, 2021. Total compensation cost of $264,000 and $154,000 was recorded in 2022 and 2021, respectively.

(Table dollar amounts in thousands, except per share data)

NOTE 11 - STOCK-BASED COMPENSATION (CONTINUED)

A summary of changes in the Company's nonvested shares for the year follows:

2022		
Nonvested Shares	Shares	Weighted-Average Grant Date Fair Value
Nonvested Shares, Beginning of Year	2,900	$ 70.69
Granted	6,940	85.00
Vested	(3,298)	80.20
Forfeited	-	-
Nonvested, End of Year	6,542	81.08

2021		
Nonvested Shares	Shares	Weighted-Average Grant Date Fair Value
Nonvested Shares, Beginning of Year	1,500	$ 63.77
Granted	3,588	73.00
Vested	(2,188)	69.73
Forfeited	-	-
Nonvested, End of Year	2,900	70.69

The total fair value of shares vested during the years ended December 31, 2022 and 2021 was $264,000 and $154,000, respectively.

The RSUs for executives are forfeited if the executive terminates prior to the expiration of the Restricted Period.

Future compensation expense is estimated at:

For the Year Ended	
2023	$ 179
2024	165
2025	152
2026	106
	$ 602

(Table dollar amounts in thousands, except per share data)

NOTE 12 - INCOME TAXES

Income tax expense for the years ended December 31, 2022 and 2021 consisted of:

	2022	2021
Income Tax Expense		
Currently Payable		
Federal	$ 3,243	$ 2,592
State	1,928	1,474
Deferred	(861)	225
Total Income Tax Expense	$ 4,310	$ 4,291

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 21% to income before income tax expense as a result of the following:

Reconciliation of Federal Statutory to Actual Tax Expense		
Federal Statutory Income Tax at 21%	$ 3,476	$ 3,319
Tax-exempt Income	(235)	(130)
Effect of State Income Taxes	1,026	1,082
Other Items, Net	43	20
Actual Tax Expense	$ 4,310	$ 4,291
Effective Tax Rate	25.83%	27.15%

(Table dollar amounts in thousands, except per share data)

NOTE 12 - INCOME TAXES (CONTINUED)

The components of the deferred tax assets (liabilities) included on the consolidated balance sheets are as follows:

	2022	2021
Assets:		
Allowance for Loan Losses	$ 4,414	$ 3,148
Unrealized Loss on Securities Available for Sale	1,520	-
Deferred Compensation	941	717
Other Real Estate Owned	-	144
Deferred PPP Loan Fees	24	248
Other	289	244
Total Assets	7,188	4,501
Liabilities:		
Unrealized Gain on Securities Available for Sale	-	(160)
Net Change in Defined Benefit Pension Plan Losses	-	(169)
FHLB Stock	(2)	(2)
Depreciation	(759)	(676)
Mortgage Servicing Rights	(1,834)	(1,328)
Goodwill	(697)	(697)
Other	(27)	(93)
Total Liabilities	(3,319)	(3,125)
Total Deferred Tax Assets	$ 3,869	$ 1,376

NOTE 13 - COMMITMENTS, OFF–BALANCE–SHEET RISK, AND CONTINGENCIES

There are various contingent liabilities that are not reflected in the consolidated financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these claims and legal actions is not expected to have a material effect on financial condition or results of operations.

The Bank is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. There was no reserve requirement as of December 31, 2022 or December 31, 2021.

Some financial instruments are used in the normal course of business to meet the financing needs of customers. These financial instruments include unfunded commitments and standby letters of credit. These involve, to varying degrees, credit and interest rate risk in excess of the amounts reported in the consolidated financial statements.

Exposure to credit loss if the other party does not perform is represented by the contractual amount for these commitments. The same credit policies are used for commitments and conditional obligations as are used for loans. Collateral or other security is normally required to support financial instruments with credit risk.

Unfunded commitments under commercial lines of credit, revolving credit lines, and credit cards are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

(Table dollar amounts in thousands, except per share data)

NOTE 13 - COMMITMENTS, OFF–BALANCE–SHEET RISK, AND CONTINGENCIES (CONTINUED)

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary.

A summary of the notional or contractual amounts of financial instruments with off-balance sheet risk at year-end follows:

	2022	2021
Unfunded Commitments	$ 315,103	$ 217,423
Standby Letters of Credit	10,666	10,594

The Company is a lessee in several non-cancellable operating leases for office space. Future minimum lease payments outstanding at December 31, 2022 are as follows:

Year Ending December 31,	Amount
2023	$ 490
2024	501
2025	512
2026	524
2027	536
Thereafter	2,145
Total lease payments	$ 4,708
Less: Imputed interest	(377)
Total lease liability	$ 4,331

The total lease expense included in the Occupancy and Equipment line item, pursuant to the above operating leases amounted to approximately $517,000 and $270,000 as of December 31, 2022 and 2021, respectively.

Amounts reported in the Statement of Financial Condition as of December 31, 2022 and 2021 were as follows:
Operating leases:

Operating lease ROU assets were $ 4,277,000 at December 31 2022 and $ 4,782,000 for 2021 (included in Accrued Interest Receivable and Other Assets)
Operating lease liabilities were $4,331,000 at December 31, 2022 and $ 4,782,000 for 2021(included in Other liabilities)

Other information related to leases as of December 31, 2022 and 2021 was as follows:

Weighted-average remaining lease term:
Operating leases 8.9 years for December 31, 2022, and 9.9 years for 2021.
Weighted-average discount rate:
Operating leases 1.85% for December 2022 and 2021

Amounts disclosed for ROU assets obtained in exchange for lease liabilities and reductions to ROU assets resulting from reductions to lease liabilities include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

(Table dollar amounts in thousands, except per share data)

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring Basis

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Company measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following table presents the balances of the assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021:

		2022 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities Available for Sale:				
US Treasury Securities	$ 6,959	$ -	$ 6,959	$ -
Federal Agencies	1,922	-	1,922	-
State and Municipals	13,652	-	13,652	-
Mortgage-Backed Securities and Collateralized Mortgage Obligations	66,299	-	66,299	-
Asset Backed Securities	24,210	-	24,210	-
Other	3	3	-	-
Total	$ 113,045	$ 3	$ 113,042	$ -

		2021 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities Available for Sale:				
US Treasury Securities	$ 4,651	$ -	$ 4,651	$ -
Federal Agencies	4,122	-	4,122	-
State and Municipals	16,014	-	16,014	-
Mortgage-Backed Securities and Collateralized Mortgage Obligations	13,266	-	13,266	
Asset Backed Securities	29,758	-	29,758	-
Other	6	6	-	-
Total	$ 67,817	$ 6	$ 67,811	$ -

(Table dollar amounts in thousands, except per share data)

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

When available, the Company uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Company's securities where quoted prices are not available for identical securities in an active market, the Company determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained, or cannot be corroborated, a security is generally classified as Level 3.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as there is evidence of impairment or a change in the amount of previously recognized impairment.

The following table presents the balances of the assets measured at fair value on a nonrecurring basis as of December 31, 2022 and 2021, as well as any related net impairment losses for the years ended December 31, 2022 and 2021:

	December 31, 2022			
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	$ -	$ -	$ 2,741	$ 800
Other Real Estate Owned	-	-	-	-

	December 31, 2021			
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	$ -	$ -	$ -	$ -
Other Real Estate Owned	-	-	654	100

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Impaired loans require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Impairment losses on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

(Table dollar amounts in thousands, except per share data)

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Foreclosed Assets

Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs. Values are estimated using Level 3 inputs based on customized discounting criteria. The carrying value of foreclosed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

Impairment losses on foreclosed assets represent specific valuation allowance and write-downs during the periods presented where the carrying value of the foreclosed assets exceeded the current fair value less estimated selling costs of the foreclosed asset subsequent to their initial classification as foreclosed assets.

Collateral-Dependent Impaired Loans and Foreclosed Assets

The estimated fair value of collateral-dependent impaired loans and foreclosed assets is based on the appraised fair value of the collateral, less estimated costs to sell. Collateral-dependent impaired loans and foreclosed assets are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or a similar 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 or a similar evaluation of the collateral underlying collateral-dependent loans and foreclosed assets are obtained when the loan is determined to be collateral-dependent for impaired loans and at the time a loan is transferred to foreclosed assets. Appraisals or similar evaluations are obtained subsequently as deemed necessary by management but at least annually on foreclosed assets. Appraisals are reviewed for accuracy and consistency by management. Appraisals are performed by individuals selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated costs to sell. These discounts and estimates are developed by management by comparison to historical results.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements.

	Fair Value at December 31, 2022	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Collateral Dependent Impaired Loans	$ 2,741	Market Comparable Properties	Marketability Discount	28.1% 28.1%

	Fair Value at December 31, 2021	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Other Real Estate Owned	$ 654	Market Comparable Properties	Marketability Discount	11.0% -25.0% 24.2%

(Table dollar amounts in thousands, except per share data)

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following methods and assumptions were used to estimate fair values for financial instruments carried on the consolidated balance sheets at other than fair value. The carrying amount is considered to estimate fair value for cash and cash equivalents, deposits with no stated maturity such as demand, NOW, money market and savings deposits, accrued interest receivable and payable, and variable rate loans or deposits. For interest-bearing time deposits, fixed rate loans and deposits, or borrowings, the fair value is estimated by discounted cash flow analysis using current market rates for the estimated life and credit risk. The carrying amount of life insurance approximates fair value as it reflects the policies' cash surrender values. The fair value of off–balance–sheet items is based on the fees or cost that would currently be charged to enter into or terminate such agreements and is not material.

The carrying values and estimated fair values of the Company's financial instruments as of December 31, 2022 and 2021 were as follows:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and Cash Equivalents	$ 52,814	$ 52,814	$ 19,181	$ 19,181
Loans, Net	1,088,775	1,073,529	810,909	822,596
Cash Surrender Value of Life Insurance	24,280	24,280	18,642	18,642
Accrued Interest Receivable	3,989	3,989	2,583	2,583
Liabilities:				
Deposits With no Stated Maturities	878,099	879,099	745,317	745,317
Time Deposits	204,666	201,719	94,265	93,735
Borrowings	189,800	189,458	58,500	59,600
Accrued Interest Payable	1,291	1,291	487	487

NOTE 15 - REGULATORY AND CAPITAL MATTERS

In September 2019, the FDIC adopted the optional community bank leverage ratio (CBLR) framework provided for in the Economic Growth, Regulatory Relief and Consumer Protection Act. The CBLR is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. A qualifying community banking organization must have a leverage ratio of 9 percent or greater, total consolidated assets of less than $10 billion, off-balance sheet exposures of 25 percent or less of its total consolidated assets, and trading assets and trading liabilities of 5 percent or less of its total consolidated assets, all as of the end of the most recent quarter.

Qualifying community banking organizations that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9 percent will generally be considered well-capitalized and to have met the risk-based and leverage capital requirements in the generally applicable capital rule. A qualifying community banking organization may opt into and out of the CBLR framework by completing the associated reporting requirements on its call report. The CBLR framework was first available for qualifying community banking organizations in their March 31, 2020 call report.

In March 2020, as required by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the FDIC temporarily lowered the CBLR to 8% beginning in the second quarter of 2020 through the end of calendar year 2020. Beginning in 2021, the CBLR will increase to 8.5% for that calendar year. The CBLR will return to 9% on January 1, 2022. The Bank has opted into this framework as of December 31, 2022 and 2021.

The Company may pay dividends without prior approval from the Federal Reserve Bank so long as it remains "adequately capitalized" after such payment. The Bank is subject to statutory dividend restrictions which provide, in general, that the Bank may pay the current year's earnings and the prior two years' retained earnings without the prior approval of the Office of the Comptroller of Currency. At December 31, 2022, the Bank's shareholder's equity totaled $106.1 million, of which $23.2 million was available for payment of dividends without prior regulatory approval.

NOTE 15 - REGULATORY AND CAPITAL MATTERS (CONTINUED)

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. These capital requirements were modified in 2013 with the Basel III capital rules, which establish a new comprehensive capital framework for U.S. banking organizations. The Bank became subject to the new rules on January 1, 2015, with a phase-in period for many of the new provisions.

Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

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 Common Equity Tier I, Tier I, and total capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2022 and 2021, that the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2022, the Bank met the requirements to be categorized as "well capitalized" under the regulatory framework for prompt correction action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, Common Equity Tier 1 risk-based, and Tier I leverage ratios as set forth in the following table (as defined). Management is not aware of any conditions or events since December 31, 2022 that would change the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2022 and 2021 are presented in the following tables:

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized	
December 31, 2022	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in Thousands)			
Common Equity Tier 1 Capital to Risk Weighted Assets (CET1) :	$ 110,028	8.83%	$ 56,060	4.50%	$ 80,976	6.50%
Tier I Capital to Risk Weighted Assets:	110,028	8.83%	74,747	6.00%	99,662	8.00%
Total Capital to Risk Weighted Assets:	125,600	10.08%	99,662	8.00%	124,578	10.00%
Tier I Capital to Average Assets:	110,028	8.55%	51,472	4.00%	64,340	5.00%

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized	
December 31, 2021	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Amounts in Thousands)			
Common Equity Tier 1 Capital to Risk Weighted Assets (CET1) :	$ 87,420	9.89%	$ 39,760	4.50%	$ 57,431	6.50%
Tier I Capital to Risk Weighted Assets:	87,420	9.89%	53,014	6.00%	70,685	8.00%
Total Capital to Risk Weighted Assets:	98,464	11.14%	70,685	8.00%	88,356	10.00%
Tier I Capital to Average Assets:	87,420	8.95%	39,069	4.00%	48,836	5.00%

(Table dollar amounts in thousands, except per share data)

NOTE 16 - PARENT COMPANY FINANCIAL STATEMENTS

The following are the condensed balance sheets and statements of income for First Ottawa Bancshares, Inc. for the years ending December 31, 2022 and 2021.

Condensed Balance Sheets

	2022	2021
Assets		
Cash and Due From Banks	$ 4,780	$ 2,739
Investment in Common Stock of Bank	106,054	89,546
Other Assets	1,074	542
Total Assets	$ 111,908	$ 92,827
Liabilities		
Dividends Payable	$ 669	$ -
Other Liabilities	488	660
Borrowings	39,250	28,500
Stockholders' Equity	71,501	63,667
Total Liabilities and Stockholders' Equity	$ 111,908	$ 92,827

Condensed Statements of Income

	2022	2021
Income - Dividends from Bank	$ 2,400	$ 1,425
Expenses	1,897	1,571
Income (Loss) Before Income Tax and Equity in Undistributed Income of Subsidiary	503	(146)
Income Tax Expense (Benefit)	(531)	(440)
Income Before Equity in Undistributed Income of Subsidiary	1,034	294
Equity in Undistributed Income of Subsidiary	11,209	11,222
Net Income	$ 12,243	$ 11,516

This information is an integral part of the accompanying consolidated financial statements.

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The First National Bank - Plaza
The First National Bank - Northfield
The First National Bank - South
OSF St. Elizabeth Medical Center

Morris Location:
American Commercial Bank and Trust

Lisle Location:
American Commercial Bank and Trust

Streator Locations:
Streator National Bank - Main
Streator National Bank - North

Schaumburg Location:
American Commercial Bank and Trust

Utica Locations:
Starved Rock Lodge
Starved Rock Visitors Center

Yorkville Location:
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Special Events ATM:
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Streator National Bank - Main
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