Wayne Savings
BANCSHARES, INC

Helping our communities grow since 1899

Dalton - open 2023

ANNUAL REPORT

2022

BOARD CHAIR'S LETTER

To Wayne Savings Bancshares, Inc. Stockholders:

I am pleased to report that Wayne Savings recorded record earnings of $9.0 million for 2022, compared to $7.4 million in 2021. Return on average equity and return on average assets for the year ended December 31, 2022 was 19.37% and 1.34% respectfully, compared to 14.00% and 1.19% for the same period in 2021. We experienced approximately 15% asset growth in 2022 with a record $730 million in assets as of December 31, 2022.

Community banks have played an integral role in the success of the American economy supporting farmers, developers, entrepreneurs, and small businesses. America's financial system continues to be the best in the world. We are privileged to be able to contribute to the growth of the communities we serve and help our customers achieve their dreams.

Wayne Savings is well capitalized and insured deposits represent over 90% of our total deposits. We use the funds from our deposits to make loans to people and businesses in our communities. Where larger banks might make lending decisions on predetermined formulas alone, Wayne Savings meets face to face with business leaders to assess their needs and provide capital and banking services to help them grow.

We are looking forward to partnering with Main Street Financial Services Corp. as we expand our footprint and look for opportunities to open offices in new markets. We recently opened our thirteenth full-service office in Dalton, Ohio in an effort to expand our presence in eastern Wayne County. Wayne Savings will open a loan production office during the second quarter 2023 in Carrollton, Ohio. We are optimistic the Carrollton market would support a full-service office in the future.

Wayne Savings has built its business through personal relationships while providing many of the same products larger financial institutions offer. Our customers expect us to deliver quality products, convenient technology, and outstanding customer service. We believe the community banking model continues to be the best way to help our customers fulfill their dreams.

On behalf of the Board of Directors and our staff, I would like to thank you for your continued involvement and confidence in Wayne Savings Bancshares, Inc.

Mark Witmer
Executive Chair
Board of Directors

Wayne Savings Bancshares, Inc.
Annual Report
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SELECTED FINANCIAL DATA

The financial highlights below indicate 2022 has been another record year in which Wayne Savings has achieved performance figures of a high producing Community Bank. Below are some performance measures year to year detailing the progress the Company continues to make.

	December 31,				
	2022	2021	2020	2019	2018
			(In thousands)		
Selected Financial Condition Data:					
Total assets	$ 729,773	$ 636,004	$ 591,591	$ 492,586	$ 472,887
Loans receivable, net	594,931	454,587	391,352	376,581	377,930
Mortgage-backed securities (1)	50,755	66,755	65,500	30,821	29,162
Investment securities	41,014	43,461	33,326	28,351	29,543
Cash and cash equivalents (2)	13,799	44,437	74,490	30,752	11,161
Deposits	605,834	540,456	484,588	407,572	387,449
Stockholders' equity	44,730	53,626	52,115	48,391	44,878

(1) Includes mortgage-backed securities and collateralized mortgage obligations.
(2) Includes cash and due from banks, interest-bearing deposits in other financial institutions and federal funds sold.

	Year ended December 31,				
	2022	2021	2020	2019	2018
Selected Operating Data:			(In thousands, except per share amounts)		
Interest income	$ 25,816	$ 21,807	$ 20,356	$ 20,058	$ 17,983
Interest expense	3,046	2,509	3,154	3,626	2,399
Net interest income	22,770	19,298	17,202	16,432	15,584
Provision for loan losses	1,222	746	1,290	406	518
Net interest income after provision for loan losses	21,548	18,552	15,912	16,026	15,066
Noninterest income	2,731	2,613	3,034	2,590	2,237
Noninterest expense	13,150	11,983	10,720	10,703	11,056
Income before income taxes	11,129	9,182	8,226	7,913	6,247
Federal income taxes	2,125	1,745	1,536	1,462	1,099
Net income	$ 9,004	$ 7,437	$ 6,690	$ 6,451	$ 5,148
Basic earnings per share	$ 3.98	$ 3.06	$ 2.63	$ 2.43	$ 1.92
Diluted earnings per share	$ 3.93	$ 3.03	$ 2.60	$ 2.43	$ 1.92
Cash dividends declared per common share	$ 0.92	$ 0.84	$ 0.80	$ 0.76	$ 0.53

SELECTED FINANCIAL DATA

	Year ended December 31,				
	2022	2021	2020	2019	2018
Key Operating Ratios and Other Data:					
Return on average assets (net income divided by average total assets)	1.34%	1.19%	1.25%	1.33%	1.12%
Return on average equity (net income divided by average equity)	19.37%	14.00%	13.26%	13.62%	12.03%
Average equity to average assets	6.91%	8.49%	9.44%	9.76%	9.33%
Equity to assets at year end	6.13%	8.43%	8.81%	9.82%	9.49%
Interest rate spread (difference between average yield on interest-earning assets and average cost of interest-bearing liabilities)	3.53%	3.23%	3.34%	3.51%	3.55%
Net interest margin (net interest income as a percentage of average interest-earning assets)	3.55%	3.24%	3.38%	3.56%	3.58%
Noninterest expense to average assets (1)	1.96%	1.91%	2.01%	2.21%	2.41%
Nonperforming and impaired loans to loans receivable, net	0.32%	0.73%	1.03%	1.24%	1.14%
Nonperforming and impaired assets to total assets	0.26%	0.58%	0.74%	0.95%	0.91%
Average interest-earning assets to average interest-bearing liabilities	103.17%	104.78%	106.39%	106.45%	105.59%
Allowance for loan losses to nonperforming and impaired loans	349.03%	163.15%	116.46%	77.04%	78.40%
Allowance for loan losses to nonperforming and impaired assets	349.03%	147.57%	106.77%	77.04%	78.40%
Net interest income after provision for losses on loans, to noninterest expense (1)	163.86%	154.82%	148.49%	136.27%	136.59%
Number of full-service offices	12	12	11	11	11
Dividend payout ratio	23.12%	27.72%	30.65%	31.28%	27.61%

(1) In calculating this ratio, noninterest expense does not include provisions for losses or gains on the sale of real estate acquired through foreclosure and losses or gains on sale of investments.

Management's Discussion and Analysis of Financial Condition Changes December 31, 2022 from December 31, 2021

General

At December 31, 2022, total assets increased $93.8 million, or 14.7%, to $729.8 million from the $636.0 million at December 31, 2021, primarily due to an increase in loans receivable, net of $140.3 million, offset with a decrease in available-for-sale securities of $17.7 million and a decrease in cash and cash equivalents of $30.6 million.

Loans

During the year ended December 31, 2022, the Bank disbursed $218.0 million of loans, received payments of $72.5 million and had total loans sold of $4.0 million. In our local market, there continues to be strong competition from other financial institutions for quality loans.

Allowance for Loan Losses

At December 31, 2022, the allowance for loan losses totaled $6.7 million, or 1.11% of gross loan balances compared to $5.4 million, or 1.18% of gross loans at December 31, 2021. The Company incurred net charge-offs of $6,000 for 2022 compared to net recoveries of $1,000 in 2021. Management recorded a $1.2 million provision for losses on loans for the year ended December 31, 2022, an increase of $476,000 from the $746,000 recorded for the year ended December 31, 2021. The increased provision was mainly due to the portfolio loan growth rate in 2022 of 30.9%.

Management systematically determines the risk of loss in the portfolio by evaluating delinquent and classified nonresidential, multi-family and commercial loans for potential impairment in carrying value. The Company then calculates a reserve using the historical loss experience of each individual loan type in the portfolio. Management then incorporates an additional risk factor based on the perception of the overall risk in the economy and engages a third-party loan review which provides an independent validation of the Bank's loan grading process.

Deposits

Wayne Savings deposits increased $65.4 million, or 12.1%, for 2022, primarily due to an increase of $35.0 million of brokered certificates of deposit and increased business checking accounts of $13.4 million and money market investor accounts of $6.9 million.

Management's Discussion and Analysis of Financial Condition Changes December 31, 2022 from December 31, 2021 – continued

Certificates of deposit, excluding the $35.0 million of brokered certificate of deposits, increased by $872,000 to $105.2 million. In general, management attempts to benchmark retail certificate of deposit pricing to the cost of alternate sources of funds, including FHLB advances. Exceptions are made to defend customer relationships with significant value to the Bank while allowing rate sensitive certificate of deposit customers with no relationship with the Bank to move to other alternatives. The Bank has opted to purchase brokered certificate of deposits as an alternative to Federal Home Loan Bank advances due to lower rates.

Stockholders' Equity

Total stockholders' equity declined by $8.9 million in the year ended December 2022. The Company earned $9.0 million of net income for the year ended December 31, 2022, exceeding 2021 by 21.1%. The Company's earnings were offset with the repurchase of 189,498 treasury shares, for $4.9 million, and $2.0 million used to pay quarterly dividends. Accumulated other comprehensive loss increased by $11.3 million mainly due to an increase in gross unrealized loss on securities available for sale as interest rates have begun to lift from the extremely low levels persisting over the last several years.

On December 20, 2021, the Company announced the adoption of a new share buy-back program authorizing the repurchase of an additional 5%, or 118,707 shares, of its common stock outstanding. As of December 31, 2022, the Company had repurchased the remaining shares authorized to be repurchased under the repurchase program, mainly from a single shareholder.

Comparison of operating results for the years ended December 31, 2022 and December 31, 2021

General

Net income totaled $9.0 million, or $3.98 basic earnings per common share, for the year ended December 31, 2022, compared to $7.4 million, or $3.06 basic earnings per common share, for the year ended December 31, 2021. The increase in net income was primarily due to growth in net interest income, partially offset with an increase in provision for loan losses, increased non-interest expense and an increase in provision for federal income taxes. The return on average equity and return on average assets for the twelve months ended December 31, 2022, were 19.37% and 1.34%, respectively, compared to 14.00% and 1.19%, respectively, for the twelve months ended December 31, 2021.

Interest Income

Interest income was $25.8 million for the year ended December 31, 2022, an increase of $4.0 million, compared to $21.8 million for the year ended December 31, 2021. Interest income was higher due to a $46.9 million increase in the average balance of interest-earning assets, and a 35 basis point (bp) increase in the average yield on interest-earning assets from 3.67% for the year ended December 31, 2021, to 4.02% for the year ended December 31, 2022.

Interest income on loans increased $3.4 million to $23.5 million for the year ended December 31, 2022, compared to the year ended December 31, 2021. This is primarily due to a $97.1 million, or 23.2%, increase in the average balance of loans outstanding, partially offset with a 23 bp decrease in the weighted-average yield on loans to 4.55% for the year ended 2022, compared to 4.78% for the year ended 2021, mainly due to reduced deferred fees recognized in 2022.

Interest income on securities increased by $427,000 as the average yields on securities increased from 1.39% for the year ending December 31, 2021, to 2.03% for the same period in 2022, partially offset with a decline in the average balance of $16.3 million to $102.3 million at December 31, 2022.

Interest Expense

Interest expense increased $537,000, or 21.4%, during 2022, as the Bank's deposits and short-term borrowings were affected by the increasing interest rate environment during 2022. The cost of interest-bearing liabilities increased from 0.44% in 2021 to 0.49% in 2022. Average interest-bearing deposit balances increased $56.7 million comprised of $41.1 million in demand deposits and increased brokered certificates of deposit of $12.4 million. The cost of interest-bearing demand deposits is relatively low compared to other interest-bearing liabilities. Interest expense on deposits increased $403,000 or 20.3%, in 2022. Federal Home Loan Bank advances interest expense increased $119,000, or 28.3%, as the advance average rates increased from 1.88% in 2021 to 2.41% for 2022.

Comparison of operating results for the years ended December 31, 2022 and December 31, 2021 – continued

Net Interest Income
Net interest income totaled $22.8 million for the year ended December 31, 2022, an increase of $3.5 million, compared to the same period in 2021. Net interest margin for the year ended December 31, 2022, increased by 30 bp to 3.53% as the average yield on interest-earning assets increased 35 bp and the average rate on interest-bearing liabilities increased 5 bp.

Provision for Losses on Loans
The Company recorded a provision for loan losses totaling $1.2 million for the year ended December 31, 2022, compared to $746,000 for the year ended December 31, 2021. This increase in the provision for loan losses was mainly due to the 2022 loan growth of 30.9%.

Noninterest Income
Noninterest income totaled $2.7 million for the year ended December 31, 2022, an increase of $118,000, or 4.5%, compared to the year ended December 31, 2021. The increase was primarily due to a gain on sale of real estate owned property of $229,000, an increase in deposit service charges of $205,000, and an increase in servicing fee income of $178,000. Interchange fees were $752,000 for the year ended December 31, 2022, compared to $711,000 for the same period in 2021, as a result of increased debit card activity. These increases were partially offset with a $573,000 decrease in gain on sale of loans as the Bank sold loans of $4.0 million for the year ended December 31, 2022, compared to $17.6 million for the year ended December 31, 2021.

Noninterest Expense
Noninterest expense totaled $13.2 million compared to $12.0 million for the year ended December 31, 2021. This increase was primarily due to an increase in salaries and employee benefits, professional fees and net occupancy and equipment expense. These increases were mainly the result of additional sales and sales support staff added to facilitate loan growth and expansion into new markets. Professional fees increased due to strategic evaluations of systems to facilitate efficiencies and staff replacements. The Company's efficiency ratio was 51.6% for the year ended December 31, 2022, compared to 54.7% for the same period in 2021.

Federal Income Taxes
Provision for Federal income taxes was $2.1 million for the period ending December 31, 2022, compared to $1.7 million for the same period in 2021 mainly due to increased pretax earnings.

AVERAGE BALANCE SHEET

The following tables set forth certain information relating to the Company's average balance sheet and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods presented.

	For the years ended December 31,					
	2022			2021		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans receivable, net[1]	$ 515,773	$ 23,457	4.55%	$ 418,708	$ 20,009	4.78%
Securities[2]	102,342	2,077	2.03%	118,607	1,650	1.39%
Interest-earning deposits[3]	23,788	282	1.19%	57,651	148	0.26%
Total interest-earning assets	641,903	25,816	4.02%	594,966	21,807	3.67%
Noninterest-earning assets	30,331			30,853		
Total assets	$ 672,234			$ 625,819		
Interest-bearing liabilities:						
Deposits	$ 580,544	2,388	0.41%	$ 523,809	1,985	0.38%
Other short-term borrowings	19,316	119	0.62%	21,675	104	0.48%
Borrowings	22,346	539	2.41%	22,329	420	1.88%
Total interest-bearing liabilities	622,206	3,046	0.49%	567,813	2,509	0.44%
Noninterest-bearing liabilities	3,546			4,868		
Total liabilities	625,752			572,681		
Stockholders' equity	46,482			53,138		
Total liabilities and stockholders' equity	$ 672,234			$ 625,819		
Net interest income		$ 22,770			$ 19,298	
Interest rate spread[4]			3.53%			3.23%
Net yield on interest-earning assets[5]			3.55%			3.24%
Ratio of average interest-earning assets to average interest-bearing liabilities			103.17%			104.78%

(1) Includes non-accrual loan balances.
(2) Includes mortgage-backed securities designated as available-for-sale.
(3) Includes federal funds sold and interest-bearing deposits in other financial institutions.
(4) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
(5) Net yield on interest-earning assets represents net interest income as a percentage of average interest-earning assets.

FORV/S

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Independent Auditor's Report

Stockholders and Board of Directors
Wayne Savings Bancshares, Inc.
Wooster, Ohio

Opinion

We have audited the consolidated financial statements of Wayne Savings Bancshares, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income and comprehensive income (loss), stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Wayne Savings 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Wayne Savings Bancshares, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Wayne Savings Bancshares, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wayne Savings Bancshares, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance 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.

FORVIS, LLP

Fort Wayne, Indiana
April 13, 2023

WAYNE SAVINGS BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(In thousands, except share data)

	2022	2021
Assets		
Cash and due from banks	$ 5,590	$ 40,726
Interest-bearing deposits	8,209	3,711
Cash and cash equivalents	13,799	44,437
Available-for-sale securities	84,367	102,094
Held-to-maturity securities	7,402	8,122
Loans held for sale – at lower of cost or market	-	272
Loans, net of allowance for loan losses of $6,658 and $5,442 at December 31, 2022 and 2021, respectively	594,931	454,587
Premises and equipment, net	5,183	5,223
Federal Home Loan Bank stock	3,322	4,226
Accrued interest receivable	2,129	1,659
Bank-owned life insurance	11,434	11,169
Goodwill	1,719	1,719
Other assets	5,487	2,496
Total assets	$ 729,773	$ 636,004
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	$ 319,936	$ 300,372
Savings and money market	145,734	135,792
Time	140,164	104,292
Total deposits	605,834	540,456
Other short-term borrowings	14,776	22,402
Federal Home Loan Bank advances	58,500	14,000
Interest payable and other liabilities	5,933	5,520
Total liabilities	685,043	582,378
Commitments and Contingencies	-	-
Stockholders' Equity		
Preferred stock, 500,000 shares of $.10 par value authorized; no shares issued	-	-
Common stock, $.10 par value; authorized 5,000,000 shares; 3,978,731 shares issued; 2,192,738 and 2,365,268 shares outstanding at December 31, 2022 and 2021, respectively	398	398
Additional paid-in capital	36,584	36,420
Retained earnings	49,645	42,698
Accumulated other comprehensive loss	(11,438)	(104)
Treasury stock, at cost: Common: 1,785,993 and 1,613,463 shares at December 31, 2022 and 2021, respectively	(30,459)	(25,786)
Total stockholders' equity	44,730	53,626
Total liabilities and stockholders' equity	$ 729,773	$ 636,004

WAYNE SAVINGS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2022 and 2021
(In thousands, except per share data)

	2022	2021
Interest and Dividend Income		
Loans	$ 23,457	$ 20,009
Securities	2,077	1,650
Dividends on Federal Home Loan Bank stock and other	282	148
Total interest and dividend income	25,816	21,807
Interest Expense		
Deposits	2,388	1,985
Other short-term borrowings	119	104
Federal Home Loan Bank advances	539	420
Total interest expense	3,046	2,509
Net Interest Income	22,770	19,298
Provision for Loan Losses	1,222	746
Net Interest Income After Provision for Loan Losses	21,548	18,552
Noninterest Income		
Deposit service charges	782	577
Gain on loan sales	83	656
Earnings on bank-owned life insurance	313	310
Interchange fees	752	711
Other	801	359
Total noninterest income	2,731	2,613
Noninterest Expense		
Salaries and employee benefits	7,758	6,920
Net occupancy and equipment expense	2,051	1,943
Federal deposit insurance premiums	257	224
Franchise taxes	458	443
Advertising and marketing	258	171
Legal	65	47
Professional fees	347	202
ATM network	386	380
Audit and accounting	196	257
Loss on sale of investments	-	55
Other	1,374	1,341
Total noninterest expense	13,150	11,983
Income Before Federal Income Taxes	11,129	9,182
Provision for Federal Income Taxes	2,125	1,745
Net Income	9,004	7,437
Other Comprehensive Income (Loss):		
Unrealized losses on available-for-sale securities, net of taxes of ($3,126) and ($298) for 2022 and 2021 respectively	(11,759)	(1,125)
Loss on sale of available-for-sale securities, net of taxes of ($12) for 2021	-	(43)
Change in split-dollar life insurance policy unrecognized net gain	441	113
Change in defined benefit plan settlement charge, net of taxes of $6 and $8 for 2022 and 2021 respectively	21	29
Change in defined benefit plan unrecognized net gain (loss), net of taxes of ($10) and $18 for 2022 and 2021 respectively	(37)	69
Other Comprehensive Loss	(11,334)	(957)
Total Comprehensive Income (Loss)	$ (2,330)	$ 6,480
Basic Earnings Per Share	$ 3.98	$ 3.06
Diluted Earnings Per Share	$ 3.93	$ 3.03

See Notes to Consolidated Financial Statements

WAYNE SAVINGS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2022 and 2021
(In thousands, except per share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Shares Acquired by ESOP	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2021, Adjusted	$ 398	$ 36,312	$ 37,281	$ (24)	$ 853	$ (22,705)	$ 52,115
Net Income	-	-	7,437	-		-	7,437
Other comprehensive loss	-	-	-	-	(957)	-	(957)
Purchase Treasury Shares at cost	-	-	-	-	-	(3,162)	(3,162)
Cash dividends - $0.84 per Share	-	-	(2,020)	-	-	-	(2,020)
Expense under Stock Option Plan	-	62	-	-	-	-	62
Proceeds from the exercise Of stock options	-	11	-	-	-	81	92
ESOP shares earned	-	35	-	24	-	-	59
Balance, December 31, 2021	$ 398	$ 36,420	$ 42,698	$ -	$ (104)	$ (25,786)	$ 53,626
Net Income	-	-	9,004	-		-	9,004
Other comprehensive loss	-	-	-	-	(11,334)	-	(11,334)
Purchase Treasury Shares at cost	-	-	-	-	-	(4,942)	(4,942)
Cash dividends - $0.92 per Share	-	-	(2,057)	-	-	-	(2,057)
Expense under Stock Option Plan	-	116	-	-	-	-	116
Proceeds from the exercise of stock options	-	48	-	-	-	269	317
Balance, December 31, 2022	$ 398	$ 36,584	$ 49,645	$ -	$ (11,438)	$ (30,459)	$ 44,730

See Notes to Consolidated Financial Statements

WAYNE SAVINGS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021
(In thousands)

	2022	2021
Operating Activities		
Net income	$ 9,004	$ 7,437
Items not requiring (providing) cash		
Depreciation and amortization	458	482
Provision for loan losses	1,222	746
Amortization of premiums and discounts on securities	952	1,846
Amortization and impairment of mortgage servicing rights	124	258
Accretion of net deferred loan origination fees	(165)	(1,809)
Deferred income taxes	(474)	(164)
Net gains on sale of loans	(83)	(656)
Proceeds from sale of loans in the secondary market	4,027	18,077
Origination of loans for sale in the secondary market	(3,672)	(17,602)
Amortization expense of stock benefit plan-ESOP compensation expense	-	59
Loss on sale of investments	-	55
Gain on sale of foreclosed assets held for sale	(229)	-
Expense under Stock Option Plan	116	62
Increase in value of bank-owned life insurance	(265)	(266)
Changes in		
Accrued interest receivable	(470)	(71)
Other assets	132	(101)
Interest payable and other liabilities	635	12
Net cash provided by operating activities	11,312	8,365
Investing Activities		
Purchases of available-for-sale securities	(9,717)	(52,348)
Proceeds from maturities and paydowns of available-for-sale securities	11,703	22,568
Proceeds from maturities and paydowns of held-to-maturity securities	625	813
Proceeds from sale of available-for-sale securities	-	14,199
Proceeds from sale of held-to-maturity securities	-	50
Proceeds from Federal Home Loan Bank Stock redemption	904	-
Net change in loans	(141,408)	(61,473)
Purchase of premises and equipment	(418)	(238)
Proceeds from sale of foreclosed assets	588	-
Net cash used in investing activities	$ (137,723)	$ (76,429)

WAYNE SAVINGS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2022 and 2021
(In thousands)

	2022	2021
Financing Activities		
Net change in deposits	$ 65,378	$ 55,868
Net change in other short-term borrowings	(7,626)	(673)
Proceeds from Federal Home Loan Bank advances	44,500	-
Repayments of Federal Home Loan Bank advances	-	(12,000)
Net change in advances by borrowers for taxes and insurance	195	(94)
Dividends on common stock	(2,049)	(2,020)
Proceeds from exercise of stock options	317	92
Treasury stock purchases	(4,942)	(3,162)
Net cash provided by financing activities	95,773	38,011
Decrease in Cash and Cash Equivalents	(30,638)	(30,053)
Cash and Cash Equivalents, Beginning of period	44,437	74,490
Cash and Cash Equivalents, End of period	$ 13,799	$ 44,437
Supplemental Cash Flows Information		
Interest paid on deposits and borrowings	$ 2,756	$ 2,555
Federal income taxes paid	$ 2,429	$ 1,785
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Recognition of mortgage servicing rights	$ 39	$ 163
Dividends payable	$ 504	$ 497

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The revenues, operating income and assets are almost exclusively derived from banking. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment. Customers are mainly located in Wayne, Holmes, Ashland, Medina, Stark and Columbiana Counties, and include a wide range of individuals, businesses and other organizations. The Company has historically conducted its business through its main office in Wooster, Ohio.

The Company's primary deposit products are checking, savings, money market and term certificate accounts. Wayne Savings Community Bank's primary lending products are residential mortgage, commercial and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets and real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Company can be significantly influenced by a number of environmental factors, such as governmental monetary policy, that are outside of management's control.

Principles of Consolidation

The consolidated financial statements include the accounts of Wayne Savings Bancshares, Inc. ("Wayne" or the "Company") and its wholly owned subsidiary, Wayne Savings Community Bank (the "Bank"). All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, goodwill and pension and other retirement benefit plans. In connection with the determination of the allowance for loan losses management obtains independent appraisals for significant properties.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. The Company's cash accounts are subject to the $250,000 limit on FDIC insurance per covered institution. From time to time, the Company's interest-bearing cash accounts may exceed the FDIC's insured limit of $250,000. Management considers the risk of loss to be very low.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Securities not classified as held-to-maturity are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For debt securities with fair value below carrying value when the Company does not intend to sell a debt security, and it is more likely than not, the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income (loss). For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income (loss) for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan. 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. Past due status is determined based on contractual terms of the loan. In all cases, loans are placed on non-accrual 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 non-accrual 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 for a period of six months and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

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. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Loans Held for Sale

Mortgage loans originated 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 noninterest income. Gains and losses on loan sales are recorded in noninterest income and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Premises and Equipment, Net

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. An accelerated method is used for tax purposes. Leasehold improvements are also stated at cost less accumulated depreciation and are depreciated using the straight-line method over the estimated useful lives of the assets or the term of the lease, whichever is shorter. Gains and losses on dispositions are included in current operations. No asset impairment was recognized during the years ended December 31, 2022 and 2021. At December 31, 2022, the leasehold asset was $158,000 compared to $184,000 in 2021, creating a liability on the consolidated balance sheet for both years.

Federal Home Loan Bank Stock

The Company is required as a condition of membership in the Federal Home Loan Bank of Cincinnati ("FHLB") to maintain an investment in FHLB common stock. The required investment in the common stock is based on a predetermined formula. The stock is redeemable at par and, therefore, its cost is equivalent to its redemption value. The stock is periodically evaluated for impairment. At December 31, 2022, the FHLB placed no restrictions on redemption of shares in excess of a member's required investment in the stock.

Foreclosed Assets Held for Sale, Net

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated selling costs, at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Bank-Owned Life Insurance

The Bank has purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

Goodwill

Goodwill is evaluated annually for impairment or more frequently if impairment indicators are present. A qualitative assessment is performed to determine whether the existence of events or circumstances leads to a determination that it is more likely than not the fair value of a reporting unit is less than the carrying amount, including goodwill. If, based on the evaluation, it is determined to be more likely than not that the fair value of a reporting unit is less than the carrying value, then goodwill is tested further for impairment. The quantitative impairment test consists of calculating the fair value of a reporting unit and comparing it to the carrying amount, including goodwill. The goodwill impairment loss, if any, is measured as the amount by which the carrying amount of a reporting unit, including goodwill, exceeds its fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

The composition of goodwill is as follows at December 31, 2022 and 2021:

	2022	2021
	(In thousands)	
Goodwill	$ 1,719	$ 1,719

The Company did not acquire any new goodwill in either 2022 or 2021. The Company performed its annual goodwill qualitative impairment analysis as of December 31, 2022, and the prior year at December 31, 2021, and it indicated that it was more likely than not that the fair value of the Company exceeded the carrying value of goodwill in the both 2022 and in 2021, resulting in no impairment.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment based on fair value at each reporting date.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change and may have an adverse impact on the value of the mortgage servicing rights and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment, if necessary, is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported in the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

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

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

Stock Options

The Company has a stock-based employee compensation plan where compensation cost is recognized for the stock option awards issued to employees, based on the fair value of these awards at the grant date. A Black-Scholes model is utilized to estimate the fair value of the stock options. For the awards granted the compensation cost is recognized over the vesting schedule using the accelerated method, net of forfeitures. The Company will recognize forfeitures when they occur.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, Income Taxes). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Company recognizes interest and penalties, if any, on income taxes as a component of income tax expense. The Company files consolidated income tax returns with its subsidiary. With a few exceptions, the Company is no longer subject to tax authorities for years before 2019.

Revenue From Contracts With Customers

The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (Topic 606). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation.

The Company's primary sources of revenue are derived from interest and dividends earned on loans, investment securities and other financial instruments that are not within the scope of Topic 606. The Company has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the consolidated statements of income was not necessary. The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. The Company has potential dilutive common shares issued or outstanding which relate to stock options and are determined using the treasury stock method.

Treasury stock shares and unearned ESOP shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized depreciation on available-for-sale securities, changes in the funded status of the defined benefit pension plan and the split-dollar life insurance plan.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. The Company's advertising and marketing expense totaled $258,000 for the year ended December 31, 2022, and $171,000 for year ended December 31, 2021.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when the control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the

Company, 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 the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Subsequent Events

Wayne Savings Bancshares, Inc. (OTCQX: WAYN) ("Wayne"), the holding company of Wayne Savings Community Bank and Main Street Financial Services Corp. (OTCPK: MSWV) ("Main Street"), the holding company of Main Street Bank Corp., announced they have entered into an Agreement and Plan of Merger under which Wayne will merge with and into Main Street in an all-stock transaction valued at approximately $68 million, which equates to $30.53 per Wayne share based on Main Street's stock price of $17.50 as of February 22, 2023. No further subsequent events have been evaluated through April 13, 2023, which is the date the financial statements were issued.

Note 2: Restriction on Cash and due from banks

The Company is required to maintain reserve funds in cash, and or, on deposit with the Federal Reserve Bank. There was no reserve required at December 31, 2022.

Note 3: Securities

The amortized cost and fair values, together with gross unrealized gains and losses, of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities		(In thousands)		
December 31, 2022:				
Mortgage-backed securities of government-sponsored entities	$ 60,094	$ -	$ 9,339	$ 50,755
Corporate	2,500	-	301	2,199
Private mortgage-backed securities	500	-	9	491
State and political subdivisions	35,827	23	4,928	30,922
Totals	$ 98,921	$ 23	$ 14,577	$ 84,367

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities		(In thousands)		
December 31, 2021:				
Mortgage-backed securities of government-sponsored entities	$ 67,840	$ 67	$ 1,152	$ 66,755
Corporate	2,500	13	27	2,486
Private mortgage-backed securities	502	1	-	503
State and political subdivisions	30,921	1,455	26	32,350
Totals	$ 101,763	$ 1,536	$ 1,205	$ 102,094

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity Securities:		(In thousands)		
December 31, 2022:				
State and political subdivisions	$ 7,402	$ -	$ 167	$ 7,235
Totals	$ 7,402	$ -	$ 167	$ 7,235

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity Securities:		(In thousands)		
December 31, 2021:				
State and political subdivisions	$ 8,122	$ 374	$ -	$ 8,496
Totals	$ 8,122	$ 374	$ -	$ 8,496

The amortized cost and fair value of available-for-sale securities and held-to-maturity securities at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Within one year	$ 100	$ 100	$ 527	$ 525
One to five years	1,969	1,972	2,640	2,560
Five to ten years	3,270	2,983	3,483	3,419
After ten years	32,988	28,066	752	731
	38,327	33,121	7,402	7,235
Private label mortgage-backed securities	500	491	-	-
Mortgage-backed securities of government-sponsored entities	60,094	50,755	-	-
Totals	$ 98,921	$ 84,367	$ 7,402	$ 7,235

The carrying value of securities pledged as collateral, to secure public deposits, customer repurchase agreements and for other purposes, was $38.3 million and $46.7 million at December 31, 2022 and 2021, respectively.

There were sales of $14.2 million of available-for-sales and $50,000 held-to-maturity investments during the year ended December 31, 2021. These sales were structured to improve the performance of the portfolio by reinvesting the sale proceeds from the higher coupon mortgage-backed securities balances, which were repaying at accelerated rates, into lower coupon mortgage-backed securities and higher yielding municipal bonds. The $14.3 million was mortgage-backed securities with a remaining book balance of under 15% of the original principal amount. Gross gains of $140,000 and gross losses of $196,000 resulting from the sale of available-for-sale-securities were realized for 2021. The held-to-maturity investments was also mainly mortgage-backed securities with a remaining book balance of less than 5%. Gross gains of $1,000 resulting from the sale of held-to-maturity securities were realized for 2021. This transaction did not call into question the Bank's intent to hold other securities to maturity. In 2022 there were no sales of securities.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. The total fair value of these investments at December 31, 2022 and 2021, was $88.3 million and $67.3 million, respectively. This represented approximately 96% and 61%, respectively, of the Company's aggregate fair market value of the available-for-sale and held-to-maturity investment portfolios. These declines resulted primarily from changes in market interest rates.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary at December 31, 2022.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The unrealized losses on the Company's investments in mortgage-backed securities of government-sponsored entities, corporates, private mortgage-backed securities and municipal securities were caused by changes in interest rates. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2022.

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale and held-to-maturity investments, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2022 and 2021:

	December 31, 2022					
	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Mortgage-backed securities of government-sponsored entities	$ 5,342	$ 792	$ 45,413	$ 8,547	$ 50,755	$ 9,339
Corporate	-	-	2,199	301	2,199	301
Private mortgage-backed securities	491	9	-	-	491	9
State and political subdivisions	26,664	2,216	8,216	2,879	34,880	5,095
Total temporarily impaired securities	$ 32,497	$ 3,017	$ 55,828	$ 11,727	$ 88,325	$ 14,744

	December 31, 2021					
	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Mortgage-backed securities of government-sponsored entities	$ 45,525	$ 691	$ 15,658	$ 461	$ 61,183	$ 1,152
Corporate	1,973	27	-	-	1,973	27
State and political subdivisions	4,162	26	-	-	4,162	26
Total temporarily impaired securities	$ 51,660	$ 744	$ 15,658	$ 461	$ 67,318	$ 1,205

Note 4: Loans and Allowance for Loan Losses

Categories of loans at December 31, include:

	2022	2021
	(In thousands)	
One-to-four family residential	$ 246,108	$ 179,637
Multi-family residential	21,404	11,900
Construction	11,007	5,112
Nonresidential real estate and land	288,298	233,392
Commercial (1)	51,839	43,003
Consumer and other	2,106	2,264
	620,762	475,308
Less		
Undisbursed portion of loans in process	17,662	14,274
Deferred loan origination fees	1,511	1,005
Allowance for loans losses	6,658	5,442
Total loans	$ 594,931	$ 454,587

(1) Included in commercial loans are $0.3 million of Paycheck Protection Program (PPP) loans in 2022 and $1.6 million in 2021, administered by the Small Business Association (SBA). The PPP provides loans to eligible businesses through financial institutions, with loans being eligible for forgiveness of some, or all, of the principal amount by the SBA if the borrower meets certain requirements. These loans are guaranteed by the SBA, if the loan does not qualify for forgiveness and is not repaid by the customer. Therefore, there is no allowance for loan losses related to these loans.

The risk characteristics of each portfolio segment are as follows:

Residential Real Estate Loans
For residential mortgage loans that are secured by one-to-four family residences and are generally owner occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in one-to-four family residences. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

All Other Mortgage Loans
All other mortgage loans consist of residential construction loans, nonresidential real estate loans, land loans and multi-family real estate loans.

Residential construction loan proceeds are disbursed in increments as construction progresses and as inspections warrant. Construction loans are typically structured as permanent one-to-four family loans originated by the Company with a 6-month construction phase. Accordingly, upon completion of the construction phase, there is no change in interest rate or term to maturity of the original construction loan, nor is a new permanent loan originated. These loans are generally owner occupied and the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded.

Nonresidential real estate loans are negotiated on a case-by-case basis. Loans secured by nonresidential real estate generally involve a greater degree of risk than one-to-four family residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income-producing properties, and the increased difficulty of evaluating and monitoring these types of loans.

Furthermore, the repayment of loans secured by nonresidential real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

The Company also originates a limited number of land loans secured by individual improved and unimproved lots for future residential construction. In addition, the Company originated loans to commercial customers with land held as the collateral.

Multi-family real estate loans generally involve a greater degree of credit risk than one-to-four family residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income-producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multi-family real estate is typically dependent upon the successful operation of the related real estate property. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

Commercial Business Loans
Commercial business loans carry a higher degree of risk than one-to-four family residential loans. Such lending typically involves large loan balances concentrated in a single borrower or groups of related borrowers for rental or business properties. In addition, the payment experience on loans secured by income-producing properties is typically dependent on the success of the operation of the related project and thus is typically affected by adverse conditions in the real estate market and in the economy. The Company originates commercial loans generally in the $25,000 to $1,500,000 range with the majority of these loans being under $500,000. Commercial loans are generally underwritten based on the borrower's ability to pay and assets such as buildings, land and equipment are taken as additional loan collateral. Each loan is evaluated for a level of risk and assigned a rating from "1" (the highest quality rating) to "7" (the lowest quality rating).

Consumer Loans
Consumer loans entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly, such as automobiles, mobile homes, boats, and recreational vehicles. In such cases, repossessed collateral for a defaulted consumer loan may not provide an

adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In particular, amounts realizable on the sale of repossessed automobiles may be significantly reduced based upon the condition of the automobiles and the lack of demand for used automobiles.

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

December 31, 2022	**One-to-four family residential**	**All other mortgage loans**	**Commercial business loans**	**Consumer loans**	**Total**
Allowance for loan losses:			(In thousands)		
Beginning balance	$ 1,163	$ 3,265	$ 1,004	$ 10	$ 5,442
Provision(credit) charged to expense	410	882	(71)	1	1,222
Losses charged off	-	-	(9)	(1)	(10)
Recoveries	4	-	-	-	4
Ending balance	$ 1,577	$ 4,147	$ 924	$ 10	$ 6,658
Allowance Balances:					
Individually evaluated for impairment	$ -	$ -	$ 207	$ -	$ 207
Collectively evaluated for impairment	$ 1,577	$ 4,147	$ 717	$ 10	$ 6,451
Loan Balances:					
Ending balance:	$ 246,108	$ 320,709	$ 51,839	$ 2,106	$ 620,762
Individually evaluated for impairment	$ 1,012	$ 1,015	$ 1,103	$ -	$ 3,130
Collectively evaluated for impairment	$ 245,096	$ 319,694	$ 50,736	$ 2,106	$ 617,632

December 31, 2021	**One-to-four family residential**	**All other mortgage loans**	**Commercial business loans**	**Consumer loans**	**Total**
Allowance for loan losses:			(In thousands)		
Beginning balance	$ 1,337	$ 2,537	$ 800	$ 23	$ 4,697
Provision (credit) charged to expense	(174)	728	204	(12)	746
Losses charged off	(21)	-	-	(1)	(22)
Recoveries	21	-	-	-	21
Ending balance	$ 1,163	$ 3,265	$ 1,004	$ 10	$ 5,442
Allowance Balances:					
Individually evaluated for impairment	$ 80	$ -	$ 378	$ -	$ 458
Collectively evaluated for impairment	$ 1,083	$ 3,265	$ 626	$ 10	$ 4,984
Loan Balances:					
Ending balance:	$ 179,637	$ 250,404	$ 43,003	$ 2,264	$ 475,308
Individually evaluated for impairment	$ 1,014	$ 494	$ 1,085	$ -	$ 2,593
Collectively evaluated for impairment	$ 178,623	$ 249,910	$ 41,918	$ 2,264	$ 472,715

The following tables present the credit risk profile of the Bank's loan portfolio based on rating category and payment activity as of December 31, 2022 and 2021:

December 31, 2022	One-to-four family residential	All other mortgage loans	Commercial business loans	Consumer loans
Rating *		(In thousands)		
Pass (Risk 1-4)	$ 244,642	$ 319,575	$ 50,719	$ 2,106
Special Mention (Risk 5)	205	119	16	-
Substandard (Risk 6)	1,261	1,015	1,104	-
Total	$ 246,108	$ 320,709	$ 51,839	$ 2,106

December 31, 2021	One-to-four family residential	All other mortgage loans	Commercial business loans	Consumer loans
Rating *		(In thousands)		
Pass (Risk 1-4)	$ 178,123	$ 241,691	$ 39,730	$ 2,264
Special Mention (Risk 5)	341	7,547	2,011	-
Substandard (Risk 6)	1,173	1,166	1,262	-
Total	$ 179,637	$ 250,404	$ 43,003	$ 2,264

* Ratings are generally assigned to consumer and residential mortgage loans on a "pass" or "fail" basis, where "fail" results in a substandard classification. Commercial loans, both secured by real estate or other assets or unsecured, are analyzed in accordance with an analytical matrix codified in the Bank's loan policy that produces a risk rating as described below.

Risk 1 loans are fully secured by cash or widely held marketable securities including an adequate margin. These loans present virtually no risk to the bank. Ongoing financial statements from the borrowers will not typically be required to be submitted.

Risk 2 loans are considered above average and include only the strongest borrowers. The borrower has sufficient cash reserves to help service their debts for typically at least 12-months. Their debt service coverage ratio will consistently be above 2.00x. The debts are sufficiently covered with collateral with Loan-to-Values well below the maximums advance rates as defined elsewhere in this policy. Business entity borrowers should have personal guarantees of the owner(s), who have significant assets and income to support the debt.

Risk 3 loans are considered average and represent the typical commercial borrower. This category will comprise the largest segment of the commercial portfolio. The borrowers have some cash reserves to help service their debts for a few months. Collateral is within underwriting standards and sufficient to cover the outstanding debt under normal circumstances; however, coverage may be insufficient in a forced liquidation situation. Business entity borrowers should have personal guarantees of the owner(s), even if they provide minimal financial support. Most smaller exposure borrowers will also be included in this category.

Risk 4 loans are considered below average with higher risk than the average borrower. These borrowers warrant slightly more attention than the normal borrower. The borrower may not have sufficient cash reserves to help service their debts. Collateral may be outside underwriting standards and insufficient to cover the outstanding debt under normal circumstances. Business entity borrowers may not have the personal guarantees of the owner(s). This category may also include a group of borrowers related to a specific industry, area, loan type, or other common factor that is deemed to represent more risk than average.

Risk 5 loans have a potential weakness or weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may, at some future date, result in deterioration of the payment prospects for the asset or in the institution's credit position. Special Mention assets are not adversely classified and do not expose the bank to sufficient risk to warrant adverse classification. Corrective action by management should be able to remedy the potential weaknesses and therefore the duration within this category should typically be short-term (less than one-year).

Risk 6 loans possess a well-defined weakness or weaknesses that jeopardize the liquidation of the amount owed. Loans may be inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. They are characterized by the distinct possibility that the bank may sustain some loss if the deficiencies are not corrected.

Risk 7 loans have most of the weaknesses inherent in the Substandard category with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values highly questionable and improbable.

The following tables present the Bank's loan portfolio aging analysis as of December 31, 2022 and 2021:

December 31, 2022	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
			(In thousands)			
One-to-four family residential loans	$ 1,974	$ 374	$ 307	$ 2,655	$ 243,453	$ 246,108
All other mortgage loans	7	153	109	269	320,440	320,709
Commercial business loans	232	-	1,090	1,322	50,517	51,839
Consumer loans	22	-	-	22	2,084	2,106
Total	$ 2,235	$ 527	$ 1,506	$ 4,268	$ 616,494	$ 620,762

December 31, 2021	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable
			(In thousands)			
One-to-four family residential loans	$ 732	$ 509	$ 422	$ 1,663	$ 177,974	$ 179,637
All other mortgage loans	851	47	65	963	249,441	250,404
Commercial business loans	371	25	257	653	42,350	43,003
Consumer loans	-	-	-	-	2,264	2,264
Total	$ 1,954	$ 581	$ 744	$ 3,279	$ 472,029	$ 475,308

There were $1.3 million of loans that were past due 90 days or greater that were still accruing at December 31, 2022, and $262,000 of loans that were past due 90 days or greater that were still accruing at December 31, 2021.

Non-accrual loans were comprised of the following at December 31, 2022 and 2021:

Non-accrual loans	2022	2021
	(In thousands)	
One-to-four family residential loans	$ 320	$ 596
Nonresidential real estate loans	406	497
Commercial business loans	79	68
Consumer loans	-	-
Total	$ 805	$ 1,161

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans, but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. At December 31, 2022 and 2021, the Company had $384,000 and $574,000, respectively, of residential mortgages; $516,000 and $586,000 of non-residential mortgages; and $16,000 and $38,000, respectively, of commercial loans. Included in these amounts, the Company had troubled debt restructurings that were performing in accordance with their modified terms of $384,000 and $478,000 in residential mortgage loans, $111,000 and $567,000 in non-residential real estate loans, and $16,000 and $14,000 in commercial loans for December 31, 2022 and 2021, respectively.

The following tables present impaired loans as of and for the years ended December 31, 2022 and 2021:

December 31, 2022	**Recorded Balance**	**Unpaid Principal Balance**	**Specific Allowance**	**Average Investment in Impaired Loans**	**Interest Income Recognized**
			(In thousands)		
Loans without a specific valuation allowance					
One-to-four family residential loans	$ 1,012	$ 1,019	$ -	$ 803	$ 32
All other mortgage loans	1,015	1,070	-	755	38
Commercial business loans	-	-	-	-	-
Loans with a specific valuation allowance					
One-to-four family residential loans	-	-	-	210	-
All other mortgage loans	-	-	-	-	-
Commercial business loans	1,103	1,103	207	1,094	71
Total:					
One-to-four family residential loans	$ 1,012	$ 1,019	$ -	$ 803	$ 32
All other mortgage loans	1,015	1,070	-	755	38
Commercial business loans	1,103	1,103	207	1,094	71
	$ 3,130	$ 3,192	$ 207	$ 2,652	$ 141

December 31, 2021	**Recorded Balance**	**Unpaid Principal Balance**	**Specific Allowance**	**Average Investment in Impaired Loans**	**Interest Income Recognized**
			(In thousands)		
Loans without a specific valuation allowance					
One-to-four family residential loans	$ 594	$ 755	$ -	$ 619	$ 30
All other mortgage loans	494	743	-	544	30
Commercial business loans	-	-	-	-	-
Loans with a specific valuation allowance					
One-to-four family residential loans	420	420	80	418	20
All other mortgage loans	-	-	-	-	-
Commercial business loans	1,085	1,085	378	1,109	68
Total:					
One-to-four family residential loans	$ 1,014	$ 1,175	$ 80	$ 1,037	$ 50
All other mortgage loans	494	743	-	544	30
Commercial business loans	1,085	1,085	378	1,109	68
	$ 2,593	$ 3,003	$ 458	$ 2,690	$ 148

There were no new troubled debt restructurings in 2022. The following tables present information regarding newly classified troubled debt restructurings by class for the year ended December 31, 2021.

Troubled Debt Restructurings	Number of loans	Pre-modification Unpaid Principal Balance	Post-modification Unpaid Principal Balance
		(dollars in thousands)	
December 31, 2021			
All other mortgage loans	1	$ 95	$ 95
Total	1	$ 95	$ 95

All the above TDR classifications occurred as concessions were granted to borrowers experiencing financial difficulties. These concessions may include a reduction in the stated rate, an interest rate that is below market interest rates for similar debt, an extension of the maturity date or delaying principal payments through interest only payments. Each TDR has been individually evaluated for impairment with the appropriate specific valuation allowance included in the allowance for loan losses calculation. There were no TDR classifications which defaulted during the year ended December 31, 2022, or the year ended December 31, 2021. The Company considers TDRs that become 90 days or more past due under modified terms as subsequently defaulted unless the TDR terms indicate annual repayments.

Banks foreclose on certain properties in the normal course of business when it is more probable than not that the loan balance will not be recovered through scheduled payments. Foreclosure is usually a last resort and begins after all other collection efforts have been exhausted. There were no loans in the formal process of foreclosure at December 31, 2022 or December 31, 2021.

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, at December 31, 2022 and 2021 are as follows:

	2022	2021
	(In thousands)	
Land and improvements	$ 1,799	$ 1,799
Office buildings and improvements	8,192	8,245
Furniture, fixtures and equipment	5,890	6,477
Leasehold improvements	804	598
	16,685	17,119
Less: accumulated depreciation	11,502	11,896
Total	$ 5,183	$ 5,223

Note 6: Loan Servicing

The Company has recognized servicing rights for residential mortgage loans sold with servicing retained. Residential mortgage loans serviced for others are subject to credit, prepayment and interest rate risks.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others was $87.6 million and $96.2 million at December 31, 2022 and 2021, respectively. Contractually specified servicing fees, late fees and ancillary fees of approximately $131,000 and $75,000 are included in loan servicing fees in the consolidated statements of income at December 31, 2022 and 2021, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing, were approximately $1.2 million and $1.0 million at December 31, 2022 and 2021, respectively.

Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. Servicing assets are included in other assets on the consolidated balance sheets.

Activity in the balance of servicing assets was as follows at December 31, 2022 and 2021:

	2022	2021
	(In thousands)	
Carrying amount, beginning of period	$ 726	$ 821
Additions		
Servicing obligations that result from transfers of financial assets	39	163
Subtractions		
Impairments	-	82
Amortization	96	176
	$ 669	$ 726

The fair value of servicing rights subsequently measured using the amortization method was as follows:

Fair value, beginning of period	$ 726	$ 821
Fair value, end of period	$ 1,031	$ 726

Note 7: Interest-Bearing Time Deposits

Interest-bearing time deposits in denominations of $250,000 or more were $25.9 million at December 31, 2022, and $19.5 million at December 31, 2021.

At December 31, 2022, the scheduled maturities of time deposits are as follows:

Due during the year ending December 31,	(In thousands)
2023	$ 94,026
2024	21,797
2025	13,652
2026	7,136
2027	3,090
Thereafter	463
	$ 140,164

Note 8: Other Short-Term Borrowings

Short-term borrowings included the following at December 31, 2022 and 2021:

	2022	2021
	(In thousands)	
Securities sold under repurchase agreement	$ 14,776	$ 22,402

Securities sold under agreements to repurchase consist of obligations of the Bank to other parties. The obligations are secured by available-for-sale securities and such collateral is held by the Bank. The maximum amount of outstanding agreements at any month end during the years ended December 31, 2022 and 2021 totaled $22.0 million and $22.4 million, respectively. The average daily balance totaled $19.3 million and $21.7 million for years ended December 31, 2022 and 2021, respectively. These short-term borrowings were collateralized by $21.8 million, and $26.5 million of mortgage-backed securities of government-sponsored entities at December 31, 2022 and 2021, respectively. The agreements at December 31, 2022, mature daily.

Repurchase agreements are offered by the Bank to commercial business customers to provide them with an opportunity to earn a return on their excess cash balances. These repurchase agreements are considered secured borrowings and are reported in other short-term borrowings. On a daily basis the Bank transfers securities to these customers in exchange for their cash and subsequently agrees to repurchase those same securities the next business day. In the event the Bank is unable to repurchase the securities from the customer, the customer will then have a claim against those securities.

Note 9: Federal Home Loan Bank Advances

At December 31, 2022 and 2021, advances from the Federal Home Loan Bank were as follows:

Interest Rate Range	Maturing year ending December 31,	Amount	
2022		(In thousands)	
4.37% - 4.39%	2023	$	52,500
0.84%	2024		3,000
0.90%	2025		3,000
		$	58,500

Interest Rate Range	Maturing year ending December 31,	Amount	
2021		(In thousands)	
2.10% - 2.43%	2022	$	8,000
0.84%	2024		3,000
0.90%	2025		3,000
		$	14,000

The Federal Home Loan Bank advances are secured by mortgage loans totaling $144.6 million at December 31, 2022.

Additionally, as a member of the Federal Home Loan Bank system at December 31, 2022, the Bank had the ability to obtain up to $50.3 million in additional borrowings. Borrowings from the FHLB are secured by a blanket pledge of the one-to-four family residential real estate loan portfolio. The Bank's borrowing capacity can be further increased by the pledge of additional collateral, including additional types of loans from the Bank's loan portfolio and unpledged investment securities.

At December 31, 2022, the Bank had a cash management line of credit with the Federal Reserve Bank in the amount of $4.8 million, none of which was drawn. The Bank had approximately $4.7 million of state and political subdivision bonds pledged as collateral for this line of credit.

Note 10: Income Taxes

The provision for income taxes includes the following components at December 31, 2022 and 2021:

	2022		2021	
	(In thousands)			
Taxes currently payable	$	2,599	$	1,909
Deferred income taxes		(474)		(164)
Income tax expense	$	2,125	$	1,745

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense is shown below:

	2022	2021
	(In thousands)	
Computed at the statutory rate (21% for 2022 and 2021)	$ 2,337	$ 1,928
Increase (decrease) resulting from		
Tax-exempt interest	(179)	(149)
Earnings on bank-owned life insurance	(32)	(37)
Other	(1)	3
Actual tax expense	$ 2,125	$ 1,745

The tax effects of temporary differences related to deferred taxes shown in 2022 and 2021 are at the tax rate of 21% as on the consolidated balance sheets as follows:

	2022	2021
Deferred tax assets	(In thousands)	
Deferred loan origination fees	$ 317	$ 211
Allowance for loan losses	1,398	1,143
Pension adjustment	71	67
Reserve for uncollected interest	60	138
Benefit plan expenses	157	136
Unrealized losses on securities available-or-sale	3,056	231
Accrued other expenses	35	35
AMT credit carryover and low-income housing credit	79	95
Total deferred tax assets	5,173	2,056
Deferred tax liabilities		
Prepaid pension	(77)	(81)
Federal Home Loan Bank stock dividends	(497)	(632)
Book/tax depreciation differences	(286)	(295)
Financed loan fees	(10)	(41)
Unrealized gains on securities available for sale	-	(300)
Prepaid Expenses	(61)	(52)
Mortgage servicing rights	(140)	(153)
Total deferred tax liabilities	(1,071)	(1,554)
Net deferred tax asset	$ 4,102	$ 502

Prior to fiscal 1997, the Company was allowed a special bad debt deduction based on a percentage of earnings, generally limited to 8% of otherwise taxable income and subject to certain limitations based on aggregate loans and deposit account balances at the end of the year. This cumulative percentage of earnings bad debt deduction totaled approximately $2.7 million as of December 31, 2022. If the amounts that qualified as deductions for federal income taxes are later used for purposes other than bad debt losses, including distributions in liquidation, such distributions will be subject to federal income taxes at the then current corporate income tax rate. The amount of unrecognized deferred tax liability relating to the cumulative bad debt deduction was approximately $471,000 at December 31, 2022.

Note 11: Accumulated Other Comprehensive Income (Loss)

	2022	2021
	(In thousands)	
Gross unrealized gain (loss) on securities available-for-sale	$ (14,554)	$ 331
Gross unrealized gain (loss) for unfunded status of split-dollar life insurance plan liability (tax free)	328	(113)
Gross unrealized (loss) for unfunded status of defined benefit plan liability	(340)	(320)
	(14,566)	(102)
Tax effect	3,128	(2)
Net-of-tax amount	$ (11,438)	$ (104)

Note 12: Regulatory Matters

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 Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of 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. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

The Bank must give notice to the Federal Reserve Bank of Cleveland prior to declaring a dividend to the Company and is subject to existing regulatory guidance where, in general, a dividend is permissible without regulatory approval if the institution is considered to be "well capitalized" and the dividend does not exceed current year-to-date net income plus the change in retained earnings for the previous two calendar years. For dividends in excess of the above criteria, the Bank must make application to the Federal Reserve Bank of Cleveland and receive approval before declaring a dividend to the Company.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier 1 capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2022, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2022, based on the computations for the call report the Bank is classified as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain capital ratios as set forth in the table below. There are no conditions or events since December 31, 2022, that management believes have changed the Bank's capital classification.

Effective January 1, 2015, new regulatory capital requirements commonly referred to as "Basel III" were implemented. Management opted out of the accumulated other comprehensive income treatment under the new requirements, and as such unrealized gains and losses from available-for-sale securities will continue to be excluded from Bank regulatory capital.

In addition to the minimum Common Equity Tier 1 "CET1", Tier 1 and total capital ratios, the Bank will be required to maintain a capital conservation buffer consisting of additional CET1 capital greater than 2.5% of risk-weighted assets above the required minimum levels in order to avoid limitations on paying dividends or paying discretionary bonuses based on percentages of eligible retained income that could be utilized for such actions. This new capital conservation buffer requirement is being phased in beginning in January 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented in January 2019. At December 31, 2022, the Bank had Total risk-based capital to risk-weighted assets of 10.6% compared to the requirement of 10.5% using the full capital conservation buffer requirement.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2022						
Tier I Capital to average assets	$ 54,370	7.7%	$ 28,364	4.0%	$ 35,455	5.0%
Tier 1 Common equity capital to risk-weighted assets	54,370	9.4%	25,984	4.5%	37,532	6.5%
Tier I Capital to risk-weighted assets	54,370	9.4%	34,645	6.0%	46,194	8.0%
Total Risk-based capital to risk-weighted assets	61,035	10.6%	46,194	8.0%	57,742	10.0%
As of December 31, 2021						
Tier I Capital to average assets	$ 51,819	8.1%	$ 25,700	4.0%	$ 32,125	5.0%
Tier 1 Common equity capital to risk-weighted assets	51,819	11.0%	21,209	4.5%	30,635	6.5%
Tier I Capital to risk-weighted assets	51,819	11.0%	28,279	6.0%	37,705	8.0%
Total Risk-based capital to risk-weighted assets	57,264	12.1%	37,705	8.0%	47,131	10.0%

Note 13: Related Party Transactions

At December 31, 2022 and 2021, the Bank had loans outstanding to executive officers, directors, and their affiliates (related parties). In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features. Such loans are summarized below.

Loans and deposits from Officers and Board Members held by the Bank at December 31, 2022, totaled $0.7 million and $1.5 million, respectively, and for 2021, $0.7 million and $0.6 million, respectively.

Note 14: Employee Benefit Plans

Pension and Other Post-Retirement Benefit Plans

The Company has a frozen noncontributory defined benefit pension plan covering all employees who met the eligibility requirements prior to December 31, 2003. Compensation and service accruals were frozen at the same date. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time.

The Company expects to make no contribution to the plan during 2023.

The Company uses a December 31 measurement date for the plan. Information about the plan's funded status and pension cost follows:

	2022	2021
	(In thousands)	
Change in benefit obligation		
Beginning of year	$ 1,669	$ 1,673
Interest cost	44	41
Actuarial (gain) loss	(266)	7
Benefits paid	(51)	(51)
Settlements	(191)	(1)
End of year	1,205	1,669
Change in fair value of plan assets		
Beginning of year	1,736	1,581
Actuarial return on plan assets	(264)	188
Employer contribution	4	19
Benefits paid	(51)	(51)
Settlements	(192)	(1)
End of year	1,233	1,736
Funded status at end of year	$ 28	$ 67

Amounts recognized in accumulated other comprehensive loss not yet recognized as components of net periodic benefit cost consist of the following at December 31, 2022 and 2021:

	2022	2021
	(In thousands)	
Net loss	$ (340)	$ (320)

The estimated net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year is approximately $40,000.

The accumulated benefit obligation for the defined benefit pension plan was $1.2 million and $1.7 million at December 31, 2022 and December 31, 2021, respectively.

	2022	2021
	(In thousands)	
Components of net periodic benefit cost		
Interest cost	$ 44	$ 41
Expected return on plan assets	(102)	(93)
Amortization of net loss	27	37
Settlement charge	54	-
Net periodic benefit cost (credit)	$ 23	$ (15)

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with the provisions of the plan agreement. The plan agreement permits investment in mutual funds that may invest in common stocks, corporate bonds and debentures, U.S. Government securities, certain insurance contracts, real estate and other specified investments, based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plan to recognize potentially higher returns through an investment in equity securities. The target asset allocation percentages for 2022 are as follows:

SMID-Cap stocks	55 - 75%
Fixed income investments	25 - 45%
Cash	0 - 20%

Benefit payments expected to be paid from the plan as of December 31, 2022 are as follows:

	(In thousands)
2023	$ 84
2024	87
2025	86
2026	87
2027	89
Thereafter	452
	$ 885

At December 31, 2022 and 2021, the fair value of plan assets as a percentage of the total was invested in the following:

	2022	2021
Equity Securities	65%	66%
Debt securities	33%	32%
Cash and cash equivalents	2%	2%
	100%	100%

Significant assumptions include the following as of December 31, 2022 and 2021:

	Pension Benefits	
	2022	2021
Weighted-average assumptions used to determine benefit obligation:		
Discount rate	4.96%	2.75%
Rate of compensation increase (frozen)	N/A	N/A
Weighted-average assumptions used to determine benefit cost:		
Discount rate	2.75%	2.50%
Expected return on plan assets	6.00%	6.00%
Rate of compensation increase (frozen)	N/A	N/A

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.

The fair value of the Company's pension plan assets, and the related investment references, at December 31, 2022 and 2021 by asset category are as follows:

December 31, 2022		**Fair Value Measurements Using**		
Asset Category	**Total Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
Mutual funds-Equity				
Large Cap Value (a)	$ 86	$ 86	$ -	$ -
Large Cap Core (b)	101	101	-	-
Mid Cap Core (c)	92	92	-	-
Small-Cap Core (d)	64	64	-	-
International Growth (e)	132	132	-	-
International Value (f)	82	82		
Large Cap Growth (g)	123	123	-	-
Small/Midcap Growth (h)	31	31	-	-
Mutual funds-Fixed Income				
Fixed Income-Core Plus (i)	307	307	-	-
Intermediate Duration (j)	105	105	-	-
Common/Collective Trusts-Equity				
Large Cap Value (k)	91	-	91	-
Cash				
Money Market (l)	19	19	-	-
Total	$ 1,233	$ 1,142	$ 91	$ -

(a) This category consists of a mutual fund holding 100-160 stocks, designed to track and outperform the Russell 1000 Value Index.
(b) This category contains stocks of the S&P 500 Index. The stocks are maintained in approximately the same weightings as the index.
(c) This category contains stocks of the MSCI U.S. Mid Cap 450 Index. The stocks are maintained in approximately the same weightings as the index.
(d) This category seeks long-term capital appreciation with similar risk levels and characteristics to the Russell 2000 Index.
(e) This category consists of investments with long-term growth potential located primarily in Europe, the Pacific Basin, and other developed and emerging markets.
(f) This category invests primarily in medium to large well-established non-US companies. Under normal circumstances, at least 80% of total assets will be invested in equity securities, including common stocks, preferred stocks, and convertible securities.
(g) This category seeks to provide long-term capital appreciation through investments in common stocks of large-cap growth companies.
(h) This category seeks capital appreciation through investments in common stock of small-capitalization companies, defined as those with a total market value of no more than $2 billion at the time the fund first invests in them.
(i) This category currently includes equal investments in three mutual funds, two of which usually hold at least 80% of fund assets in investment grade fixed income securities, seeking to outperform the Barclays US Aggregate Bond Index while maintaining a similar duration to that index. The third fund targets investments of 50% or more in mortgage-backed securities guaranteed by the US government and its agencies.
(j) This category consists of a mutual fund which invests in a diversified portfolio of high-quality bonds and other fixed income securities, including U.S. Government obligations, mortgage-related and asset-backed securities, corporate and municipal bonds, CMOs, and other securities mostly rated A or better.
(k) This category contains large-cap stocks with above-average yield. The portfolio typically holds between 60 and 70 stocks.
(l) This category consists of a money market fund and is used for liquidity purposes.

December 31, 2021		Fair Value Measurements Using		
Asset Category	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds-Equity		(In thousands)		
Large Cap Value (a)	$ 109	$ 109	$ -	$ -
Large Cap Core (b)	147	147	-	-
Mid Cap Core (c)	135	135	-	-
Small-Cap Core (d)	89	89	-	-
International Growth (e)	199	199	-	-
International Value (f)	104	104		
Large Cap Growth (g)	210	210	-	-
Small/Midcap Growth (h)	45	45	-	-
Mutual funds-Fixed Income				
Fixed Income-Core Plus (i)	422	422	-	-
Intermediate Duration (j)	140	140	-	-
Common/Collective Trusts-Equity				
Large Cap Value (k)	112	-	112	-
Cash				
Money Market (l)	24	24	-	-
Total	$ 1,736	$ 1,624	$ 112	$ -

(a) This category consists of a mutual fund holding 100-160 stocks, designed to track and outperform the Russell 1000 Value Index.
(b) This category contains stocks of the S&P 500 Index. The stocks are maintained in approximately the same weightings as the index.
(c) This category contains stocks of the MSCI U.S. Mid Cap 450 Index. The stocks are maintained in approximately the same weightings as the index.
(d) This category seeks long-term capital appreciation with similar risk levels and characteristics to the Russell 2000 Index.
(e) This category consists of investments with long-term growth potential located primarily in Europe, the Pacific Basin, and other developed and emerging markets.
(f) This category invests primarily in medium to large well-established non-US companies. Under normal circumstances, at least 80% of total assets will be invested in equity securities, including common stocks, preferred stocks, and convertible securities.
(g) This category seeks to provide long-term capital appreciation through investments in common stocks of large-cap growth companies.
(h) This category seeks capital appreciation through investments in common stock of small-capitalization companies, defined as those with a total market value of no more than $2 billion at the time the fund first invests in them.
(i) This category currently includes equal investments in three mutual funds, two of which usually hold at least 80% of fund assets in investment grade fixed income securities, seeking to outperform the Barclays US Aggregate Bond Index while maintaining a similar duration to that index. The third fund targets investments of 50% or more in mortgage-backed securities guaranteed by the US government and its agencies.
(j) This category consists of a mutual fund which invests in a diversified portfolio of high-quality bonds and other fixed income securities, including U.S. Government obligations, mortgage-related and asset-backed securities, corporate and municipal bonds, CMOs, and other securities mostly rated A or better.
(k) This category contains large-cap stocks with above-average yield. The portfolio typically holds between 60 and 70 stocks.
(l) This category consists of a money market fund and is used for liquidity purposes.

Also, the Company provides post-retirement benefits to certain officers of the Company under split-dollar life insurance policies. The Company accounts for the policies in accordance with ASC 715-60, which requires companies to recognize a liability and related compensation costs for endorsement split-dollar life insurance policies that provide a benefit to an employee extending to post-retirement periods. The liability is recognized based on the substantive agreement with the employee.

The Company uses a December 31 measurement date for the plan. Information about the plan's funded status and pension cost follows:

	2022	2021
	(In thousands)	
Change in benefit obligation		
Beginning of year	$ 1,290	$ 1,311
Service cost	2	4
Interest cost	48	35
Gain	(328)	(16)
Benefits Paid	(49)	(44)
End of year	$ 963	$ 1,290

Amounts recognized in accumulated other comprehensive loss not yet recognized as components of net periodic benefit cost consist of:

	2022	2021
	(In thousands)	
Prior service cost	$ -	$ -
Net gain (loss)	328	(113)

The accumulated benefit obligation for the split-dollar benefit plan was $1.0 million and $1.3 million at December 31, 2022 and 2021, respectively.

The estimated net gain for the split-dollar plan that will be amortized from accumulated other comprehensive loss into net periodic benefit recovery over the next fiscal year is approximately $328,000.

	2022	2021
	(In thousands)	
Components of net periodic (benefit) cost		
Service cost	$ 2	$ 4
Interest cost	48	35
Loss recognized	112	97
Benefits paid	-	-
Prior service cost	-	13
Net periodic cost	$ 162	$ 149

The retiree accrued liability expected to be reversed from the plan as of December 31, 2022 is as follows:

	(In thousands)
2023	$ 53
2024	59
2025	65
2026	72
2027	79
Thereafter	536
	$ 864

Significant assumptions for the split-dollar plan liability include the following as of December 31, 2022 and 2021:

	2022	2021
Weighted-average assumptions used to determine benefit cost obligation:		
Discount rate	4.96%	2.75%
Rate of compensation increase	1.50%	1.50%
Weighted-average assumptions used to determine benefit cost:		
Discount rate	4.96%	2.50%
Rate of compensation increase	1.50%	1.50%

The Company has an Employee Stock Ownership Plan ("ESOP") covering substantially all employees of the Company. The ESOP acquired 163,265 shares of Company common stock at $10.00 per share in 2003 with funds provided by a loan from the Company. Accordingly, $1.6 million of common stock acquired by the ESOP was shown as a reduction of stockholders' equity. Shares are released to participants proportionately as the loan is repaid. Dividends on allocated shares are recorded as dividends and charged to retained earnings. Dividends on unallocated shares, which will be distributed to participants, are treated as compensation expense. Compensation expense is recorded equal to the average fair market value of the stock during the year when contributions, which are determined annually by the Board of Directors of the Company, are made to the ESOP.

There was no ESOP expense in 2022 as all remaining shares were allocated to the recipients in 2021. During 2021, ESOP expense was $62,000, which includes unallocated dividends of $2,000.

Share information for the ESOP is as follows at December 31, 2022 and 2021:

	2022	2021
Allocated shares	163,265	163,265
Unearned shares	-	-
Total ESOP shares	163,265	163,265
Fair value of unearned shares at end of period	$ -	$ -

At December 31, 2022, the fair value of the 163,265 allocated shares held by the ESOP was approximately $4.4 million.

In addition to the defined benefit plan and ESOP, the Company has a 401(k) plan covering substantially all employees. The Company's 401(k) matching percentage was 100% of the first 4% contributed by the employee and 50% of the employees' next 2% of contributions. Expense related to the 401(k) plan totaled approximately $166,000 and $164,000 for the years ended December 31, 2022 and 2021, respectively.

The Company's Share Option Plan (the Plan), which is stockholder approved, permits the grant of up to 130,092 share options to its employees. The Company believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards generally vest based on five years of continuous service and have ten-year contractual terms. The Company will use treasury stock to satisfy share option exercises and has a sufficient number of treasury shares to satisfy the expected share option exercises.

The fair value of each option award is estimated on the date of grant using a closed option valuation (Black-Scholes) model that uses assumptions noted in the table below. Expected volatilities and post vesting behaviors are based on estimates prepared by the Company. The expected term of options is also an estimate and represents the period of time that options granted are expected to be outstanding, which takes into account the options are not transferable. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of options granted was determined using the following weighted-average assumptions of the grant dates.

	2022	2021
Risk free interest rate	2.97%	1.28%
Expected return (years)	7.5	7.5
Expected stock price volatility	18.63%	18.00%
Dividend yield	3.35%	3.76%

A summary of the activity in the stock option plans for 2022 and 2021 follows:

2022	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at beginning of year	117,492	$ 18.46	8.52	$ 939,936
Granted	66,500	27.50	9.43	-
Exercised	(16,968)	18.69	-	141,000
Forfeited or expired	(34,550)	18.30	-	300,600
Outstanding at end of year	132,474	$ 21.55	8.48	$ 722,066
Options exercisable at year-end	23,200	$ 18.13	7.45	$ 205,875

	2022
Intrinsic value of options exercised	$ 141,000
Cash received from option exercises	$ 317,200
Tax benefit from option exercises	$ 6,600
Weighted average fair value of options granted	$ 4.07

2021	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at beginning of year	114,000	$ 18.00	9.42	$ 404,700
Granted	17,592	21.25	9.15	83,562
Exercised	(5,100)	18.00	-	40,800
Forfeited or expired	(9,000)	18.36	-	72,000
Outstanding at end of year	117,492	$ 18.46	8.52	$ 939,936
Options exercisable at year-end	25,700	$ 18.00	8.42	$ 205,600

	2021
Intrinsic value of options exercised	$ 40,800
Cash received from option exercises	$ 91,800
Tax benefit from option exercises	$ -
Weighted average fair value of options granted	$ 2.03

As of December 31, 2022, there was $206,000 unrecognized compensation costs related to the nonvested stock options granted under the Plan. The cost is expected to be recognized over a weighted average period of 4.21 years.

Note 15: Earnings Per Share

Earnings per share (EPS) were computed as follows:

	Year Ended December 31, 2022		
	Net Income	Weighted-Average Shares	Per Share Amount
	(In thousands)		
Net income	$ 9,004		
Basic earnings per share			
Income available to common stockholders		2,263,594	$ 3.98
Income available to common stockholders and assumed conversions	$ 9,004	2,263,594	$ 3.98
Net income	$ 9,004		
Dilutive earnings per share			
Income available to common stockholders		2,288,744	$ 3.93
Income available to common stockholders and assumed conversions	$ 9,004	2,288,744	$ 3.93

Earnings per share (EPS) were computed as follows:

	Year Ended December 31, 2021		
	Net Income	Weighted-Average Shares	Per Share Amount
	(In thousands)		
Net income	$ 7,437		
Basic earnings per share			
Income available to common stockholders		2,431,613	$ 3.06
Income available to common stockholders and assumed conversions	$ 7,437	2,431,613	$ 3.06
Net income	$ 7,437		
Dilutive earnings per share			
Income available to common stockholders		2,458,155	$ 3.03
Income available to common stockholders and assumed conversions	$ 7,437	2,458,155	$ 3.03

Note 16: Disclosures about Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the Company's consolidated balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

		Fair Value Measurement Using		
December 31, 2022	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
Mortgage-backed securities of government-sponsored entities	$ 50,755	$ -	$ 50,755	$ -
Corporate	2,199	-	2,199	-
Private mortgage-backed securities	491	-	491	
State and political subdivisions	30,922	-	30,922	-

		Fair Value Measurement Using		
December 31, 2021	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
Mortgage-backed securities of government-sponsored entities	$ 66,755	$ -	$ 66,755	$ -
Corporate	2,486	-	2,486	-
Private mortgage-backed securities	503	-	503	
State and political subdivisions	32,350	-	32,350	-

Nonrecurring Measurements

Certain assets may be required to be measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition. 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 when there is evidence of impairment.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models having significant inputs of discount rate, prepayment speed and default rate. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

Mortgage servicing rights are tested for impairment on an annual basis. The mortgage servicing rights are measured through the completion of a proprietary model performed by a third party based on the Company's prepayment speeds. Inputs to the model are developed by staff that work in mortgage servicing and are reviewed by the Chief Financial Officer. The model is tested annually using baseline data to check its accuracy.

Collateral-dependent Impaired Loans, Net of ALLL

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

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

The following table presents the fair value measurements of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021.

		Fair Value Measurement Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
December 31, 2022				
Collateral-dependent impaired loans	$ 774	$ -	$ -	$ 774

		Fair Value Measurement Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
December 31, 2021				
Collateral-dependent impaired loans	$ 676	$ -	$ -	$ 676
Mortgage servicing rights	726	-	-	726

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at 2022 and 2021, in thousands.

	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average
December 31, 2022				
Collateral-dependent impaired loans	$ 774	Market Valuations	Market Comparable estimates	16%

	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Average
December 31, 2021				
Collateral-dependent impaired loans	$ 676	Market Valuations	Market Comparable estimates	32%
Mortgage servicing rights	726	Discounted cash flow	Discount Rate	10%
			Public Securities Association (PSA) prepayment rate	213% - 369% (302%)

There were no changes in the inputs or methodologies used to determine fair value at December 31, 2022 as compared to December 31, 2021.

The following table presents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
December 31, 2022				
Financial assets				
Cash and cash equivalents	$ 13,799	$ 13,799	$ -	$ -
Held-to-maturity securities	7,402	-	7,235	-
Net Loans	594,931	-	-	574,855
Federal Home Loan Bank stock	3,322	-	3,322	-
Interest receivable	2,129	-	2,129	-
Financial liabilities				
Deposits	605,834	465,670	139,146	-
Other short-term borrowings	14,766	-	14,766	-
Federal Home Loan Bank advances	58,500	-	58,442	-
Advances from borrowers for taxes and insurance	1,168	-	1,168	-
Interest payable	312	-	312	-

		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021		(In thousands)		
Financial assets				
Cash and cash equivalents	$ 44,437	$ 44,437	$ -	$ -
Held-to-maturity securities	8,122	-	8,496	-
Loans held for sale	272			280
Net Loans	454,587	-	-	468,304
Federal Home Loan Bank stock	4,226	-	4,226	-
Interest receivable	1,659	-	1,659	-
Financial liabilities				
Deposits	540,456	436,174	104,657	-
Other short-term borrowings	22,402	-	22,402	-
Federal Home Loan Bank advances	14,000	-	14,002	-
Advances from borrowers for taxes and insurance	973	-	973	-
Interest payable	22	-	22	-

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and Cash Equivalents, Interest Receivable and Federal Home Loan Bank Stock

The carrying amount approximates fair value.

Loans Held for Sale

The fair value of loans held for sale are based on quoted market prices, where available, or are determined by discounting estimated cash flows using interest rates approximating the Bank's current origination rates for similar loans and adjusted to reflect inherent market credit risk

Held-to-Maturity Securities

The fair value of held-to-maturity securities was estimated by using pricing models that contain market pricing and information, quoted prices of securities with similar characteristics or discounted cash flows that use credit-adjusted discount rates.

Loans, Net of Allowance for Loan Losses

The fair value of loans is estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

Deposits

Deposits include savings accounts, checking accounts and certain money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Interest Payable, Other Short-Term Borrowings and Advances from Borrowers for Taxes and Insurance

The carrying amount approximates fair value.

Federal Home Loan Bank Advances

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Commitments to Originate Loans, Letters of Credit and Lines of Credit

The fair value of commitments to originate loans is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair values of letters of credit and lines of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the counterparties at the reporting date. Fair values of commitments were not material at December 31, 2022 and 2021.

Note 17: Commitments and Credit Risk

Total commercial and commercial real estate loans comprised 58% and 61%, respectively, of the loan portfolio for the years ended December 31, 2022 and December 31, 2021, with substantially all of these loans secured by commercial real estate and business assets mainly located in Ohio. Installment loans make up less than 1% of the portfolio and 76% are secured by automobiles in both 2022 and 2021. Residential one-to-four family real estate loans comprise 42% and 39% of the loan portfolio at December 31, 2022 and 2021, respectively, and primarily include first mortgage loans on residential properties and home equity lines of credit. Included in cash and due from banks as of both years ended December 31, 2022 and 2021, is $3.7 million of uninsured deposits in the form of branch cash on hand.

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At December 31, 2022 and 2021 the Company had outstanding commitments to originate fixed-rate loans aggregating approximately $6.2 million and $4.3 million, respectively. The commitments extended over varying periods of time with the majority being disbursed within a one-year period.

1-4 family residential construction loan commitments in process represent amounts that the Company plans to fund within a normal period of six months. 1-4 family residential construction loan commitments amounted to approximately $6.0 million and $3.2 million at December 31, 2022 and 2021, respectively.

The Company had undisbursed amounts of nonresidential real estate and land loans of $10.2 million at December 31, 2022. The Company had undisbursed amounts of nonresidential real estate and land loans of $9.7 million at December 31, 2021.

The Company had unused extensions of credit totaling $7.2 million and $7.4 million at December 31, 2022 and 2021, respectively, related to consumer loans.

Standby Letters of Credit

Standby letters of credit are irrevocable conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Fees for letters of credit are initially recorded by the Company as deferred revenue and are included in earnings at the termination of the respective agreements. Should the Company be obligated to perform under the standby letters of credit, the Company may seek recourse from the customer for reimbursement of amounts paid.

The Company had outstanding standby letters of credit totaling $289,000 and $217,000 at December 31, 2022 and 2021, respectively, with terms not exceeding eleven months. At both December 31, 2022 and 2021, the Company had no deferred revenue under standby letter of credit agreements.

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

At December 31, 2022, the Company had granted unused lines of credit to borrowers aggregating approximately $49.2 million and $41.6 million for commercial lines and open-end consumer lines, respectively. At December 31, 2021, the Company had granted unused lines of credit to borrowers aggregating approximately $41.4 million and $36.2 million for commercial lines and open-end consumer lines, respectively.

Leases

The Company currently leases five branch banking facilities under an operating lease. The Company renewed its first operating lease for a five year term with a five year renewal option in 2019 and an additional 5 year option to expire in October 2028. The Company's second operating lease commenced in fiscal 2001 for five year terms with 4 five year renewal options and has currently renewed a fifth option for 3 year term in 2021 and 3 additional options to expire in April 2033. The Company's third operating lease commenced in fiscal 2020 for an original 3 year term with an additional 2 year renewal option. The Company's fourth operating lease commenced in fiscal 2021 for an original 3 year term with an additional 2 year renewal option. The Company's fifth operating lease commenced in fiscal 2022 for an original 5 year term with 2 additional five year renewal options. The minimum annual lease payments over the current lease term are as follows:

Year ending		(In thousands)
2023	$	91
2024		30
2025		17
2026		16
2027		12
Total	$	166

The Company incurred rental expense under operating leases totaling approximately $103,000 and $93,000 for the years ended December 31, 2022 and December 31, 2021, respectively.

Note 18: Recent Accounting Developments

FASB ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, was issued in June 2016. The main objective of this Update 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 Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this Update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendments in this Update are allowed for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. An entity will apply the amendments in this Update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). A prospective transition approach is required for debt securities for which another-than-temporary impairment had been recognized before the effective date. The effect of a prospective transition approach is to maintain the same amortized cost basis before and after the effective date of this Update. The Company is implementing FASB ASU 2016-13 and the implications of this update were not determined to have a material impact to the financial statements.

FASB ASU 2020-02, Financial Instruments-credit losses (Topic 326) and lease (Topic 842) This staff guidance enhances the prior FASB ASU 2016-13 with respect to developing a methodology and the support required for the implementation of credit losses measurement to be implemented after the reporting periods after December 15, 2022. Also this update amends FASB ASU 2016-02 Leases (Topic 842) to allow public business entities and certain other specified entities to early adopt. This is not expected to have a material impact on the Company's consolidated financial statements.

FASB ASU 2022-02, Financial Instruments-credit losses (Topic 326) The amendments in this Update eliminate the accounting guidance for Troubled Debt Restructurings by creditors in subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for Troubled Debt Restructurings, an entity must apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. This is not expected to have a material impact on the Company's consolidated financial statements.

Note 19: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company at December 31, 2022 and 2021:

Condensed Balance Sheets

	2022	2021
	(In thousands)	
Assets		
Cash and due from banks	$ 64	$ 184
Investment in the Bank	44,651	53,434
Prepaid expenses and other assets	529	520
Total assets	$ 45,244	$ 54,138
Liabilities and Stockholders' Equity		
Accrued expenses and other liabilities	$ 514	$ 512
Stockholders' equity		
Common stock and additional paid-in capital	36,982	36,818
Retained earnings	49,645	42,698
Treasury stock – at cost	(30,459)	(25,786)
Accumulated other comprehensive income (loss)	(11,438)	(104)
Total stockholders' equity	44,730	53,626
Total liabilities and stockholders' equity	$ 45,244	$ 54,138

Condensed Statements of Income and Comprehensive Income

	2022	2021
	(In thousands)	
Operating Income		
Interest income	$ -	$ 2
Dividends from the Bank	6,692	5,173
Total operating income	6,692	5,175
Noninterest Expense	156	145
Earnings before Federal Income Tax Benefits and equity in undistributed income of the Bank	6,536	5,030
Federal Income Tax Benefits	(33)	(30)
Income before equity in undistributed income of the Bank	6,569	5,060
Equity in undistributed income of the Bank	2,435	2,377
Net Income	$ 9,004	$ 7,437
Total Comprehensive income (loss)	$ (2,330)	$ 6,480

Condensed Statements of Cash Flows

	2022	2021
	(In thousands)	
Operating Activities		
Net income	$ 9,004	$ 7,437
Items not requiring (providing) cash		
Equity in undistributed net income of the Bank	(2,435)	(2,377)
Increase (decrease) in cash due to changes in:		
Prepaid expenses and other assets	(9)	(1)
Accrued expenses and other liabilities	(6)	(1)
Net cash provided by operating activities	6,554	5,058
Investing Activities		
Repayment of ESOP loan	-	35
Net cash provided by investing activities	-	35
Financing Activities		
Payment of dividends on common stock	(2,049)	(2,019)
Proceeds from exercise of stock options	317	92
Purchase of treasury stock	(4,942)	(3,162)
Net cash used in financing activities	(6,674)	(5,089)
Net Change in Cash and Cash Equivalents	(120)	4
Cash and Cash Equivalents at Beginning of Period	184	180
Cash and Cash Equivalents at End of Period	$ 64	$ 184

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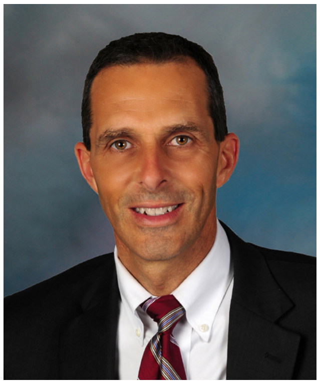
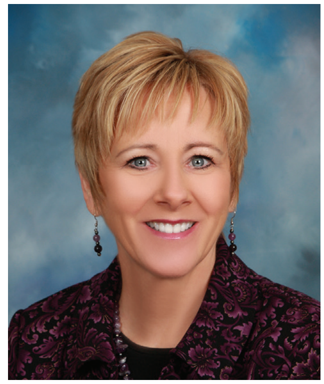
BOARD OF DIRECTORS

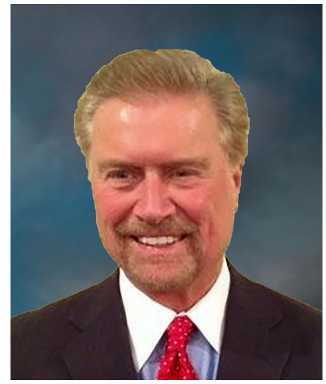


Mark Witmer
Executive Chair

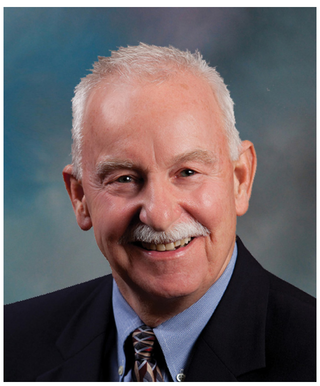
Jonathan Ciccotelli
Lead Director



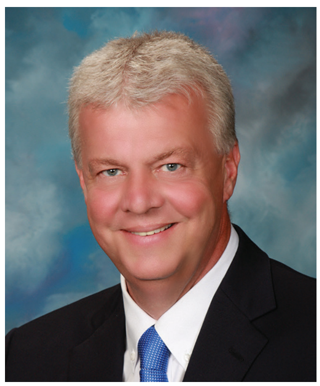
Debra A. Marthey
Secretary & Treasurer



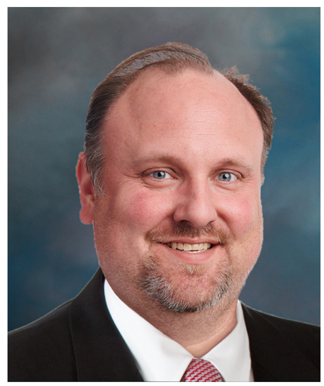
Lance J. Ciroli



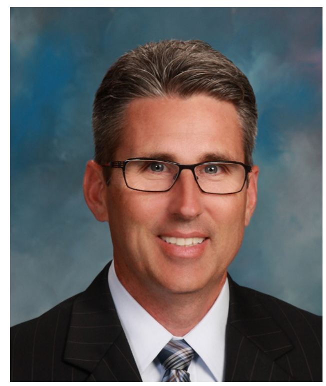
David L. Lehman



Glenn W. Miller



Brian Hopkins



James R. VanSickle

SENIOR OFFICERS

Mark Witmer
Executive Chair

James R. VanSickle
President and Chief Executive Officer

Myron L. Swartzentruber
Senior Vice President
Chief Financial Officer and Treasurer

Matthew L. Hartzler
Vice President
Chief Risk Officer and Senior Operations Officer

Kimberly Wolfe
Vice President
Chief Credit Officer

Amberly M. Wolf
Vice President
Chief Retail Officer

Branch Locations

Wooster
151 North Market Street
1908 Cleveland Road
543 Riffel Road

Ashland
233 Claremont Avenue
1055 Sugarbush Drive

Creston
121 North Main Street

Fredericksburg
110 Crawford Street

Lodi
303 Highland Drive

Millersburg
90 North Clay Street

North Canton
1265 South Main Street

Rittman
237 North Main Street

Washingtonville
795 West Main Street

Dalton
(New 2023)
130 North Wenger Street