2022 ANNUAL REPORT

PERFORMANCE with Clear Purpose

KISH BANCORP
expect more

A 3-D rendering of Kish Bank's Altoona branch, coming summer 2023.

Contents

Front Cover, Top: Community members Brandon Zlupko and Joy Vincent-Killian with Caleb Shertzer, Kish Bank AVP and Commercial Relationship Manager

Front Cover, Bottom: Chase and Allison Peachey, owners of Peach View Farm, and children

2022: The Confluence of Performance and Client Fulfillment

This 2022 Annual Report to Shareholders provides financial details of one of the most extraordinary years in Kish's 122-year history. While the numbers on one hand tell the story of outstanding financial performance as measured by revenue growth and expanding profitability, they also reflect the magnitude of the Corporation's impact on the lives of the people and communities we serve. For that reason, this Shareholders' Letter has client testimonials woven throughout its pages. These powerful perspectives provide a strong sense of partnership with Kish that underscores and validates our deeply held belief that it is Kish's singular focus on fulfilling client needs that leads to our success and consistently produces such exceptional financial results.

In reality, the story of 2022 is, like most of Kish's success stories, a multi-year tale. Quite simply, sustained growth in the loan portfolio in recent years drove loans outstanding from approximately $600 million in 2018 to $879 million at the beginning of 2022. So, Kish began the year hitting on all cylinders just as the bank experienced a swell of new business requests resulting from customers who valued our response to the PPP loan program. Thus, the strong base was further fueled by continued upward momentum as loans grew by $145 million, or 16.5%, to $1.02 billion by year end 2022. This was especially noteworthy

William P. Hayes
Chairman of the Board
and Chief Executive Officer

What started in 1940 as one truck hauling coal and lumber is now a fleet of nearly 100 trucks that can be seen on roadways in the Northeast and Mid-Atlantic regions. Like Kish, Zimmerman Truck Lines invests in people and technology and prioritizes customer service to ensure longevity.

"Kish helps us with employee benefits. They are very helpful with assisting our employees in choosing the right products to prepare for their future. Kish worked closely with us to learn our business and offered flexibility that helped us restructure our debt, improve cash flow, and implement processes to pay dividends in the future."

Mark Zimmerman
CEO, Zimmerman Truck Lines

Pictured right with David Wetzler, COO

given the national decline in loan demand caused by the headwinds of dramatically higher interest rates as the Fed tightened monetary policy to combat inflation.

Kish's expanding loan portfolio, rising interest rates, and well-controlled funding costs combined to elevate net interest income by $4.9 million in 2022, up 14.5% from the prior year end. Despite a $1.36 million decline in gains from mortgage loan sales caused by sharply lower residential mortgage demand, higher customer numbers drove up bank service fees and strength in several of Kish's non-bank units. Gains from the sale of real estate further augmented the strong bottom line. The combination of all of the above delivered net income of $12.86 million, up 30.2% from the prior year's earnings of $9.88 million.

The sustained growth experienced in 2022 was driven largely by Kish's ever-sharpening focus on serving small and medium-sized business customers and our growing reputation for responsive service to that segment. Commercial borrowers in both our expanding central Pennsylvania market and our northeastern Ohio market were largely responsible for much of the growth in the loan portfolio. As you read the perspectives of some of our customers throughout these pages, you will be struck by the sense of trust and shared values that they express, as well as a belief that Kish has their best interests at heart.

Elevating lives is at the core of all that we do at Kish. The entire Kish team is united by a belief that we can make lives better for our clients, team members, communities, and shareholders. To that end, Kish's powerful record of growth speaks volumes about our capacity to deliver for our clients and communities. We invite you to visit WhyKish.com to understand more of our value proposition and the strong relationships we build. These moving testimonials reflect Kish's powerful capacity to build partnerships not just with customers, but with community organizations and charities. While Kish supports dozens of local organizations financially each year, our team's personal investment in our communities through our Kish Community Action Teams ("CATs") is a source of equal value and pride. To ensure active community engagement,

Peach View Farm in Belleville is a multi-generational dairy farm owned by Chase and Allison Peachey, who attribute their success to hard work, consistency, and the ability to adapt to the ever-changing economy and new technology. They continuously think about growing and changing to benefit the next generation.

"Kish has extensive knowledge and experience in the ag and dairy industry. They understand what we need to prioritize for the future growth and prosperity of the farm."

Chase & Allison Peachey
Owners, Peach View Farm

Kish empowers every team member with 24 hours of paid time off for volunteer activities each year, and our team members readily answer the call to action. Through volunteerism, fundraising, and actions in support of our communities by Kish's CATs, we are truly making lives better for those around us.

Statistics show that for every 10 restaurants that open today, only one will still be operating a year later. Hoss's Steak & Sea House's key to success for the last 40 years has been to consistently give guests great food and excellent service at a price that is affordable.

"Kish was willing to enter into a lending agreement with Hoss's when other lenders turned away from the hospitality industry. Having a loan with Kish allowed us to keep a presence in the communities that we have served all these years."

Carl Raup
CFO, Hoss's Steak & Sea House

Of special note in 2022 was the team's incredibly successful Kish for the Cure campaign, which raised a total of over $74,000 to support the fight against cancer. These dollars were directed locally to the Bob Perks Cancer Assistance Fund, Relay For Life of Mifflin/Juniata, and through Pennsylvania Pink Zone to all area hospitals. We are also proud of the growing success of Kish's Teach Children to Save program, through which Kish volunteers recently presented to over 8,500 school children in classrooms across the region on the importance of learning to save. These efforts represent just the tip of the iceberg of the impact of our team on the lives of those in our communities, often those who are the most in need. Once again, the testimonials on WhyKish.com speak even more fully to the value of our efforts to make lives better.

None of what has been discussed so far in this report would have been possible without the incredible efforts of the Kish team. While client testimonials speak to the performance of the team and our relationship managers, equally impressive is the value of their support for each other. The quality of our products; the responsiveness of our branches, support teams, and call center; the focus on exceptional performance—all are elements of the teamwork that flows from the outstanding commitment the team demonstrates for each other every day. We have a vision of providing legendary service with the best team in banking.

It is a vision to which we are all deeply committed. Recruiting, developing, and retaining the very best is the means by which we will ensure our future success and continued prosperity.

In addition to supporting our clients, communities, and team members, everyone at Kish also understands that to ensure our sustainability as a leader in community banking, we must maintain a visibility and presence throughout our market. Our branches are the conduits through which Kish maintains service to our communities at a consistently high level. 2022 saw the successful opening of our new Mifflintown and Pine Grove Mills banking branches, and we will be excited to open our first branch in Altoona in summer 2023.

"We have a vision of providing legendary service with the best team in banking. It is a vision to which we are all deeply committed."

Since 1876, Juniata College has been an institution centered on its students and their success in the world. The College is committed to delivering a uniquely personalized approach to education to each of its students. Juniata is one of 40 colleges in the book "Colleges That Change Lives" and it remains a top 100 national liberal arts college.

"Kish and Juniata are both mission-centric organizations who believe in our communities and the people we serve. It's amazing the parallels we have relative to the 'how' of what we each do. We are in different industries, but our approach is remarkably similar."

Jim Troha
President, Juniata College
Pictured with Karla Wiser, Controller & CFO

Finally, a word about another critical constituency. As a shareholder-owned company, producing consistent results for shareholders is what builds the loyalty and long-term ownership that enables Kish to pursue long-term objectives. In 2022, that meant fully diluted earnings per share growth of 30.32%, and return on shareholders' equity of 14.95%. 2022 also represented the seventh consecutive year as well as the ninth of the last 10 years in which the board increased the annual dividend, which was raised by almost 10% over 2021 dividends. Capital in the form of retained earnings rose by 12.3% in 2022, well ahead of peers and continuing to support growth and investment in our communities. When Accumulated Other Comprehensive Income ("AOCI") is excluded, retained earnings elevated book value per share to $33.38, compared to $29.90 at year end 2021.

"Several years ago, our then-bank had gone through several buyouts, and we decided to switch to Kish. Kish was a local bank who we felt understood our needs and could help us grow. It was the best decision for us."

Andy Friberg
Owner & President, Spectra Wood

Spectra Wood, a second-generation family furniture manufacturer celebrating 54 years in business this year, began in the basement of the family's State College home and now operates two manufacturing facilities in Centre and Mifflin Counties. They distribute to several top 100 furniture retailers in the U.S. and their furniture quality remains at the highest level, despite the challenges that can accompany rapid expansion.

The following pages provide full details of the enormous success Kish Bancorp achieved in 2022, and we encourage your in-depth review of all aspects of that success. Please don't hesitate to reach out with any questions regarding our 2022 results. And while the numbers are remarkable, we hope you'll be even more impressed by the compelling words you have read from our clients throughout these pages—from Mark Zimmerman of Zimmerman Truck Lines, from Chase and Allison Peachey of Peach View Farm, from Carl Raup of Hoss's Steak & Sea House, from Jim Troha and Karla Wiser of Juniata College, from Andy Friberg of Spectra Wood, and from Mike and Darla Sevick of Sevick Farm. They speak to the values that lie at the core of Kish's mission and vision: responsiveness, knowledge, stability, client-centered relationships, professionalism, and promises kept. It is these values on which we will build Kish's successful future, one client at a time.

Sincerely,

William P. Hayes

William P. Hayes
Chairman of the Board
and Chief Executive Officer

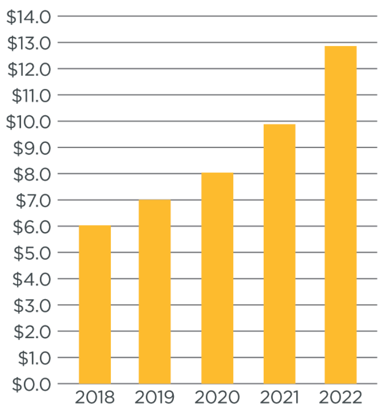
Second-generation farmer Mike Sevick started working on his now 54-year-old family farm in 1988. Through a series of carefully-thought-out decisions over the years, the family has expanded the farming operations from growing hay and raising beef cattle to also growing corn, wheat, soybeans, and green beans.

"Kish helps us with insurance, banking, and wealth management. Our business's long-term success is due to careful decision making, and we rely on qualified professionals with good attitudes and excellent skills. We were looking for, and found Kish to be, a true community bank that cares about our unique financial situation and delivers personalized service."

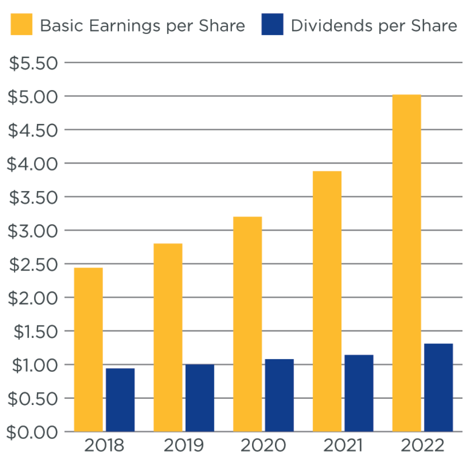
Mike & Darla Sevick
Owners, Sevick Farm

FOR THE YEAR	2022	2021	2020	2019	2018
Net Income	$ 12,860,301	$ 9,881,340	$ 8,039,287	$ 7,006,914	$ 6,029,683
Net Income Before Taxes	15,283,348	11,232,900	9,278,885	7,903,452	6,670,247
Total Dividends Declared	3,448,214	2,988,353	2,804,384	2,585,444	2,396,453
AT YEAR END (IN $000s)					
Total Assets	$ 1,295,448	$ 1,232,779	$ 1,106,609	$ 918,309	$ 850,508
Total Loans (Net)	1,013,170	868,153	755,960	679,519	630,440
Total Deposits	1,037,120	1,002,645	877,796	710,226	682,350
Stockholders' Equity	71,972	77,100	69,962	64,352	59,728
Loan Loss Reserve	10,335	10,560	9,771	7,499	6,642
Net Loan Losses (Recoveries)	225	(9)	(4)	(467)	10
RATIO ANALYSIS					
Return on Average Assets*	1.02%	0.85%	0.79%	0.79%	0.72%
Return on Average Equity*	14.95%	14.08%	12.90%	11.56%	10.71%
Dividend Declared/Net Income	26.81%	30.24%	34.88%	36.90%	39.74%
Loans/Deposits	97.69%	86.59%	86.12%	95.68%	92.39%
Primary Capital/Total Assets	6.35%	7.11%	7.21%	7.82%	7.80%
Total Capital/Risk Weighted Assets	11.57%	12.78%	12.32%	11.86%	11.95%
Loan Loss Reserve/Loans	1.01%	1.20%	1.28%	1.09%	1.04%
Net Loan Losses to Total Loans (Net)	0.02%	0.00%	0.00%	(0.07%)	0.00%
PER SHARE DATA					
Basic Earnings	$ $5.02	$ 3.88	$ 3.20	$ 2.80	$ 2.44
Fully Diluted Earnings	4.90	3.76	3.12	2.70	2.35
Dividends Paid	1.31	1.14	1.08	1.00	0.94
Equity (Book Value)	27.41	29.39	26.93	24.90	23.41
Equity Plus Loan Loss Reserve	31.35	33.42	30.69	27.80	26.01
Average Shares Outstanding (#)	2,625,612	2,626,931	2,597,978	2,499,536	2,499,673

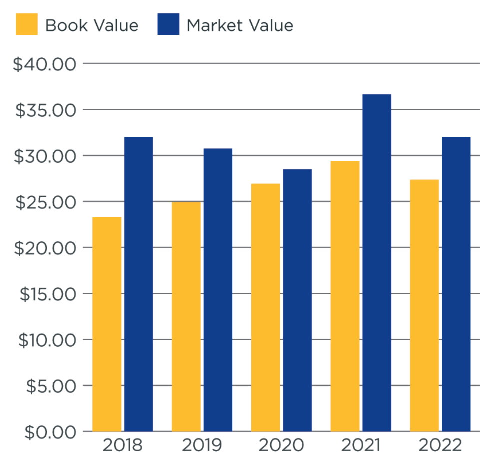
Net Income (in millions)



Earnings & Dividends (per share)



Stock Valuation (per share)



*Due to fluctuations in the mark to market valuation for investment securities, these are not included in the totals for average assets and average equity.

Board of Directors and Stockholders
Kish Bancorp, Inc.
Reedsville, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Kish Bancorp, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021; the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 8, 2023, expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Chairman's Letter to the Stockholders and Financial Highlights but does not include the financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether 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.

S. R. Snodgrass, P.C.

Cranberry Township, Pennsylvania
March 8, 2023

S.R. Snodgrass, P.C.
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Cranberry Township, Pennsylvania 16066
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KISH BANCORP, INC.
CONSOLIDATED BALANCE SHEET

	December 31, 2022	December 31, 2021
ASSETS		
Cash and due from banks	$ 11,082,445	$ 7,006,334
Interest-bearing deposits with other institutions	9,024,003	86,755,383
Cash and cash equivalents	20,106,448	93,761,717
Certificates of deposit in other financial institutions	245,000	245,000
Investment securities available for sale, at fair value	155,308,551	178,747,138
Investment securities held to maturity, fair value of $10,070,997 and $10,125,458	10,763,833	9,777,862
Equity securities	2,858,117	2,693,580
Loans held for sale	631,414	3,255,070
Loans	1,023,505,114	878,713,345
Less allowance for loan losses	10,335,231	10,559,852
Net loans	1,013,169,883	868,153,493
Premises and equipment, net	26,795,671	25,578,343
Goodwill	3,560,942	3,560,942
Regulatory stock	7,256,300	5,968,700
Bank-owned life insurance	23,628,587	23,780,368
Accrued interest and other assets	31,123,166	17,256,582
TOTAL ASSETS	$ 1,295,447,912	$ 1,232,778,795
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 189,976,622	$ 177,079,925
Interest-bearing demand	115,230,051	81,754,614
Savings	131,688,405	116,688,640
Money market	331,948,502	365,815,741
Time	268,276,138	261,306,427
Total deposits	1,037,119,718	1,002,645,347
Short-term borrowings	100,326,547	67,433,957
Other borrowings	52,413,653	67,184,620
Accrued interest and other liabilities	33,616,318	18,415,231
TOTAL LIABILITIES	1,223,476,236	1,155,679,155
STOCKHOLDERS' EQUITY		
Preferred stock, $.50 par value; 500,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.50 par value; 8,000,000 shares authorized, 2,697,500 shares issued; 2,639,544 and 2,630,682 shares outstanding at December 31, 2022 and 2021, respectively	1,348,750	1,348,750
Additional paid-in capital	2,897,790	2,885,343
Retained earnings	85,844,293	76,432,206
Accumulated other comprehensive loss	(16,140,949)	(1,572,533)
Treasury stock, at cost (57,956 and 66,818 shares at December 31, 2022 and 2021, respectively)	(1,978,208)	(1,994,126)
TOTAL STOCKHOLDERS' EQUITY	71,971,676	77,099,640
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,295,447,912	$ 1,232,778,795

See accompanying notes to consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31, 2022	2021
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans:		
Taxable	$ 41,423,419	$ 34,194,495
Exempt from federal income tax	965,252	1,271,421
Interest and dividends on investment securities:		
Taxable	3,654,621	3,121,595
Exempt from federal income tax	229,151	266,146
Interest-bearing deposits with other institutions	369,155	117,397
Other dividend income	552,108	630,944
Total interest and dividend income	47,193,706	39,601,998
INTEREST EXPENSE		
Deposits	5,072,657	2,861,943
Short-term borrowings	239,630	26,332
Other borrowings	3,636,717	3,324,818
Total interest expense	8,949,004	6,213,093
NET INTEREST INCOME	38,244,702	33,388,905
Provision for loan losses	-	780,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	38,244,702	32,608,905
NONINTEREST INCOME		
Service fees on deposit accounts	2,152,592	1,812,855
Investment securities gains, net	440	12,582
Equity securities gains, net	164,537	261,581
Gain on sale of loans	1,095,550	2,458,769
Earnings on bank-owned life insurance	1,042,850	901,766
Insurance commissions	2,848,821	2,683,236
Travel agency commissions	219,286	98,266
Wealth management	2,485,063	2,123,702
Benefit management	604,037	642,224
Other	1,494,717	350,864
Total noninterest income	12,107,893	11,345,845
NONINTEREST EXPENSE		
Salaries and employee benefits	21,140,174	19,932,494
Occupancy and equipment	4,623,738	4,055,767
Data processing	2,673,625	2,046,888
Professional fees	796,698	641,903
Advertising	460,155	348,401
Federal deposit insurance	756,961	725,000
Pennsylvania shares tax	741,375	740,344
Other	3,876,521	4,231,053
Total noninterest expense	35,069,247	32,721,850
Income before income taxes	15,283,348	11,232,900
Income tax expense	2,423,047	1,351,560
NET INCOME	$ 12,860,301	$ 9,881,340
EARNINGS PER SHARE		
Basic	$ 5.02	$ 3.88
Diluted	$ 4.90	$ 3.76

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31, 2022	2021
Net income	$ 12,860,301	$ 9,881,340
Other comprehensive income (loss)		
Securities available for sale:		
Change in unrealized holding losses on available for sale securities	(24,578,671)	(3,841,990)
Tax effect	5,161,521	806,818
Change in unrealized gains related to cash flow hedges	6,138,078	3,141,412
Tax effect	(1,288,996)	(659,697)
Reclassification adjustment for net investment securities gains realized in net income	(440)	(12,582)
Tax effect	92	2,642
Total other comprehensive loss	(14,568,416)	(563,397)
Total comprehensive income (loss)	$ (1,708,115)	$ 9,317,943

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2020	$ 1,348,750	$ 2,703,924	$ 69,539,219	$ (1,009,136)	$ (2,620,520)	$ 69,962,237
Net income			9,881,340			9,881,340
Other comprehensive loss				(563,397)		(563,397)
Stock-based compensation expense		129,509				129,509
Purchase of shares by restricted stock plan (18,160 shares)		(448,830)			448,830	-
Exercise of stock options (18,685 shares)		(174,813)			192,794	17,981
Forfeiture of shares by restricted stock plan (1,842 shares)		55,258			(55,258)	-
Amortization of restricted stock plan shares		515,935				515,935
Cash dividends ($1.14 per share)			(2,988,353)			(2,988,353)
Purchase of treasury stock (27,205 shares)					(514,492)	(514,492)
Sale of treasury stock (19,844 shares)		104,360			554,520	658,880
Balance, December 31, 2021	1,348,750	2,885,343	76,432,206	(1,572,533)	(1,994,126)	77,099,640
Net income			12,860,301			12,860,301
Other comprehensive loss				(14,568,416)		(14,568,416)
Stock option compensation expense		188,519				188,519
Purchase of shares by restricted stock plan (17,355 shares)		(516,031)			516,031	-
Exercise of stock options (30,608 shares)		(357,472)			265,573	(91,899)
Forfeiture of shares by restricted stock plan (1,208 shares)		36,436			(36,436)	-
Amortization of restricted stock plan shares		557,833				557,833
Cash dividends ($1.31 per share)			(3,448,214)			(3,448,214)
Purchase of treasury stock (36,061 shares)					(1,262,273)	(1,262,273)
Sale of treasury stock (28,776 shares)		103,162			533,023	636,185
Balance, December 31, 2022	$ 1,348,750	$ 2,897,790	$ 85,844,293	$ (16,140,949)	$ (1,978,208)	$ 71,971,676

See accompanying notes to the consolidated financial statements.

KISH BANCORP, INC.
CONSOLIDATED STATEMENT OF CASH FLOW

	Year Ended December 31, 2022	2021
OPERATING ACTIVITIES		
Net income	$ 12,860,301	$ 9,881,340
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	-	780,000
Investment securities gains, net	(440)	(12,582)
Equity security gains	(164,537)	(261,581)
Proceeds from sale of loans held for sale	61,468,762	64,671,378
Origination of loans held for sale	(57,749,556)	(59,800,680)
Gain on sales of loans	(1,095,550)	(2,458,769)
Depreciation, amortization, and accretion	1,661,670	1,947,006
Deferred income taxes	179,626	(483,336)
Increase in accrued interest receivable	(1,450,648)	(14,566)
(Decrease) increase in accrued interest payable	1,025,784	(461,890)
Earnings on bank-owned life insurance	(1,042,850)	(901,766)
Gain on sale of other assets	(482,001)	(17,869)
Impairment loss on other assets	-	500,000
Non-cash compensation - equity awards	746,352	645,444
Other, net	236,415	2,915,995
Net cash provided by operating activities	16,193,328	16,928,124
INVESTING ACTIVITIES		
Maturities of certificates of deposit	-	245,000
Bank owned life insurance:		
Purchases	-	(7,300,000)
Benefit proceeds	1,048,651	460,748
Investment securities available for sale:		
Proceeds from repayments and maturities	24,949,600	33,168,687
Purchases	(26,954,481)	(84,560,068)
Investment securities held to maturity:		
Proceeds from repayments and maturities	1,000,000	-
Purchases	(1,500,000)	(2,250,000)
Purchase of equity securities	-	(299,712)
Increase in loans, net	(144,785,142)	(112,973,100)
Purchase of regulatory stock	(3,691,600)	(93,400)
Redemption of regulatory stock	2,404,000	999,800
Purchase of premises and equipment	(2,977,122)	(2,903,840)
Proceeds from sale of other assets	727,704	49,500
Net cash used for investing activities	(149,778,390)	(175,456,385)
FINANCING ACTIVITIES		
Increase in deposits, net	34,474,371	124,848,918
Increase (decrease) in short-term borrowings, net	32,892,590	(1,926,254)
Proceeds from other borrowings	14,051,077	19,340,308
Repayments of other borrowings	(28,822,044)	(16,812,498)
Collateral received on interest rate derivatives	11,500,000	-
Purchases of treasury stock	(1,262,273)	(514,492)
Proceeds from sale of treasury stock	901,758	851,674
Exercise of stock options	(357,472)	(174,813)
Cash dividends	(3,448,214)	(2,988,353)
Net cash provided by financing activities	59,929,793	122,624,490
Decrease in cash and cash equivalents	(73,655,269)	(35,903,771)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	93,761,717	129,665,488
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 20,106,448	$ 93,761,717
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest on deposits and borrowings	$ 7,964,220	$ 6,729,860
Income taxes	2,185,000	1,925,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH CASH FLOW INFORMATION		
Right of use assets and lease liabilities	$ 156,379	$ 150,062

See accompanying notes to consolidated financial statements.

KISH BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation

Kish Bancorp, Inc. (the "Company") is a diversified financial services organization whose principal activity is the ownership and management of its subsidiaries, Kish Bank (the "Bank"), Kish Travel Services, Inc., and the Bank's subsidiaries, Tri-Valley Properties, LLC, Kish Agency, Inc., and Kish Equities, LLC. The Company generates commercial and industrial, agricultural, commercial mortgage, residential real estate, and consumer loans and deposit services to its customers located primarily in central Pennsylvania and the surrounding areas. The Bank operates under a Pennsylvania Department of Banking and Securities bank charter and provides full banking services. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") to the extent provided by law. Kish Agency, Inc. provides insurance products and services. Kish Travel Services, Inc. is a Pennsylvania business established to provide travel services to its customers. Kish Equities, LLC is a subsidiary established to hold investments in equity securities.

The consolidated financial statements include the accounts of Kish Bancorp, Inc. and its subsidiaries, Kish Bank and Kish Travel Services, Inc., after elimination of all significant intercompany transactions.

The accounting principles followed by the Company and the methods of applying these principles conform to U.S. generally accepted accounting principles ("GAAP") and to general practice within the banking industry. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the Consolidated Balance Sheet date and revenues and expenses for that period. Actual results could differ from those estimates.

Investment Securities

Investment securities are classified at the time of purchase, based on management's intention and ability, as securities held to maturity, available for sale, or trading. Debt securities acquired with the intent and ability to hold to maturity are stated at cost, adjusted for amortization of premium and accretion of discount, which are computed using the interest method and recognized as adjustments of interest income. Debt securities which are held principally as a source of liquidity are classified as available for sale. Unrealized holding gains and losses for available for sale securities are reported as a separate component of stockholders' equity, net of tax, until realized. Realized security gains and losses are computed using the specific identification method. Debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in current earnings. The Company does not have trading securities as of December 31, 2022 and 2021. Interest and dividends on investment securities is recognized as income when earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities (Continued)

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

Equity Securities

Equity securities are held at fair value. Holding gains and losses are recorded in non-interest income. Dividends are recognized as income when earned.

Regulatory Stock

Common stock of the Federal Home Loan Bank ("FHLB") of Pittsburgh represents ownership in an institution that is wholly owned by other financial institutions. These equity securities are accounted for at cost and are shown separately on the Consolidated Balance Sheet as regulatory stock.

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

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their principal amount, net of the allowance for loan losses and deferred origination fees or costs. Interest on loans is recognized as income when earned on the accrual method. Generally, the policy has been to stop accruing interest on loans when it is determined that a reasonable doubt exists as to the collectability of additional interest. Interest previously accrued but deemed uncollectible is deducted from current interest income. Payments received on nonaccrual loans are recorded as income or applied against principal according to management's judgment as to the collectability of such principal. Nonaccrual loans will generally be put back on accrual status after demonstrating six consecutive months of no delinquency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans (Continued)

The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

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

In general, fixed rate, permanent residential mortgage loans originated by the Bank are held for sale and are carried in the aggregate at the lower of cost or fair value. The Bank sells these loans to various other financial institutions. Currently, the Bank retains the servicing of those loans sold to the FHLB and releases the servicing of loans sold to all other institutions.

Allowance for Loan Losses

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

Impaired loans are those for which it is probable the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Company evaluates commercial and industrial, agricultural, state and political subdivisions, commercial real estate, and all troubled debt restructuring loans for possible impairment. Consumer and residential real estate loans are also evaluated if part of a commercial lending relationship. The Company individually evaluates such loans for impairment and does not aggregate loans by major risk classifications. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. Factors considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of loans is determined by the difference between the present value of the expected cash flows related to the loan using the original interest rate and its recorded value, or as a practical expedient in the case of collateralized loans, the difference between the fair value of the collateral and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

Mortgage loans secured by one-to-four family properties and all consumer loans are large groups of smaller-balance homogeneous loans and are measured for impairment collectively. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. Management determines the significance of payment delays on a case-by-case basis taking into consideration all circumstances concerning the loan, the creditworthiness and payment history of the borrower, the length of the payment delay, and the amount of shortfall in relation to the principal and interest owed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses (Continued)

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

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 7 years for furniture, fixtures, and equipment, and 31 to 39½ years for building premises. Leasehold improvements are depreciated over shorter of the term of the lease or useful life. Expenditures for maintenance and repairs are charged against income as incurred. Costs of major additions and improvements are capitalized.

Goodwill

The Company accounts for goodwill using a two-step process for testing the impairment of goodwill on at least an annual basis. This approach could cause more volatility in the Company's reported net income because impairment losses, if any, could occur irregularly and in varying amounts.

Bank-Owned Life Insurance ("BOLI")

The Company purchased life insurance policies on certain key employees. BOLI is recorded at its cash surrender value, or the amount that can be realized.

Real Estate Owned

Real estate acquired by foreclosure is included with other assets on the Consolidated Balance Sheet at the lower of the recorded investment in the property or its fair value less estimated costs of sale. Prior to foreclosure, the value of the underlying collateral is written down by a charge to the allowance for loan losses if necessary. Any subsequent write-downs are charged against operating expenses. Operating expenses of such properties, net of related income and losses on their disposition, are included in other noninterest expense.

Treasury Stock

Treasury stock is carried at cost. Sales are determined by the first-in, first-out method.

Advertising Costs

Advertising costs are expensed as the costs are incurred.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

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

Earnings Per Share

The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share are calculated utilizing net income as reported in the numerator and average shares outstanding in the denominator. The computation of diluted earnings per share differs in that the dilutive effects of any stock options and restricted stock awards are adjusted in the denominator. Treasury shares are not deemed outstanding for earnings per share calculations.

Stock Options

For purposes of computing stock compensation expense, the Company estimated the fair values of stock options using the Black-Scholes option-pricing model. The model requires the use of subjective assumptions that can materially affect fair value estimates. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the option and each vesting date. The fair value of each stock option granted was estimated using the following weighted-average assumptions:

Grant Year	Expected Dividend Yield	Risk-Free Interest Rate	Expected Volatility	Expected Life (in Years)
2022	3.31 %	2.56 %	27.32 %	6.0
2021	3.63 %	1.19 %	26.88 %	6.0

The weighted-average fair value of each stock option granted for 2022 and 2021 was $7.25 and $5.03, respectively.

Mortgage Servicing Rights ("MSRs")

The Company has agreements for the express purpose of selling loans in the secondary market. The Company retains servicing rights for certain loans. Originated MSRs are recorded by allocating total costs incurred between the loan and servicing rights based on their relative fair values. MSRs are amortized in proportion to the estimated servicing income over the estimated life of the servicing portfolio. The Company performs an impairment review of the MSRs and recognizes impairment through a valuation account. MSRs are a component of accrued interest and other assets on the Consolidated Balance Sheet. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made with limited recourse. For the years ended December 31, 2022 and 2021, the Company recorded gross servicing rights of $279,743 and $336,339, respectively, with a reserve for impairment of $104,060 and $161,951, respectively.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Transfer of Assets

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

Cash Flow Information

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

Reclassification of Comparative Amounts

Certain items previously reported have been reclassified to conform to the current year's format. Such reclassifications did not affect net income or stockholders' equity.

Derivatives and Hedging Activities

The Company engages in a number of business activities that are vulnerable to interest rate risk. The associated variability in cash flows related to interest rate risk may impact the results of operations of the Company. The Company's hedging objective is to reduce, to the extent possible, unpredictable cash flows associated with interest rate risk, via approved hedging strategies, related to business strategies and business objectives.

All derivatives are recorded on the Consolidated Balance Sheet at fair value. The accounting for changes in the fair value of derivatives depends on whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge.

Changes in the fair value of derivatives designated as fair value hedges are recorded in earnings, together and in the same income statement line item with changes in the fair value of the related hedged item. Changes in the fair value of derivatives designated as cash flow hedges are recorded in accumulated other comprehensive income (loss) and are reclassified into the line item in the income statement in which the hedged item is recorded and in the same period in which the hedged item affects earnings. Hedge ineffectiveness and gains and losses on the excluded component of a derivative in assessing hedge effectiveness are recorded in earnings.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

The Company's revenue is comprised of net interest income on financial assets and liabilities, and noninterest income. Under FASB Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, management determined that net interest income on financial assets and liabilities and certain components of noninterest income resulting from investment securities gains, loan servicing, gains on sales of loans, earnings on bank owned life insurance, gains on sales of mortgage loans and gains on sales of securities available for sale are accounted for under other U.S. GAAP standards and are not within the scope of ASC Topic 606.

Descriptions of revenue-generating activities reported in our Consolidated Statement of Income that are within the scope of Topic 606 include:

- Service fee income on deposit accounts
- Insurance and travel agency commissions
- Trust and investment advisory fees
- Benefit management consulting income
- ATM and debit card transaction fees
- Loan servicing fees
- Wire transfer fees
- Safe deposit box rentals

Non-transaction-based fees such as account maintenance fees, monthly statement fees, loan servicing fees and safe deposit box rentals are considered to be provided to the customer under short-term contracts with ongoing renewals. Revenue for these non-transaction-based fees is earned on a monthly basis, representing the period over which the Company satisfies the performance obligations. Transaction-based fees such as non-sufficient fund charges, stop payment charges and wire fees are recognized at the time the transaction is executed as the contract duration does not extend beyond the service performed.

The Company earns fees from ATM transactions fees and debit card transaction fees from cardholder transactions conducted through third party payment network providers which consist of interchange fees earned from the payment networks as a debit card issuer. These fees are recognized when the transaction occurs and are settled on a daily or monthly basis.

Revenues from trust and investment advisory services are generally recognized on a monthly basis and are typically based on a percentage of the customer's assets under management or based on investment solutions that are implemented for the customer.

Commission and fee income from insurance, benefit consulting and travel services are recognized as the performance obligations are satisfied, either over the contract policy period or as sales commissions are received when the performance obligation period does not extend beyond the sales transaction event.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. This Update is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The underlying premise of the Update is that financial assets measured at amortized cost should be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The allowance for credit losses should reflect management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The income statement will be affected for the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. With certain exceptions, transition to the new requirements will be through a cumulative-effect adjustment to opening retained earnings as of the beginning of the first reporting period in which the guidance is adopted. This Update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. We expect to recognize a one-time cumulative-effect adjustment to the allowance for loan losses when the new standard is adopted in the first quarter of 2023. We have not yet finalized the overall impact of the one-time adjustment at adoption in our the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls "reference rate reform" if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Also, entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform if certain criteria are met and can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. The amendments in this ASU are effective for all entities upon issuance. It is too early to predict whether a new rate index replacement and the adoption of the ASU will have a material impact on the Company's financial statements.

2. EARNINGS PER SHARE

There are no convertible securities that would affect the numerator in calculating basic and diluted earnings per share; therefore, net income as presented on the Consolidated Statement of Income will be used as the numerator. The following table sets forth the composition of the weighted-average common shares (denominator) used in the basic and diluted earnings per share computation.

	2022	2021
Weighted-average common shares issued	2,697,500	2,697,500
Weighted-average treasury stock shares	(67,350)	(74,553)
Weighted-average unvested restricted stock awards	(70,807)	(78,857)
Basic weighted-average shares outstanding	2,559,343	2,544,090
Dilutive effect of outstanding restricted stock awards	31,181	39,581
Dilutive effect of outstanding stock options	35,088	43,260
Diluted weighted-average shares outstanding	2,625,612	2,626,931

For the year ended December 31, 2022, the Company excluded from the computation of diluted weighted-average shares the impact of 42,059 options to purchase shares of the Company's common stock, as the effect would have been anti-dilutive.

For the year ended December 31, 2021, the Company excluded from the computation of diluted weighted-average shares the impact of 41,425 options to purchase shares of the Company's common stock, and 500 shares of restricted stock, as the effect would have been anti-dilutive.

3. INVESTMENT SECURITIES

The amortized cost, gross unrealized gains and losses, and fair value of investment securities are as follows:

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. treasury securities	$ 20,886,392	$ -	$ (1,753,897)	$ 19,132,495
U.S. government agency securities	49,881,118	-	(6,873,567)	43,007,551
Obligations of states and political subdivisions	41,934,666	3,345	(7,661,301)	34,276,710
Corporate securities	6,564,965	490	(113,026)	6,452,429
Mortgage-backed securities in government-sponsored entities	30,857,100	1,976	(4,387,180)	26,471,896
Collateralized mortgage obligations	30,260,783	-	(4,293,313)	25,967,470
Total Available for Sale	$ 180,385,024	$ 5,811	$ (25,082,284)	$ 155,308,551
Held to Maturity:				
Corporate Securities	$ 10,763,833	$ -	$ (692,836)	$ 10,070,997

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. treasury securities	$ 4,884,412	$ 42,108	$ -	$ 4,926,520
U.S. government agency securities	53,310,247	249,330	(936,051)	52,623,526
Obligations of states and political subdivisions	42,315,974	637,321	(370,663)	42,582,632
Corporate securities	8,576,994	127,400	(19,185)	8,685,209
Mortgage-backed securities in government-sponsored entities	32,662,635	167,391	(173,303)	32,656,723
Collateralized mortgage obligations	37,494,238	330,020	(551,730)	37,272,528
Total Available for Sale	$ 179,244,500	$ 1,553,570	$ (2,050,932)	$ 178,747,138
Held to Maturity:				
Corporate Securities	$ 9,777,862	$ 359,778	$ (12,182)	$ 10,125,458

3. INVESTMENT SECURITIES (Continued)

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

	2022					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for Sale:						
U.S. treasury securities	$ 19,132,495	$ (1,753,897)	$ -	$ -	$ 19,132,495	$ (1,753,897)
U.S. government agency securities	10,219,323	(554,800)	32,788,228	(6,318,767)	43,007,551	(6,873,567)
Obligations of states and political subdivisions	18,746,763	(3,690,444)	13,765,525	(3,970,857)	32,512,288	(7,661,301)
Corporate securities	4,529,899	(35,071)	422,045	(77,955)	4,951,944	(113,026)
Mortgage-backed securities in government-sponsored entities	5,561,090	(605,497)	19,490,124	(3,781,683)	25,051,214	(4,387,180)
Collateralized mortgage obligations	14,034,828	(837,805)	11,932,642	(3,455,508)	25,967,470	(4,293,313)
Total Available for Sale	$ 72,224,398	$ (7,477,514)	$ 78,398,564	$ (17,604,770)	$ 150,622,962	$ (25,082,284)
Held to Maturity:						
Corporate Securities	$ 8,502,470	$ (511,364)	$ 1,568,528	$ (181,473)	$ 10,070,998	$ (692,836)

	2021					
	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available for Sale:						
U.S. government agency securities	$ 20,975,310	$ (371,738)	$ 17,288,237	$ (564,313)	$ 38,263,547	$ (936,051)
Obligations of states and political subdivisions	11,834,656	(138,817)	5,583,509	(231,846)	17,418,165	(370,663)
Corporate securities	499,775	(225)	481,040	(18,960)	980,815	(19,185)
Mortgage-backed securities in government-sponsored entities	26,314,541	(173,303)	-	-	26,314,541	(173,303)
Collateralized mortgage obligations	15,414,720	(434,667)	1,901,420	(117,063)	17,316,140	(551,730)
Total Available for Sale	$ 75,039,002	$ (1,118,750)	$ 25,254,206	$ (932,182)	$ 100,293,208	$ (2,050,932)
Held to Maturity:						
Corporate Securities	$ 1,237,818	$ (12,182)	$ -	$ -	$ 1,237,818	$ (12,182)

3. INVESTMENT SECURITIES (Continued)

The Company had 193 investment securities, consisting of 40 U.S. government agency securities, 66 obligations of states and political subdivisions, 23 different corporate securities, 32 mortgage-backed securities, and 32 collateralized mortgage obligations that were in unrealized loss positions at December 31, 2022. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis or par value, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2022.

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

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 12,137,266	$ 12,083,998	$ -	$ -
Due after one year through five years	42,817,685	39,544,375	2,000,000	1,952,180
Due after five years through ten years	58,482,191	48,596,640	8,763,833	8,118,817
Due after ten years	66,947,882	55,083,538	-	-
Total	$ 180,385,024	$ 155,308,551	$ 10,763,833	$ 10,070,997

Investment securities with a carrying value of $70,917,500 and $133,085,381 at December 31, 2022 and 2021, respectively, were pledged to secure deposits and other purposes as required by law.

The following is a summary of proceeds received, gross gains, and gross losses realized on the sale and calls of investment securities available for sale for the years ended December 31:

	2022	2021
Proceeds from sales	$ -	$ -
Proceeds from calls	999,560	3,564,556
Gross gains	440	12,582
Gross losses	-	-

Equity Securities

The Company recognized changes in fair value of equity securities in equity securities gains (losses), net. The following is a summary of unrealized and realized gains and losses recognized in net income on equity securities during the years ended December 31, 2022 and 2021:

	2022	2021
Net gains (losses) recognized in equity securities during the year	$ 164,537	$ 261,581
Less: Net gains (losses) realized on sale of equity securities during the year	-	-
Unrealized gains (losses) recognized in equity securities	$ 164,537	$ 261,581

4. LOANS

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

	2022	2021
Commercial real estate	$ 489,329,128	$ 385,694,921
Commercial and industrial	132,681,835	118,901,198
Agricultural	28,535,279	30,749,635
State and political subdivisions	24,226,289	38,831,785
Consumer	5,030,762	16,191,648
Residential real estate	343,701,821	288,344,158
	1,023,505,114	878,713,345
Less allowance for loan losses	10,335,231	10,559,852
Net loans	$ 1,013,169,883	$ 868,153,493

Mortgage loans serviced by the Company for others amounted to $29,009,755 and $34,542,424 at December 31, 2022 and 2021, respectively.

The Company grants residential, commercial, and consumer loans to customers throughout its trade area, which is concentrated in central Pennsylvania. Such loans are subject to, at origination, credit risk assessment by management following the Company's lending policy. Although the Company has a diversified loan portfolio at December 31, 2022 and 2021, a substantial portion of its debtors' ability to honor their loan agreements is dependent upon the economic stability of its immediate trade area.

Paycheck Protection Program

During 2022 and 2021, the Company participated in the Paycheck Protection Program ("PPP"), administered directly by the U.S. SBA. The PPP provides loans to small businesses who were affected by economic conditions as a result of COVID-19, to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt during the COVID-19 emergency. As of December 31, 2022 and 2021, the Company had outstanding PPP loan principal balances of $0 and $9,881,292, respectively. The loans were fully guaranteed by the SBA and were eligible for forgiveness by the SBA to the extent that the proceeds were used to cover eligible payroll costs, interest costs, rent, and utility costs over a period of up to 24 weeks after the loan was made as long as certain conditions were met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Company. PPP loans are included in the Commercial and Industrial category.

In accordance with the SBA terms and conditions on these PPP loans, the Company received fees associated with the processing of these loans of approximately $254 thousand and $2.2 million during 2022 and 2021, respectively. Upon funding of the loans, these fees were deferred and amortized as earned as adjustments to yield in accordance with FASB ASC 310-20-25-2. Deferred PPP fee income of $0 and $256,211 was included in loans receivable at December 31, 2022 and 2021, respectively.

4. LOANS (Continued)

COVID-19 Loan Forbearance Programs

Section 4013 of the CARES Act provides that banks may elect not to categorize a loan modification as a TDR if the loan modification is (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date on which the national emergency concerning the novel coronavirus disease (COVID–19) outbreak declared by the President on March 13, 2020, under the National Emergencies Act terminates, or (B) December 31, 2020. On April 7, 2020, federal banking regulators issued a revised interagency statement that included guidance on their approach for the accounting of loan modifications in light of the economic impact of the COVID-19 pandemic. The guidance interprets current accounting standards and indicates that a lender can conclude that a borrower is not experiencing financial difficulty if short-term modifications are made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to the loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification program is implemented.

According to the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised) issued by the federal bank regulatory agencies on April 7, 2020, short-term loan modifications not otherwise eligible under Section 4013 that are made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

During 2022 and 2021, no customers requested loan payment deferrals or payments of interest only. As of December 31, 2022, no loans remained in deferral status. As of December 31, 2021, 6 loans remained in deferral status, with outstanding balances of approximately $1.1 million. In accordance with Section 4013 of the CARES Act and the interagency guidance issued on April 7, 2020, these short-term deferrals were not considered to be troubled debt restructurings.

Loans to Officers and Directors

In the normal course of business, loans are extended to directors, executive officers, and their associates. A summary of loan activity for those directors, executive officers, and their associates with loan balances in excess of $60,000 for the years ended December 31, 2022, and 2021, is as follows:

Balance 2020	Additions	Amounts Collected	Balance 2021	Additions	Amounts Collected	Balance 2022
$ 8,521,157	$ 1,678,032	$ (2,822,835)	$ 7,376,354	$ 2,026,246	$ (2,223,781)	$ 7,178,819

5. ALLOWANCE FOR LOAN LOSSES

Management has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance for loan losses, the Company has segmented certain loans in the portfolio by product type. Loans are segmented into the following pools: commercial real estate loans, commercial and industrial loans, agricultural loans, state and political subdivision loans, consumer loans, and residential real estate loans. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. The historical loss percentages are calculated over a five-year period for all portfolio segments. Certain qualitative factor adjustments are then added to the historical loss percentages to calculate the adjusted factor applied to non-classified loans. Qualitative factors are reviewed each quarter and adjusted based upon relevant changes within the Bank's operating environment.

The following qualitative factors are analyzed to determine allocations for non-classified loans for each portfolio segment:

- Changes in lending policies and procedures
- Changes in economic and business conditions
- Changes in nature and volume of the loan portfolio
- Changes in lending staff experience and ability
- Changes in past-due loans, nonaccrual loans, and classified loans
- Changes in credit risk management
- Changes in underlying value of collateral-dependent loans
- Levels of credit concentrations
- Effects of external factors, such as legal and regulatory requirements

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

Repayment of agricultural loans can also be impacted by fluctuations in commodity prices. Although a customer's ability to repay for both one-to-four family residential mortgage loans and consumer loans is highly dependent on the local economy, especially employment levels, consumer loans as a group generally present a higher degree of risk because of the nature of collateral, if any. State and political subdivision loans carry the lowest risk, as most state and political subdivision loans are either backed by the full taxing authority of a municipality or the revenue of a municipal authority.

5. ALLOWANCE FOR LOAN LOSSES (Continued)

The following tables present, by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans as of and for the years ended December 31:

	2022							
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 5,270,205	$ 1,516,700	$ 325,746	$ 176,685	$ 46,552	$ 1,961,277	$ 1,262,687	$ 10,559,852
Charge-offs	-	(335,107)	-	-	(16,990)	(1,153)	-	(353,250)
Recoveries	-	125,000	-	-	3,629	-	-	128,629
Provision	838,658	272,247	(39,277)	(69,741)	8,488	252,311	(1,262,687)	-
Ending balance	$ 6,108,863	$ 1,578,840	$ 286,469	$ 106,944	$ 41,680	$ 2,212,435	$ -	$ 10,335,231
Ending balance individually evaluated for impairment	$ 6,479	$ 19,801	$ 40,344	$ -	$ 283	$ 148,327	$ -	$ 215,234
Ending balance collectively evaluated for impairment	6,102,384	1,559,038	246,125	106,944	41,397	2,064,108	-	10,119,997
	$ 6,108,863	$ 1,578,840	$ 286,469	$ 106,944	$ 41,680	$ 2,212,435	$ -	$ 10,335,231
Loans:								
Individually evaluated for impairment	$ 205,972	$ 273,127	$ 208,702	$ -	$ 9,317	$ 1,564,707		$ 2,261,825
Collectively evaluated for impairment	489,123,156	132,408,708	28,326,577	24,226,289	5,021,445	342,137,114		1,021,243,289
Ending balance	$ 489,329,128	$ 132,681,835	$ 28,535,279	$ 24,226,289	$ 5,030,762	$ 343,701,821		$ 1,023,505,114

5. ALLOWANCE FOR LOAN LOSSES (Continued)

	2021							
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Consumer	Residential Real Estate	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 4,300,914	$ 1,163,561	$ 320,794	$ 190,954	$ 57,154	$ 1,871,288	$ 1,865,898	$ 9,770,563
Charge-offs	-	-	-	-	(1,202)	(10,000)	-	(11,202)
Recoveries	11,235	4,112	-	-	5,144	-	-	20,491
Provision	958,056	349,027	4,952	(14,269)	(14,544)	99,989	(603,211)	780,000
Ending balance	$ 5,270,205	$ 1,516,700	$ 325,746	$ 176,685	$ 46,552	$ 1,961,277	$ 1,262,687	$ 10,559,852
Ending balance individually evaluated for impairment	$ 22,224	$ 250,050	$ 44,087	$ -	$ 5,989	$ 133,886	$ -	$ 456,236
Ending balance collectively evaluated for impairment	5,247,981	1,266,650	281,659	176,685	40,563	1,827,391	1,262,687	10,103,616
	$ 5,270,205	$ 1,516,700	$ 325,746	$ 176,685	$ 46,552	$ 1,961,277	$ 1,262,687	$ 10,559,852
Loans:								
Individually evaluated for impairment	$ 254,364	$ 860,865	$ 288,518	$ -	$ 5,989	$ 1,317,154		$ 2,726,890
Collectively evaluated for impairment	385,440,557	118,040,333	30,461,117	38,831,785	16,185,659	287,027,004		875,986,455
Ending balance	$ 385,694,921	$ 118,901,198	$ 30,749,635	$ 38,831,785	$ 16,191,648	$ 288,344,158		$ 878,713,345

From 2021 to 2022, increases in our reserve requirements for the commercial real estate, commercial and industrial, and residential real estate loan pools related to loan portfolio growth of approximately $1.0 million, $0.3 million, and $0.3 million, respectively, were absorbed by unallocated reserves of approximately $1.3 million carrying forward from 2021. Reserves for individually evaluated loans decreased approximately $0.2 million during 2022 due primarily to the charge off of a non-performing commercial and industrial loan. There were no material changes in reserves due to qualitative factor adjustments during 2022. At December 31, 2021, the loan pool for commercial and industrial includes outstanding PPP loans of approximately $9.9 million, for which the qualitative risk factors used for calculating reserves are substantially lower due to the unique loan principal forgiveness and SBA loan guarantee features of the PPP loan program. At December 31, 2022, there were no outstanding PPP loan balances.

Credit Quality Information

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

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Information (Continued)

The Company's internally-assigned grades are as follows:

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

	2022				
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Total
Pass	$ 485,441,953	$ 131,670,430	$ 28,513,600	$ 24,226,289	$ 669,852,272
Special Mention	3,872,824	728,203	-	-	4,601,027
Substandard	-	161,676	-	-	161,676
Doubtful	14,351	121,526	21,679	-	157,556
Total	$ 489,329,128	$ 132,681,835	$ 28,535,279	$ 24,226,289	$ 674,772,531

	2021				
	Commercial Real Estate	Commercial and Industrial	Agricultural	State and Political Subdivisions	Total
Pass	$ 376,729,845	$ 112,872,779	$ 30,662,188	$ 38,831,785	$ 559,096,597
Special Mention	8,949,282	5,058,370	-	-	14,007,652
Substandard	-	828,911	-	-	828,911
Doubtful	15,794	141,138	87,447	-	244,379
Total	$ 385,694,921	$ 118,901,198	$ 30,749,635	$ 38,831,785	$ 574,177,539

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Credit Quality Information (Continued)

For consumer and residential real estate loans, the Company evaluates credit quality based on whether the loan is considered performing or nonperforming. Nonperforming loans are those loans past due 90 days or more and loans on nonaccrual. The following tables present the balances of consumer and residential real estate loans by classes of loan portfolio based on payment performance as of December 31:

	2022		
	Consumer	Residential Real Estate	Total
Performing	$ 5,030,762	$ 343,246,250	$ 348,277,013
Nonperforming	-	455,571	455,571
Total	$ 5,030,762	$ 343,701,821	$ 348,732,583

	2021		
	Consumer	Residential Real Estate	Total
Performing	$ 16,185,659	$ 287,625,716	$ 303,811,375
Nonperforming	5,989	718,442	724,431
Total	$ 16,191,648	$ 288,344,158	$ 304,535,806

Age Analysis of Past Due Loans by Class

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

	2022						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	90 Days and Accruing
Commercial real estate	$ 211,804	$ -	$ -	$ 211,804	$ 489,117,324	$ 489,329,128	$ -
Commercial and industrial	50,000	208,365	29,990	288,355	132,393,480	132,681,835	-
Agricultural	-	-	21,679	21,679	28,513,600	28,535,279	-
State and political subdivisions	-	-	-	-	24,226,289	24,226,289	-
Consumer	9,289	-	-	9,289	5,021,473	5,030,762	-
Residential real estate	164,520	218,137	455,571	838,228	342,863,593	343,701,821	157,767
Total	$ 435,613	$ 426,502	$ 507,240	$ 1,369,355	$ 1,022,135,759	$ 1,023,505,114	$ 157,767

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Age Analysis of Past Due Loans by Class (Continued)

	2021						
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Loans	90 Days and Accruing
Commercial real estate	$ -	$ -	$ 15,794	$ 15,794	$ 385,679,127	$ 385,694,921	$ -
Commercial and industrial	67,725	162,058	141,138	370,921	118,530,277	118,901,198	-
Agricultural	-	-	87,447	87,447	30,662,188	30,749,635	-
State and political subdivisions	-	-	-	-	38,831,785	38,831,785	-
Consumer	-	-	5,989	5,989	16,185,659	16,191,648	-
Residential real estate	41,322	409,445	718,442	1,169,209	287,174,949	288,344,158	326,690
Total	$ 109,047	$ 571,503	$ 968,810	$ 1,649,360	$ 877,063,985	$ 878,713,345	$ 326,690

Consumer mortgage loans held by the Company in the process of foreclosure amounted to $250,404 and $303,674 as of December 31, 2022 and 2021, respectively.

Impaired Loans

Management considers commercial real estate loans, commercial and industrial loans, agricultural loans, and state and political subdivision loans which are 90 days or more past due to be impaired. After becoming 90 days or more past due, these categories of loans are measured for impairment. Any consumer and residential real estate loans related to these delinquent loans are also considered to be impaired. Troubled debt restructurings are measured for impairment at the time of restructuring. These loans are analyzed to determine if it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. If management determines that the fair value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized through a provision or through a charge to the allowance for loan losses.

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Impaired Loans (Continued)

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

	2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ 115,207	$ 115,207	$ -	$ 71,014	$ 7,484
Commercial and industrial	121,526	121,526	-	129,904	-
Agricultural	-	-	-	-	-
State and political subdivisions	-	-	-	-	-
Consumer	-	-	-	-	-
Residential real estate	104,913	104,913	-	101,716	-
	341,646	341,646	-	302,634	7,484
With an allowance recorded:					
Commercial real estate	90,765	90,765	6,479	157,609	5,829
Commercial and industrial	151,601	151,601	19,801	562,859	13,304
Agricultural	208,702	208,702	40,344	226,249	9,649
State and political subdivisions	-	-	-	-	-
Consumer	9,317	9,317	283	5,173	718
Residential real estate	1,459,794	1,459,794	148,327	1,393,733	57,052
	1,920,179	1,920,179	215,234	2,345,623	86,552
Total:					
Commercial real estate	205,972	205,972	6,479	228,623	13,313
Commercial and industrial	273,127	273,127	19,801	692,763	13,304
Agricultural	208,702	208,702	40,344	226,249	9,649
State and political subdivisions	-	-	-	-	-
Consumer	9,317	9,317	283	5,173	718
Residential real estate	1,564,707	1,564,707	148,327	1,495,449	57,052
Total	$ 2,261,825	$ 2,261,825	$ 215,234	$ 2,648,257	$ 94,036

	2021				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial real estate	$ -	$ -	$ -	$ -	$ -
Commercial and industrial	141,138	141,138	-	-	-
Agricultural	63,933	63,933	-	67,466	-
State and political subdivisions	-	-	-	-	-
Consumer	-	-	-	-	-
Residential real estate	97,773	97,773	-	227,776	-
	302,844	302,844	-	295,242	-
With an allowance recorded:					
Commercial real estate	254,364	254,364	22,224	277,669	15,898
Commercial and industrial	719,727	719,727	250,050	695,390	11,081
Agricultural	224,585	224,585	44,087	231,991	8,341
State and political subdivisions	-	-	-	-	-
Consumer	5,989	5,989	5,989	2,754	-
Residential real estate	1,219,381	1,219,381	133,886	644,639	18,121
	2,424,046	2,424,046	456,236	1,852,443	53,441
Total:					
Commercial real estate	254,364	254,364	22,224	277,669	15,898
Commercial and industrial	860,865	860,865	250,050	695,390	11,081
Agricultural	288,518	288,518	44,087	299,457	8,341
State and political subdivisions	-	-	-	-	-
Consumer	5,989	5,989	5,989	2,754	-
Residential real estate	1,317,154	1,317,154	133,886	872,415	18,121
Total	$ 2,726,890	$ 2,726,890	$ 456,236	$ 2,147,685	$ 53,441

Nonaccrual Loans

Loans are considered nonaccrual upon reaching 90 days of delinquency even though the Company may be receiving partial payments of interest and partial repayments of principal on such loans. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is deducted from interest income. Interest income that would have been recorded on nonaccrual loans in accordance with their original terms totaled approximately $61,839 and $42,671 as of December 31, 2022 and 2021, respectively.

5. ALLOWANCE FOR LOAN LOSSES (Continued)

Nonaccrual Loans (Continued)

The following table includes the loan balances on nonaccrual status as of December 31:

	2022	2021
Commercial real estate	$ 14,351	$ 15,794
Commercial and industrial	121,526	141,138
Agricultural	21,679	87,447
Consumer	-	5,989
Residential real estate	397,867	391,752
Total	$ 555,423	$ 642,120

Troubled Debt Restructuring (TDR's)

The Company's loan portfolio also includes certain loans that have been modified in a troubled debt restructuring, where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Company's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions.

When the Company modifies a loan, management evaluates any possible impairment based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement. If management determines that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized either through a charge-off to the allowance or a specific reserve. As of December 31, 2022 and 2021, specific reserve allocations of $175,363 and $283,715, respectively, had been established against the troubled debt restructurings and no charge-offs for the troubled debt restructurings were required.

There were no loans modified in a troubled debt restructuring from January 1, 2020 through December 31, 2021, that subsequently defaulted (i.e., 90 days or more past due following a modification) during the years ended December 31, 2022 and 2021, respectively.

Loan modifications considered troubled debt restructurings completed during the year ended December 31, 2022 consist of one residential real estate loan and one unsecured consumer line of credit. The Company's outstanding recorded investment in the loans at the time of the restructuring was $314,487 and $9,823, for the real estate loan and line of credit, respectively. Modifications to the real estate loan include a lengthened maturity date and reduced monthly payment. The maturity date of the credit line was extended. The Company's outstanding recorded investment amount in these loans was not changed by the TDR modifications.

Loan modifications considered troubled debt restructurings completed during the year ended December 31, 2021 consist of eleven commercial loans and a residential real estate loan, all with a single borrower. The Company's outstanding recorded investment in the loans at the time of the restructuring was $207,291 and $709,393, for the commercial loans and the real estate loan, respectively. Modifications include changes to the loan maturity dates, and interest only payments for a number of the commercial loans. The Company's outstanding recorded investment amount in these loans was not changed by the TDR modifications.

6. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows:

	2022	2021
Land and land improvements	$ 2,959,350	$ 2,394,918
Buildings and leasehold improvements	32,069,851	30,278,415
Buildings - construction in progress	9,396	911,279
Furniture, fixtures, and equipment	9,750,458	9,168,725
	44,789,055	42,753,337
Less accumulated depreciation	17,993,384	17,174,994
Total	$ 26,795,671	$ 25,578,343

Depreciation charged to operations was $1,464,812 in 2022 and $1,397,013 in 2021.

7. GOODWILL

As of December 31, 2022 and 2021, goodwill had a gross carrying amount of $4,174,955, and accumulated amortization of $614,013 for a net carrying value of $3,560,942. The carrying amount of goodwill was tested for impairment in the fourth quarter, after the annual forecasting process. There was no impairment for the years ended December 31, 2022 and 2021.

8. DEPOSITS

The scheduled maturities of time deposits approximate the following:

Year Ending December 31,	Amount
2023	$ 145,142,981
2024	100,495,532
2025	7,475,553
2026	6,865,368
2027	6,282,160
Thereafter	2,014,544
	$ 268,276,138

The aggregate of all time deposit accounts of $250,000 or more amounted to $76,886,890 and $78,736,718 as of December 31, 2022 and 2021, respectively. As of December 31, 2022, there were no individual depositors with balances in excess of 5% of total deposits. As of December 31, 2021, there was one individual depositor with a deposit account balance in excess of 5% of total deposits, in the amount of approximately $51.2 million.

9. SHORT-TERM BORROWINGS

Short-term borrowings include overnight repurchase agreements through the FHLB, federal funds purchased, and repurchase agreements with customers. The outstanding balances and related information for short-term borrowings are summarized as follows:

	2022	2021
Balance at year-end	$ 100,326,547	$ 67,433,957
Average balance outstanding	83,774,238	61,364,033
Maximum month-end balance	105,337,229	74,291,791
Weighted-average rate at year-end	4.71%	0.28%
Weighted-average rate during the year	2.51%	0.33%

The collateral pledged on the repurchase agreements by the remaining contractual maturity of the repurchase agreements in the Consolidated Balance Sheet as of years ended December 31, 2022 and 2021, is presented in the following table.

	Remaining Contractual Maturity Overnight and Continuous	
	December 31, 2022	December 31, 2021
Securities of U.S. Government Agencies, U.S. Treasuries, and obligations of state and political subdivisions pledged, fair value	$ 2,161,670	$ 6,620,013
Repurchase agreements	786,231	874,393

10. OTHER BORROWINGS

The following table sets forth information concerning other borrowings:

Description	Maturity Range From	Maturity Range To	Weighted-Average Interest Rate	Stated Interest Rate Range From	Stated Interest Rate Range To	At December 31, 2022	At December 31, 2021
Fixed rate	05/22/23	08/04/26	2.38 %	1.62 %	2.64 %	$ 16,821,000	$ 29,737,000
Fixed rate amortizing	01/31/23	07/15/24	1.60	1.33	1.81	1,475,655	3,381,698
Subordinated debt	08/25/24	03/03/26	4.24	4.00	4.75	27,930,998	27,879,922
Junior subordinated debt	03/17/35	11/23/35	4.99	4.46	5.53	6,186,000	6,186,000
						$ 52,413,653	$ 67,184,620

10. OTHER BORROWINGS (Continued)

Maturities of other borrowings at December 31, 2022, are summarized as follows:

Year Ending December 31,	Amount	Weighted-Average Rate
2023	$ 8,021,816	2.24 %
2024	5,792,839	2.37
2025	3,359,000	2.50
2026	1,123,000	2.01
2027	-	-
2028 and after	34,116,998	4.38
	$ 52,413,653	3.66

Borrowing capacity consists of credit arrangements with the FHLB. FHLB borrowings are subject to annual renewal, incur no service charges, and are secured by a blanket security agreement on certain investment and mortgage-backed securities, outstanding residential mortgages, and the Bank's investment in FHLB stock. As of December 31, 2022, the Bank's maximum borrowing capacity with the FHLB was approximately $473.1 million.

The Bank may request a Federal Reserve Advance secured by acceptable collateral. The Bank's maximum borrowing capacity with the Federal Reserve Bank as of December 31, 2022 is approximately $95.7 million.

The Bank maintains a $10.0 million, $10.0 million, and $5.0 million federal funds line of credit with three other financial institutions. The Bank maintains a $750,000 Letter of Credit Facility with a financial institution. The Bank did not have outstanding borrowings related to these lines of credit at December 31, 2022.

In 2014, the Company formed a special purpose entity ("Entity") to issue $3,093,000 of fixed/floating rate subordinated debt securities with a stated maturity of March 17, 2035. The rate on these securities is determined quarterly and floats based on three-month LIBOR plus 2.00 percent. The Entity may redeem them, in whole or in part, at face value on or after March 17, 2010. The Company borrowed the proceeds from the Entity in the form of a $3,093,000 note payable, which is included in the liabilities section of the Company's Consolidated Balance Sheet.

In 2015, the Company formed an additional special purpose entity to issue $3,093,000 of fixed/floating rate subordinated debt securities with a stated maturity of November 23, 2035. These securities had a fixed rate of 6.11 percent until November 23, 2015, at which time the rate converted to floating, is determined quarterly, and floats based on three-month LIBOR plus 1.50 percent. The Entity may redeem them, in whole or in part, at face value on or after November 23, 2010. The Company borrowed the proceeds from the Entity in the form of a $3,093,000 note payable, which is included in the liabilities section of the Company's Consolidated Balance Sheet.

In 2020, the Company issued $8,097,000 of fixed rate subordinated capital notes with stated maturities of June 23, 2030 through April 1, 2031. These securities bear a fixed annual rate of 4.75 percent. The Company may redeem them, in whole or in part, at face value on or after June 23, 2025. These borrowings are included in the liabilities section of the Company's Consolidated Balance Sheet.

10. OTHER BORROWINGS (Continued)

In 2021, the Company issued $20,000,000 of fixed rate subordinated capital notes with a stated maturity of April 7, 2031. The fixed securities bear an annual rate of 4.00 percent. The Company may redeem them, in whole or in part, at face value on or after April 7, 2026. These borrowings are included in the liabilities section of the Company's Consolidated Balance Sheet.

The Company's minority interests in these entities were recorded at the initial investment amount and are included in the accrued interest and other assets on the Consolidated Balance Sheet. These entities are not consolidated as part of the Company's consolidated financial statements.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to certain variable rate borrowings. The Company also has interest rate derivatives that result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk in the Company's assets or liabilities. The Company manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions.

The Company has contracted with a third party to engage pay-fixed interest rate swap contracts and the outstanding as of December 31, 2022, is being utilized to hedge $65.0 million in floating rate debt. At December 31, 2022 and 2021, the information pertaining to outstanding interest rate swap agreements is as follows:

	2022	2021
Notional amount	$ 147,437,424	$ 135,687,424
Weighted-average pay rate	3.39 %	3.09 %
Receive rate	1 or 3-Mo. Libor; 1-Mo. Term SOFR	1 or 3-Mo. Libor
Weighted-average maturity in years	5.0	5.9
Unrealized gain (loss) relating to interest rate swaps	4,757,978	(1,563,261)

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company has entered into interest rate swaps as part of its interest rate risk management strategy. These interest rate swaps are designated as cash flow hedges and involve the receipt of variable rate amounts from a counterparty in exchange for the Company making fixed interest payments. As of December 31, 2022 and 2021, the Company had six interest rate swaps with a notional of $65.0 million associated with the Company's cash outflows associated with various floating-rate amounts.

For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in other comprehensive income (outside of earnings), net of tax, and subsequently reclassified to earnings when the hedged transaction affects earnings, and the ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged transactions. The Company did not recognize any hedge ineffectiveness in earnings during the periods ended December 31, 2022 and 2021. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate liabilities. During the next twelve months, the Company estimates that $0 will be reclassified as an increase in interest expense.

Credit-Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain the following provisions:

- if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations;
- if the Company fails to maintain its status as a well/adequately capitalized institution, then the counterparty could terminate the derivative positions, and the Company would be required to settle its obligations under the agreements;
- if the Company fails to maintain a specified minimum leverage ratio, then the Company could be declared in default on its derivative obligations.

At December 31, 2022, the fair value of derivatives in a net asset position, which includes accrued interest and any credit valuation adjustments related to these agreements, was $4,757,978. At December 31, 2022, the Company had no required cash collateral with its derivative counterparties and was holding cash collateral of certain derivative counterparties in the amount of $11,550,000.

11. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Fair Values of Derivative Instruments on the Balance Sheet

The following table presents the fair values of derivative instruments in the consolidated balance sheet:

	Assets		Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
December 31, 2022				
Interest rate derivatives	Other assets	$ 11,650,894	Other liabilities	$ (6,892,916)
December 31, 2021				
Interest rate derivatives	Other assets	$ 2,277,931	Other liabilities	$ (3,841,192)

Derivative Instruments

The Company enters into interest rate swaps that allow our commercial loan customers to effectively convert a variable-rate commercial loan agreement to a fixed-rate loan agreement. Under these agreements, the Company enters into a variable-rate loan agreement with a customer in addition to an interest rate swap agreement, which serves to effectively swap the customer's variable-rate into a fixed-rate. The Company then enters into a swap agreement with a third party in order to economically hedge its exposure through the customer agreement.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives may use Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, at December 31, 2022, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined they are not significant. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

11. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative Instruments (Continued)

	Notional Amount December 31, 2022	Notional Amount December 31, 2021	Interest Rate Paid	Interest Rate Received	Fair Value December 31, 2022	Fair Value December 31, 2021
Cash flow interest rate swap						
Maturing in 2024	$ 6,000,000	$ 6,000,000	Fixed	3 Mo. Libor	$ 254,978	$ (151,818)
Maturing in 2025	22,000,000	22,000,000	Fixed	3 Mo. Libor	1,352,949	(427,551)
Maturing in 2026	22,000,000	22,000,000	Fixed	3 Mo. Libor	1,550,817	(627,802)
Maturing in 2027	10,000,000	10,000,000	Fixed	3 Mo. Libor	707,473	(450,122)
Maturing in 2030	5,000,000	5,000,000	Fixed	3 Mo. Libor	891,761	94,032
	$ 65,000,000	$ 65,000,000			$ 4,757,978	$ (1,563,261)
Customer interest rate swap						
Maturing in 2025	$ 9,100,000	$ 9,100,000	1 Mo. Libor + Margin	Fixed	$ (291,326)	$ 559,467
Maturing in 2026	9,266,000	9,266,000	1 Mo. Libor + Margin	Fixed	(232,956)	783,043
Maturing in 2027	10,776,388	1,026,388	1 Mo. Libor/1 Mo. SOFR+Margin	Fixed	45,994	(12,933)
Maturing in 2029	10,470,000	10,470,000	1 Mo. Libor + Margin	Fixed	(942,636)	416,196
Maturing in 2030	19,902,036	19,902,036	1 Mo. Libor + Margin	Fixed	(2,163,077)	523,823
Maturing in 2031	17,203,000	17,203,000	1 Mo. Libor + Margin	Fixed	(2,415,478)	197,103
Maturing in 2032	2,000,000	-	1 Mo. Libor/1 Mo. SOFR+Margin	Fixed	(167,466)	-
Maturing in 2035	3,720,000	3,720,000	1 Mo. Libor + Margin	Fixed	(725,971)	(188,768)
	$ 82,437,424	$ 70,687,424			$ (6,892,916)	$ 2,277,931
Third party interest rate swap						
Maturing in 2025	$ 9,100,000	$ 9,100,000	Fixed	1 Mo. Libor + Margin	$ 291,326	$ (559,467)
Maturing in 2026	9,266,000	9,266,000	Fixed	1 Mo. Libor + Margin	232,956	(783,043)
Maturing in 2027	10,776,388	1,026,388	Fixed	1 Mo. Libor/1 Mo. SOFR+Margin	(45,994)	12,933
Maturing in 2029	10,470,000	10,470,000	Fixed	1 Mo. Libor + Margin	942,636	(416,196)
Maturing in 2030	19,902,036	19,902,036	Fixed	1 Mo. Libor + Margin	2,163,077	(523,823)
Maturing in 2031	17,203,000	17,203,000	Fixed	1 Mo. Libor + Margin	2,415,478	(197,103)
Maturing in 2032	2,000,000	-	Fixed	1 Mo. Libor/1 Mo. SOFR+Margin	167,466	-
Maturing in 2035	3,720,000	3,720,000	Fixed	1 Mo. Libor + Margin	725,971	188,768
	$ 82,437,424	$ 70,687,424			$ 6,892,916	$ (2,277,931)

12. INCOME TAXES

The provision for federal income taxes for the years ended December 31, 2022 and 2021 consists of:

	2022	2021
Current	$ 2,243,421	$ 1,834,896
Deferred	179,626	(483,336)
Total provision	$ 2,423,047	$ 1,351,560

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2022 and 2021 are as follows:

	2022	2021
Deferred tax assets:		
Allowance for loan losses	$ 2,170,398	$ 2,217,569
Deferred compensation	431,972	445,183
Deferred incentive credits	203,917	231,723
Asset valuation allowances	62,437	74,594
Employee compensation accruals	290,265	289,464
Nonaccrual interest receivable	12,986	8,961
Unrealized loss on swaps - balance sheet hedge	-	313,569
Unrealized loss on available-for-sale securities	5,266,059	104,445
Partnerships	105,907	77,367
Lease liability	927,950	953,122
Capital loss carryforward	978	804
Other	691	1,174
Deferred tax assets	9,473,560	4,717,975
Deferred tax liabilities:		
Premises and equipment	660,323	546,798
Goodwill	405,166	378,674
Deferred loan fees	35,880	92,236
Unrealized gain on swaps - balance sheet hedge	975,427	-
Fair value adjustment - equity securities	166,196	131,643
Right of use asset	904,204	935,252
Deferred tax liabilities	3,147,196	2,084,603
Net deferred tax assets	$ 6,326,364	$ 2,633,372

No valuation allowance was established at December 31, 2022 and 2021, in view of the Company's ability to carryback taxes paid in previous years and certain tax strategies, coupled with the anticipated future taxable income as evidenced by the Company's earnings potential.

12. INCOME TAXES (Continued)

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

	2022		2021	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Provision at statutory rate	$ 3,209,503	21.0 %	$ 2,358,909	21.0 %
Tax-exempt interest	(250,825)	(1.6)	(322,889)	(2.9)
Life insurance income	(166,018)	(1.1)	(135,336)	(1.2)
Investment tax credits	(329,442)	(2.2)	(329,442)	(2.9)
Other	(40,171)	(0.3)	(219,681)	(2.0)
Income tax expense and effective rate	$ 2,423,047	15.8 %	$ 1,351,560	12.0 %

The Company prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions should be recognized in the financial statements only when it is more likely than not that the tax position will be sustained upon examination by the appropriate taxing authority that would have full knowledge of all relevant information. A tax position that meets the more-likely-than-not recognition threshold is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

There is currently no liability for uncertain tax positions and no known unrecognized tax benefits. The Company recognizes, when applicable, interest and penalties related to unrecognized tax benefits in the provision for income taxes in the Consolidated Statement of Income. The Company's federal and state income tax returns for taxable years through 2018 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

13. EMPLOYEE BENEFITS

Savings Plan

The Bank maintains a qualified 401(k) salary reduction and profit sharing plan that covers substantially all employees. Under the plan, employees make voluntary, pretax contributions to their accounts, and the Bank contributions to the plan are at the discretion of the Board of Directors. Contributions by the Bank charged to operations were $531,135 and $491,112 for the years ended December 31, 2022 and 2021, respectively. The fair value of plan assets includes $3,049,640 and $3,207,662 pertaining to the value of the Company's common stock that is held by the plan as of December 31, 2022 and 2021, respectively.

13. EMPLOYEE BENEFITS (Continued)

Deferred Compensation Plan

The Company has nonqualified deferred compensation plans that allow directors and senior executives to defer fees and salaries. Outstanding balances under these arrangements as of December 31, 2022 and 2021 were $2,057,010 and $2,119,917, respectively, and are reported as “Other liabilities” on the Consolidated Balance Sheet. Expenses related to these plans were a gain of $228,263 and a loss of $240,839 for the years ended December 31, 2022 and 2021, respectively.

Restricted Stock Plan

The Company maintains a Restricted Stock Plan (the “Plan”). Employees and board members are eligible to receive awards of restricted stock based upon performance-related requirements. Awards granted under the Plan are in the form of the Company’s common stock and are subject to certain vesting requirements including continuous employment or service with the Company. Since inception of the Plan in 1988, the Company has authorized share pools totaling 480,000 shares of the Company’s common stock to the plan. The Plan has a remaining available share pool of 194,100 shares and 210,247 shares as of December 31, 2022 and 2021, respectively. The Plan assists the Company in attracting, retaining and motivating employees and non-employee directors to make substantial contributions to the success of the Company and to increase the emphasis on the use of equity as a key component of compensation.

Compensation expense recognized related to restricted stock awards was $557,833 and $515,935 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, unrecognized compensation cost related to restricted stock awards was $1,138,001, which is expected to be recognized over a weighted average life of 3.17 years.

The following is a summary of the status of the Company’s outstanding restricted stock awards as of December 31, 2022 and 2021, and changes therein during the years then ended:

	Shares of Restricted Stock Outstanding		Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2020	81,104	$	27.10
Granted	18,160		30.34
Released from Restrictions	(24,236)		23.64
Forfeited	(1,842)		30.00
Outstanding at December 31, 2021	73,186		28.98
Granted	17,355		36.35
Released from Restrictions	(22,089)		28.01
Forfeited	(1,208)		30.16
Outstanding at December 31, 2022	67,244	$	31.18

13. EMPLOYEE BENEFITS (Continued)

Stock Option Plan

The Company has a stock option plan available for granting stock-based compensation awards to employees and board members. The Company authorized a share pool of 760,000 shares of the Company’s common stock for granting incentive stock options and non-qualified stock option awards. The stock option plan has a remaining available share pool of 114,056 and 149,527 shares as of December 31, 2022 and 2021, respectively. The exercise price for the purchase of shares subject to a stock option may not be less than 100 percent of the fair market value of the shares covered by the option on the date of the grant. The term of stock options will not exceed ten years from the date of grant. Options granted are primarily vested evenly over a three-year period from the grant date. Compensation expense recognized related to stock option awards was $188,518 and $129,509 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, unrecognized compensation cost related to stock option awards was $312,282 which is expected to be recognized over a weighted-average life of 1.89 years.

The following table presents share data related to the outstanding option awards:

	Incentive Stock Options			Non-Qualified Stock Options		
	Options Outstanding		Weighted-Average Exercise Price	Options Outstanding		Weighted-Average Exercise Price
Outstanding, December 31, 2020	145,558	$	26.46	69,414	$	22.65
Granted	34,500		30.41	8,415		30.05
Exercised	(11,140)		23.24	(7,545)		22.54
Forfeited/Expired	(4,301)		29.88	(2,632)		28.87
Outstanding, December 31, 2021	164,617		27.42	67,652		23.34
Granted	32,190		36.00	7,585		36.00
Exercised	(14,788)		24.24	(15,820)		19.16
Forfeited/Expired	(3,000)		30.38	(1,304)		28.89
Outstanding, December 31, 2022	179,019	$	29.17	58,113	$	26.01
Exercisable at December 31, 2022	114,574	$	27.34	43,919	$	23.85

13. EMPLOYEE BENEFITS (Continued)

Stock Option Plan (Continued)

Option awards outstanding and exercisable as of December 31, 2022:

Incentive Stock Options

Expiration Date	Exercise Price	Share Awards Outstanding	Share Awards Exercisable	Remaining Contractual Life (years)
04/01/23	$ 16.63	5,100	5,100	0.25
04/01/24	18.25	3,222	3,222	1.25
04/01/25	19.48	6,368	6,368	2.25
03/30/26	22.00	7,300	7,300	3.24
10/31/26	22.40	1,000	1,000	3.83
12/12/26	22.38	1,000	1,000	3.95
04/03/27	27.00	8,800	8,800	4.25
04/02/28	29.63	24,575	24,575	5.25
04/01/29	31.60	28,418	28,418	6.25
04/03/30	25.65	26,512	16,587	7.25
12/01/30	30.00	2,900	1,932	7.92
04/03/31	30.05	30,584	9,772	8.25
10/01/31	38.25	1,500	500	8.75
03/25/32	36.00	31,740	-	9.23
		179,019	114,574	

Non-Qualified Stock Options

Expiration Date	Exercise Price	Share Awards Outstanding	Share Awards Exercisable	Remaining Contractual Life (years)
04/01/23	$ 16.63	3,900	3,900	0.25
04/01/24	18.25	2,222	2,222	1.25
04/01/25	19.48	5,820	5,820	2.25
03/30/26	22.00	9,124	9,124	3.25
10/31/26	22.40	1,000	1,000	3.83
12/12/26	22.38	1,000	1,000	3.95
04/03/27	27.00	10,096	10,096	4.25
04/02/28	29.63	1,260	1,260	5.25
04/01/29	31.60	2,980	2,980	6.25
04/03/30	25.65	5,091	3,507	7.25
10/28/30	28.25	1,000	666	7.82
04/03/31	30.05	7,035	2,344	8.25
03/25/32	36.00	7,585	-	9.23
		58,113	43,919	

14. COMMITMENTS

In the normal course of business, there are outstanding commitments and contingent liabilities such as commitments to extend credit, financial guarantees, and letters of credit that are not reflected in the accompanying consolidated financial statements. The Company does not anticipate any losses as a result of these transactions. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheet.

The contract or notional amounts of those instruments reflect the extent of involvement the Company has in the particular classes of financial instruments that consisted of the following:

	2022	2021
Commitments to extend credit	$ 390,351,246	$ 300,005,656
Standby letters of credit	7,301,502	4,330,165
Total	$ 397,652,748	$ 304,335,821

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

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

Lease Commitments

The Company leases office space and real estate for its bank branches with terms ranging from two years to eighteen years. The Company's leases are classified as operating leases. In accordance with ASC 842, operating lease agreements are required to be recognized on the consolidated balance sheet as a right-of-use (ROU) asset and a corresponding lease liability. A combined ROU asset balance of $4,305,731 and $4,453,581 related to these operating leases is included in Accrued Interest and Other Assets on the consolidated balance sheet as of December 31, 2022 and 2021, respectively. A combined lease liability of $4,418,809 and $4,538,678 related to these operating leases is included in Accrued Interest and Other Liabilities on the consolidated balance sheet as of December 31, 2022 and 2021, respectively.

14. COMMITMENTS (Continued)

Lease Commitments (Continued)

Maturities of our lease liabilities for all operating leases for each of the next five years and thereafter are as follows:

	Operating Lease Payments
2023	$ 433,419
2024	442,592
2025	420,621
2026	345,209
2027	342,537
Thereafter	3,603,250
Total lease payments	5,587,628
Less: imputed interest	1,168,819
Present value of lease liabilities	$ 4,418,809

The calculated amount of the lease liability in the preceding table is impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreement includes one or more options to renew at the Company's discretion. If at lease inception the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As most of our leases do not provide an implicit rate, we use the fully collateralized FHLB borrowing rate, commensurate with the lease terms based on the information available at the lease commencement date in determining the present value of the lease payments.

Our combined operating leases have a weighted-average discount rate of 3.22% and 3.25%, and a weighted-average remaining lease term of 14.1 years and 14.2 years as of December 31, 2022 and 2021, respectively.

Contingent Liabilities

The Company from time to time may be a party in various legal actions from the normal course of business activities. Management believes the liability, if any, arising from such actions will not have a material adverse effect on the Company's financial position.

15. REGULATORY RESTRICTIONS

Loans

Federal law prevents the Company from borrowing from the Bank unless the loans are secured by specific obligations. Further, such secured loans are limited in amount to 10 percent of the Bank's common stock and capital surplus. There were no such borrowings by the Company during 2022 and 2021.

Dividends

The Pennsylvania Banking Code restricts the availability of capital surplus for dividend purposes. At December 31, 2022, the Bank had a capital surplus of $13,207,240 which was not available for distribution to the Company as dividends.

16. REGULATORY CAPITAL

Federal regulations require the Company and the Bank to maintain minimum amounts of capital. Specifically, each is required to maintain certain minimum dollar amounts and ratios of Total Tier I and Common Equity Tier 1 capital to risk-weighted assets and of Tier I capital to average total assets.

In addition to the capital requirements, the Federal Deposit Insurance Corporation Improvement Act ("FDICIA") established five capital categories ranging from "well capitalized" to "critically undercapitalized." Should any institution fail to meet the requirements to be considered "adequately capitalized," it would become subject to a series of increasingly restrictive regulatory actions.

As of December 31, 2022 and 2021, the FDIC categorized the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action. To be classified as a well capitalized financial institution, Total risk-based, Common Equity Tier I, Tier I risk-based, and Tier I leverage capital ratios must be at least 10 percent, 6.50 percent, 8 percent, and 5 percent, respectively.

The Company's actual capital ratios are presented in the following table that shows the Company met all regulatory capital requirements:

	2022		2021	
	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 129,819,958	11.57 %	$ 121,077,636	12.78 %
For capital adequacy purposes	89,781,117	8.00	75,773,784	8.00
To be well capitalized	112,226,396	10.00	94,717,230	10.00
Common Equity Tier I (to risk-weighted assets)				
Actual	$ 85,694,466	7.64 %	$ 76,227,523	8.05 %
For capital adequacy purposes	50,501,878	4.50	42,622,753	4.50
To be well capitalized	72,947,157	6.50	61,566,199	6.50
Tier I capital (to risk-weighted assets)				
Actual	$ 91,694,466	8.17 %	$ 82,227,523	8.68 %
For capital adequacy purposes	67,335,838	6.00	56,830,338	6.00
To be well capitalized	89,781,117	8.00	75,773,784	8.00
Tier I capital (to average assets)				
Actual	$ 91,694,466	6.96 %	$ 82,227,523	6.69 %
For capital adequacy purposes	52,701,512	4.00	49,198,771	4.00
To be well capitalized	65,876,890	5.00	61,498,463	5.00

16. REGULATORY CAPITAL (Continued)

The Bank's actual capital ratios are presented in the following table which shows the Bank met all regulatory capital requirements:

	2022		2021	
	Amount	Ratio	Amount	Ratio
Total capital (to risk-weighted assets)				
Actual	$ 120,906,721	10.71 %	$ 102,659,040	10.87 %
For capital adequacy purposes	90,281,978	8.00	75,581,493	8.00
To be well capitalized	112,852,473	10.00	94,476,866	10.00
Common Equity Tier I (to risk-weighted assets)				
Actual	$ 110,378,229	9.78 %	$ 91,905,928	9.73 %
For capital adequacy purposes	50,783,613	4.50	42,514,590	4.50
To be well capitalized	73,354,107	6.50	61,409,963	6.50
Tier I capital (to risk-weighted assets)				
Actual	$ 110,378,229	9.78 %	$ 91,905,928	9.73 %
For capital adequacy purposes	67,711,484	6.00	56,686,120	6.00
To be well capitalized	90,281,978	8.00	75,581,493	8.00
Tier I capital (to average assets)				
Actual	$ 110,378,229	8.39 %	$ 91,905,928	7.53 %
For capital adequacy purposes	52,638,947	4.00	48,840,828	4.00
To be well capitalized	65,798,684	5.00	61,051,035	5.00

17. FAIR VALUE MEASUREMENTS

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

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

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

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

17. FAIR VALUE MEASUREMENTS (Continued)

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

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

	December 31, 2022			
	Level I	Level II	Level III	Total
Investment and equity securities at fair value:				
U.S. treasury securities	$ -	$ 19,132,495	$ -	$ 19,132,495
U.S. government agency securities	-	43,007,551	-	43,007,551
Obligations of states and political subdivisions	-	34,276,710	-	34,276,710
Corporate securities	-	6,452,429	-	6,452,429
Mortgage-backed securities in government-sponsored entities	-	26,471,896	-	26,471,896
Collateralized mortgage obligations	-	25,967,470	-	25,967,470
Equity securities	2,858,117	-	-	2,858,117
Total	$ 2,858,117	$ 155,308,551	$ -	$ 158,166,668
Derivatives at fair value: (1)				
Assets	$ -	$ 11,650,894	$ -	$ 11,650,894
Liabilities	$ -	$ (6,892,916)	$ -	$ (6,892,916)

	December 31, 2021			
	Level I	Level II	Level III	Total
Investment and equity securities at fair value:				
U.S. treasury securities	$ -	$ 4,926,520	$ -	$ 4,926,520
U.S. government agency securities	-	52,623,526	-	52,623,526
Obligations of states and political subdivisions	-	42,582,632	-	42,582,632
Corporate securities	-	8,685,209	-	8,685,209
Mortgage-backed securities in government-sponsored entities	-	32,656,722	-	32,656,722
Collateralized mortgage obligations	-	37,272,529	-	37,272,529
Equity securities	2,693,580	-	-	2,693,580
Total	$ 2,693,580	$ 178,747,138	$ -	$ 181,440,718
Derivatives at fair value: (1)				
Assets	$ -	$ 2,277,931	$ -	$ 2,277,931
Liabilities	$ -	$ (3,841,192)	$ -	$ (3,841,192)

(1) Derivative assets and liabilities at fair value are included in our Consolidated Balance Sheet in *Accrued interest and other assets* and *Accrued interest and other liabilities*, respectively.

17. FAIR VALUE MEASUREMENTS (Continued)

Investment Securities

The fair market value of investment securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities. Fair value for certain held to maturity securities were determined utilizing discounted cash flow models, due to the absence of a current market to provide reliable market quotes for the instruments.

Impaired Loans

The Company has measured impairment on loans generally based on the fair value of the loan's collateral on a non-recurring basis. Fair value is generally determined based upon independent third-party appraisals of the properties. In some cases, management may adjust the appraised value due to the age of the appraisal, changes in market conditions, or observable deterioration of the property since the appraisal was completed. Additionally, management makes estimates about expected costs to sell the property which are also included in the net realizable value. If the fair value of the collateral dependent loan is less than the carrying amount of the loan, a specific reserve for the loan is made in the allowance for loan losses, or a charge-off is taken to reduce the loan to the fair value of the collateral (less estimated selling costs) and the loan is included in the table above as a Level III measurement.

Derivatives

Derivative instruments are recorded at fair value based upon commercially reasonable industry and market practices for valuing similar financial instruments. Certain inputs to the credit valuation models may be based on assumptions and best estimates that are not readily observable in the marketplace. Valuations do not reflect trading costs or counterparty charges that could apply if positions are terminated.

Mortgage Servicing Rights

Mortgage servicing rights are accounted for under the amortization method and are adjusted to the lower of aggregate cost or estimated fair value on a semi-annual basis or more frequently as deemed appropriate. Fair value is estimated by projecting and discounting future cash flows. Various assumptions including future cash flows, market discount rates, expected prepayment rates, servicing costs, and other factors are used in the valuation of mortgage servicing rights.

The following tables present the assets measured on a nonrecurring basis on the Consolidated Balance Sheet at their fair value as of December 31, 2022 and 2021, by level within the fair value hierarchy. Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. Techniques used to value the collateral that secure the impaired loans include: quoted market prices for identical assets classified as Level I inputs and observable inputs employed by certified appraisers for similar assets classified as Level II inputs. In cases where valuation techniques included inputs that are unobservable and are based on estimates and assumptions developed by management based on the best information available under each circumstance, the asset valuation is classified as Level III input. Other real estate owned is measured at fair value, less cost to sell at the date of 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. The fair value for mortgage servicing rights is estimated by discounting contractual cash flows and adjusting for prepayment estimates. Discount rates are based upon rates generally charged for such loans with similar characteristics.

17. FAIR VALUE MEASUREMENTS (Continued)

Mortgage Servicing Rights (Continued)

	December 31, 2022			
	Level I	Level II	Level III	Total
Assets:				
Impaired loans	$ -	$ -	$ 2,046,591	$ 2,046,591
Mortgage servicing rights	-	-	175,683	175,683

	December 31, 2021			
	Level I	Level II	Level III	Total
Assets:				
Impaired loans	$ -	$ -	$ 2,270,654	$ 2,270,654
Mortgage servicing rights	-	-	174,388	174,388

The following tables provide a listing of significant unobservable inputs used in the fair value measurement process for items valued utilizing Level III techniques as of December 31, 2022 and 2021.

	December 31, 2022			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Impaired loans	$ 1,844,464	Discounted cash flows	Discount Rate	4.00% - 10.00% discount Weighted Average (5.20%)
Impaired loans	$ 202,127	Property appraisals	Management discount for property type and recent market volatility	15.00% - 100.00% discount Weighted Average (23.13%)
Mortgage servicing rights	$ 175,683	Discounted cash flows	Discount rate	5.19% - 5.90% discount Weighted Average (5.55%)
			Prepayment speeds	1.30% - 5.28% prepayment factor Weighted Average (1.50%)

	December 31, 2021			
	Fair Value	Valuation Techniques	Unobservable Inputs	Range
Impaired loans	$ 1,643,180	Discounted cash flows	Discount Rate	4.50% - 10.00% discount Weighted Average (5.02%)
Impaired loans	$ 627,474	Property appraisals	Management discount for property type and recent market volatility	0.00% - 100.00% discount Weighted Average (19.59%)
Mortgage servicing rights	$ 174,388	Discounted cash flows	Discount rate	1.77% - 2.47% discount Weighted Average (2.12%)
			Prepayment speeds	1.98% - 2.58% prepayment factor Weighted Average (2.23%)

18. FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments not required to be measured or reported at fair value at December 31, 2022 and 2021 are as follows:

	2022				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities held to maturity	$ 10,763,833	$ 10,070,997	$ -	$ 10,070,997	$ -
Net loans	1,013,169,883	953,469,471	-	-	953,469,471
Financial liabilities:					
Deposits	$ 1,037,119,718	$ 1,031,116,751	$ 734,720,701	$ -	$ 296,396,050
Other borrowings	52,413,653	48,344,590	-	-	48,344,590

	2021				
	Carrying Value	Fair Value	Level I	Level II	Level III
Financial assets:					
Investment securities held to maturity	$ 9,777,862	$ 10,125,458	$ -	$ 10,125,458	$ -
Net loans	868,153,493	859,246,857	-	-	859,246,857
Financial liabilities:					
Deposits	$ 1,002,645,347	$ 1,002,584,511	$ 741,338,920	$ -	$ 261,245,591
Other borrowings	67,184,620	66,483,805	-	-	66,483,805

As of December 31, 2022 and 2021, for cash and cash equivalents, certificates of deposits, loans held for sale, regulatory stock, bank-owned life insurance, accrued interest receivable, short-term borrowings, and accrued interest payable, the carrying value is a reasonable estimate of fair value.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the changes in accumulated other comprehensive income (loss) by component net of tax for the year ended December 31, 2022 and 2021:

	Net Unrealized Gains (Losses) on Investment Securities	Cash Flow Hedges	Total
Accumulated other comprehensive income (loss) , December 31, 2020	$ 2,652,197	$ (3,661,333)	$ (1,009,136)
Other comprehensive loss before reclassification	(3,035,172)	-	(3,035,172)
Amounts reclassified from accumulated other comprehensive loss	(9,940)	-	(9,940)
Amounts from change to AOCI related to cash flow hedges	-	2,481,715	2,481,715
Accumulated other comprehensive loss, December 31, 2021	$ (392,915)	$ (1,179,618)	$ (1,572,533)
Other comprehensive loss before reclassification	(19,417,150)	-	(19,417,150)
Amounts reclassified from accumulated other comprehensive loss	(348)	-	(348)
Amounts from change to AOCI related to cash flow hedges	-	4,849,082	4,849,082
Accumulated other comprehensive income (loss), December 31, 2022	$ (19,810,413)	$ 3,669,464	$ (16,140,949)

The following table presents significant amounts reclassified out of each component of accumulated other comprehensive loss for the year ended December 31, 2022 and 2021:

	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statement of Income where Net Income is Presented
	$ 440	Investment securities gains, net
	(92)	Income tax expense
Unrealized gains on investment securities, December 31, 2022	$ 348	
	$ 12,582	Investment securities gains, net
	(2,642)	Income tax expense
Unrealized gains on investment securities, December 31, 2021	$ 9,940	

20. SUBSEQUENT EVENTS

Management has reviewed events occurring through March 8, 2023, the date the financial statements were issued, and no additional subsequent events occurred requiring accrual or disclosure.

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