2022 ANNUAL REPORT

FORESIGHT financial group, inc.

VISION

Magnify the collective strengths of our banks to satisfy customers, empower employees, and enhance value for our communities and shareholders.

FORESIGHT SUBSIDIARIES

State Bank of Davis

State Bank
Freeport, IL

SBH
State Bank of Herscher

German American State Bank

Lena State Bank

northwestbank

www.foresightfg.com

we are

a market driven, people oriented
community banking organization dedicated to enhancing
shareholder value by providing our customers with
diversified financial services that help them achieve
economic success and financial security.

we will

pursue these goals while balancing shareholder
and customer interests with the ongoing welfare
of our employees and local communities.

The member banks of our group maintain
a high degree of independence and
sensitivity to the concerns of the local communities
and markets that we choose to serve.

we will

seek to expand sensibly into new markets
when we believe that our business model and
community banking philosophy can be successfully extended.

In summary:

"Community Building through Community Banking"

Dear Stockholders,

2022 proved to be not only a year of great success, but one of great progress and change, the result of both external factors as well as internal decisions. Financially we ended 2022 with another successful year for the company and shareholders, reporting record earnings of $13.6 million, a 19.7% increase over 2021 earnings. The unparalleled pace of increase in interest rates experienced in 2022 significantly drove growth in Net Interest Income while credit quality remained consistently high allowing reduced year over year Loan Loss Provision expense.

The F2 (Future Forward) initiative continues to progress, and we remain on target to complete the majority of the most significant projects associated with this initiative in 2023. Part of the F2 project includes the implementation of a shared services environment which will position the organization with a platform for growth in future periods. That, coupled with our new digital banking initiative will help lead us into the next phase of our digital strategy, and be the catalyst to carry us forward into the digital banking future.

The sale of State Bank of Herscher as announced in July of 2022, is expected to close during the second half of 2023 and will further strengthen our already strong capital position. The Board of Directors anticipate additional stock repurchases in 2023 combined with other efforts to increase the organization's price per share which has seen a dip in recent months due to restrictions in our ability to remain active in the market as a result of the pending sale of Herscher. Based on the current market price of Foresight's common stock, which the Board believes is significantly undervalued, stock repurchases as well as additional efforts the Board has identified will provide results that are in the best interests of our shareholders

Lastly, mid-year 2022, we welcomed Ryan Miller as President & CEO at Northwest Bank of Rockford replacing Tom Walsh, at his retirement. Ryan brings a wealth of experience and enthusiasm and the changes he has thus far put in place at Northwest Bank are already reaping tangible results.

Looking forward, as we have all seen, banking experiences credit cycles every eight to fifteen years. We all recall the crash of 2008, prior to that 1991, and prior to that the savings & loan meltdown of the 1980's. Being able to thrive during these periods of uncertainty is dependent on our ability to maintain a consistently conservative approach which focuses on the fundamentals regardless of market conditions. The ability to quickly identify a negative cycle should be met with a strategy that enables us to survive and thrive throughout those cycles. It is imperative that we pay attention to the current economic signals of continued inflationary pressures and adjust our actions accordingly. The last few weeks have been an unprecedented time relative to banking activities, the likes of which we have not seen in years, and in many ways have never seen in past periods of financial stress in the banking community. The failure of Silicon Valley Bank and Signature Bank in particular has had the effect of raising the concern of additional bank failures among the general public. It has understandably also raised legitimate questions among our Banking teams and the customers we serve as to how this will impact our Company and the safety of the funds our customers entrust us with. While we do expect elevated regulatory scrutiny around liquidity planning, we have not had any direct signs of a negative impact to us as a banking group.

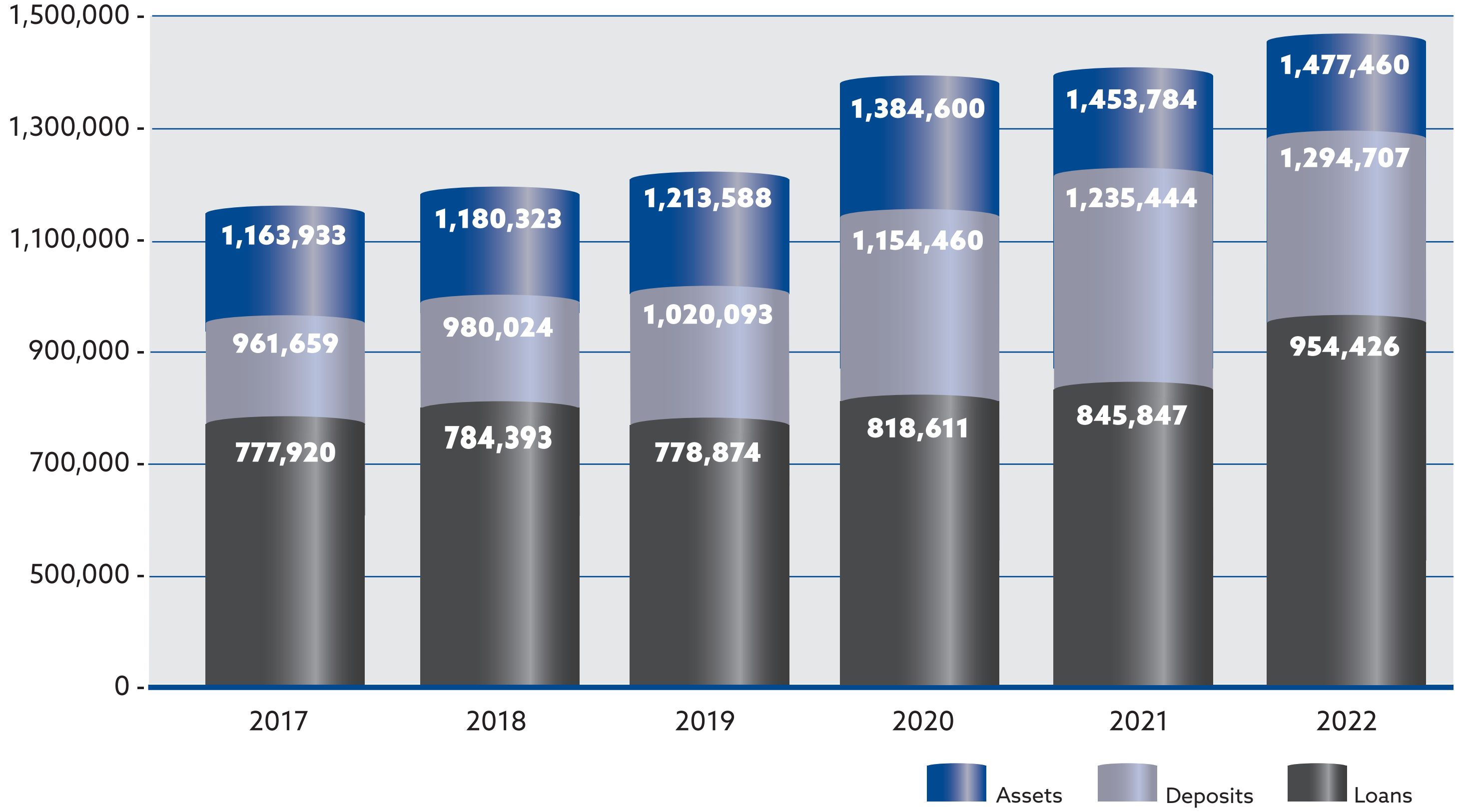
Community banks have a traditional, relationship-based business model, focused on safety and soundness, a very different business model than that of the large banks such as Silicon Valley and Signature Bank. Foresight Financial Group is no exception to this and feel very comfortable in who we are and how we will continue to be the trusted financial partner and employer for our staff, customers, communities, and shareholders. Rest assured we will continue to closely monitor this matter as it evolves and take the necessary measures to protect the interests of you, our shareholders, and of equal importance the clients that we serve. While I do believe we are entering the beginning of a very challenging time that warrants prudent and highly conservative actions to maintain our deposit base, asset quality, and sufficient capital to stay profitable with modest growth expectations, I also believe we are well positioned to weather any oncoming storm and emerge unscathed.

In closing let me thank you for being a shareholder of Foresight Financial Group. Without your ongoing support we would not have been able to recognize the accomplishments we achieved in 2022. We will continue building Communities through Community Banking. We appreciate the past support and look forward to continuing to build greater value for all our shareholders.

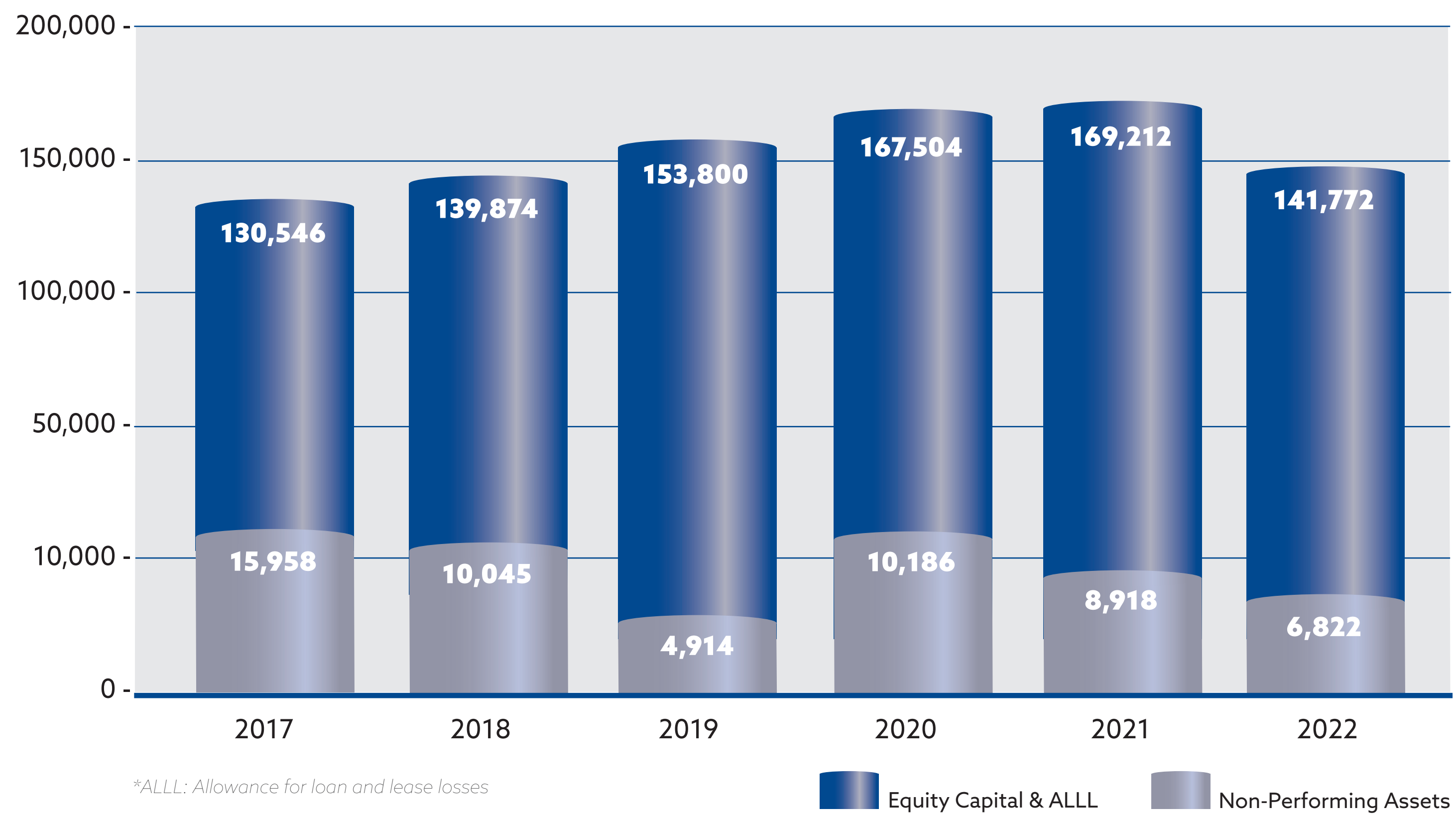
Respectfully,

Peter Q. Morrison
President/Chief Executive Officer

Trends in Assets, Deposits & Loans (000's)

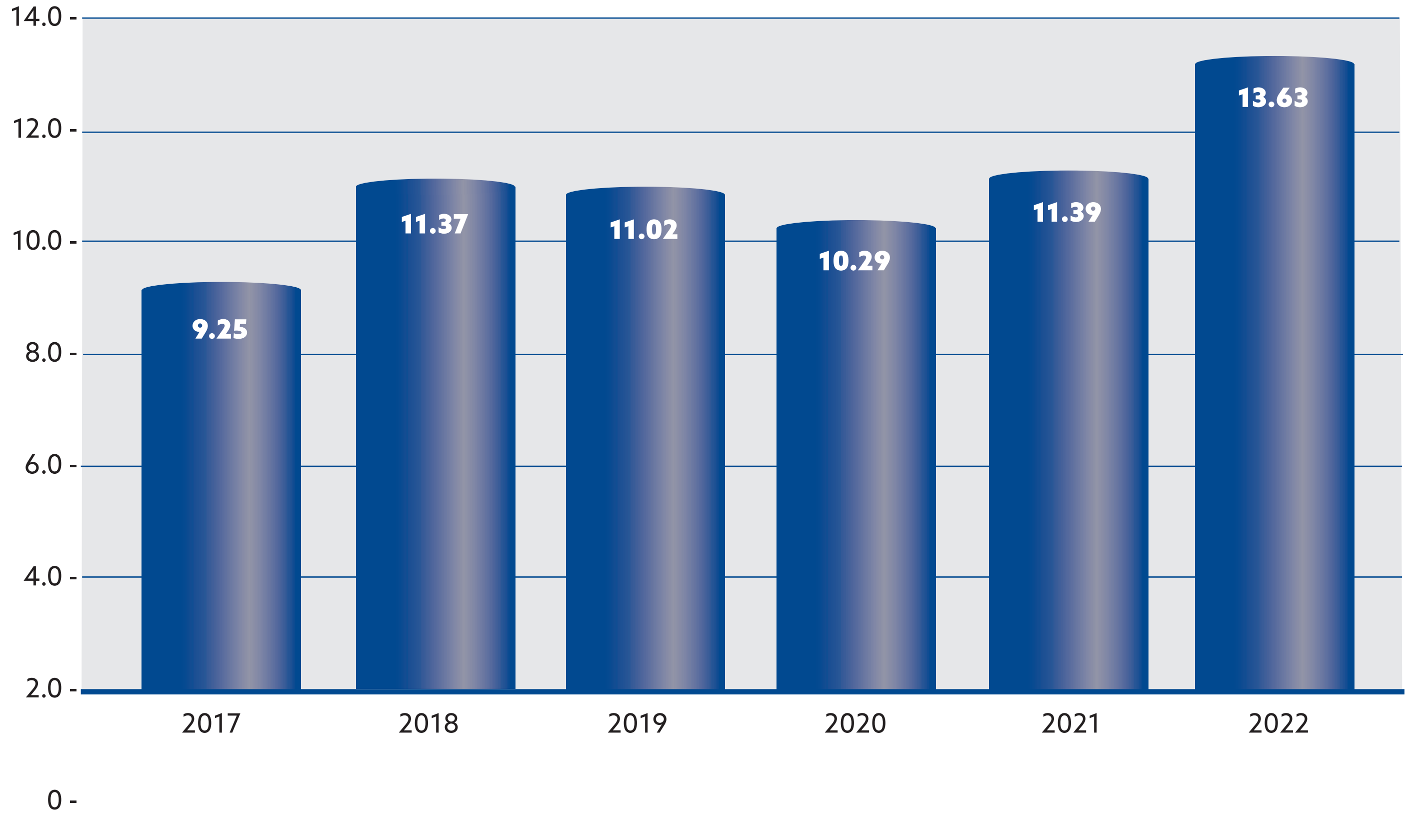


Trends in Combined Equity Capital & ALLL* to Non Performing Assets (000's)

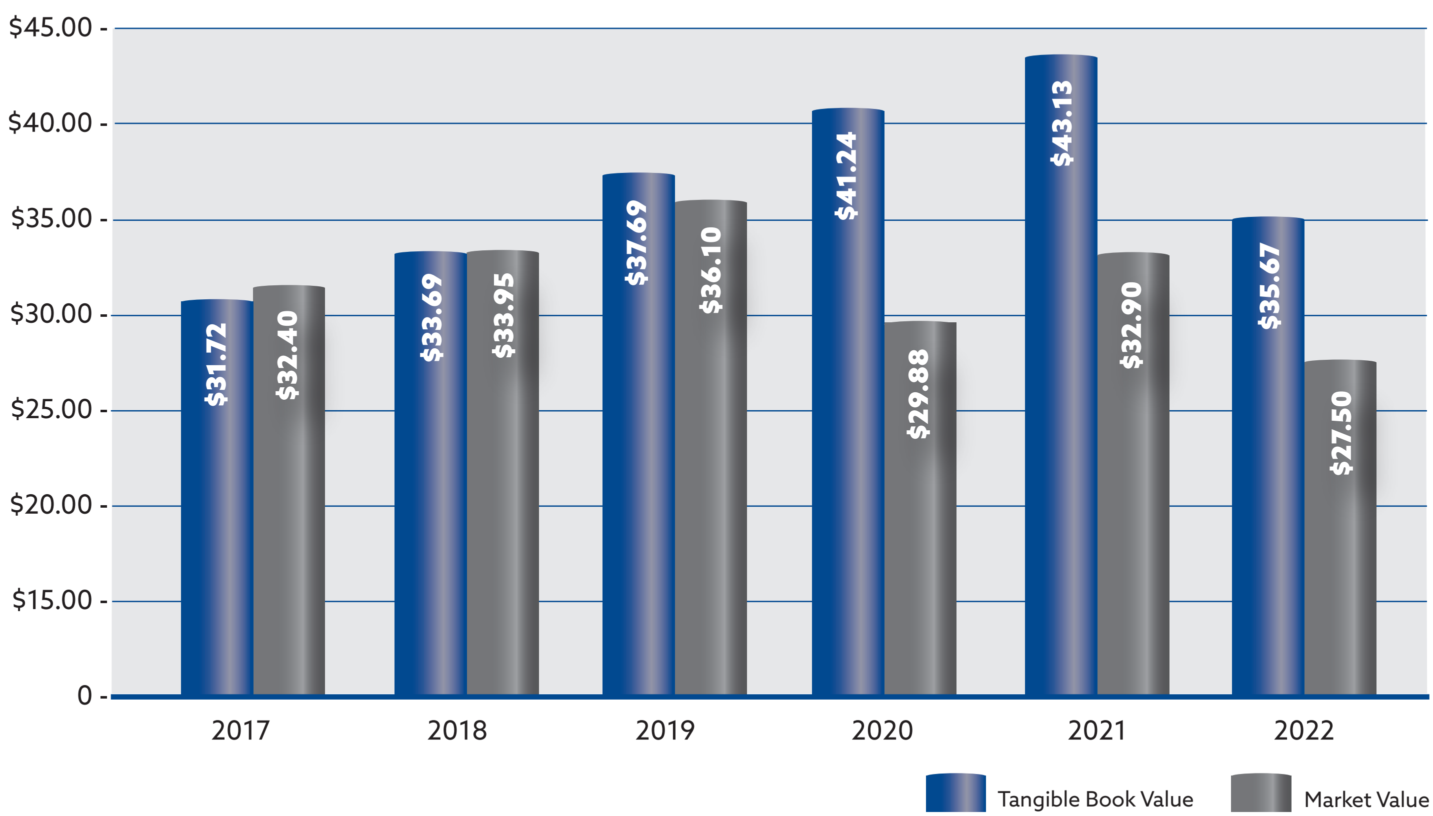


*ALLL: Allowance for loan and lease losses

Net Income (1,000,000,000's)



Common Stock Per Share Tangible Book & Market Value - 12/31



WIPFLi LLP
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Foresight Financial Group, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements (the financial statements") of Foresight Financial Group, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Foresight Financial Group, Inc. and Subsidiaries as of December 31, 2022 and 2021, and the results of its operations and their cash flows for each of the years in the three-year period ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foresight Financial Group, Inc. and Subsidiaries 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 Foresight Financial Group, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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, but not for the purpose of expressing an opinion on the effectiveness of Foresight Financial Group, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foresight Financial Group, Inc. and Subsidiaries' 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Sterling, Illinois
March 8, 2023

CONSOLIDATED BALANCE SHEETS
(000s omitted except share data)

	December 31,	
ASSETS	**2022**	2021
Cash and due from banks	**$28,354**	$42,942
Interest-bearing deposits in banks	**7,975**	45,353
Federal funds sold	**7,493**	3,349
Total cash and cash equivalents	**43,822**	91,644
Interest-bearing deposits in banks - term deposits	**6,058**	12,198
Debt securities:		
Debt securities available-for-sale (AFS)	**391,334**	439,878
Debt securities held-to-maturity (HTM)	**4,076**	4,389
Marketable equity securities and other investments	**3,943**	2,265
Loans held for sale	**421**	2,254
Loans, net of allowance for loan losses of $14,541 and $13,985, respectively	**954,426**	845,847
Foreclosed assets and other real estate owned, net	**70**	39
Premises and equipment, net	**17,598**	17,131
Bank owned life insurance	**24,058**	23,210
Other assets	**31,654**	14,929
Total assets	**$1,477,460**	$1,453,784
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest-bearing	**$276,055**	$266,526
Interest-bearing	**1,018,652**	968,918
Total deposits	**1,294,707**	1,235,444
Federal funds purchased	**0**	533
Securities sold under agreements to repurchase	**36,298**	35,109
Federal Home Loan Bank (FHLB) and Federal Reserve advances and other borrowings	**7,366**	17,076
Accrued interest payable and other liabilities	**11,858**	10,395
Total liabilities	**1,350,229**	1,298,557
Stockholders' equity:		
Preferred stock (no par value; authorized 500,000 shares)	**0**	0
Common stock ($.25 par value; authorized 10,000,000 shares; 4,071,494 and 4,060,088 shares issued, respectively)	**1,018**	1,015
Additional paid-in capital	**11,138**	10,768
Retained earnings	**164,597**	152,903
Treasury stock, at cost (509,079 and 464,319 shares, respectively)	**(12,534)**	(11,002)
Accumulated other comprehensive income (loss)	**(36,988)**	1,543
Total stockholders' equity	**127,231**	155,227
Total liabilities and stockholders' equity	**$1,477,460**	$1,453,784

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME
(000s omitted except share data)

For the years ended December 31,

	2022	2021	2020
Interest and dividend income:			
Loans, including fees	**$42,990**	$39,995	$41,545
Debt securities:			
Taxable	**6,117**	4,276	4,506
Tax-exempt	**2,518**	2,599	2,437
Interest-bearing deposits in banks and other	**646**	508	648
Federal funds sold	**190**	1	38
Total interest and dividend income	**52,461**	47,379	49,174
Interest expense:			
Deposits	**6,291**	5,902	8,941
Federal funds purchased	**38**	0	0
Securities sold under agreements to repurchase	**323**	36	155
FHLB and other borrowings	**136**	211	240
Total interest expense	**6,788**	6,149	9,336
Net interest and dividend income	**45,673**	41,230	39,838
Provision for loan losses	**552**	756	3,785
Net interest and dividend income, after provision for loan losses	**45,121**	40,474	36,053
Noninterest income:			
Customer service fees	**1,055**	870	837
(Loss) gain on sales and calls of AFS securities, net	**(246)**	126	382
Gain on sales of loans, net	**969**	2,663	3,386
Loan servicing fees, net	**1,978**	1,334	967
Other	**4,653**	4,501	3,615
Total noninterest income	**8,409**	9,494	9,187
Noninterest expenses:			
Salaries and employee benefits	**22,627**	21,433	20,016
Occupancy expense of premises, net	**2,312**	2,292	2,536
Outside services	**1,553**	3,031	953
Data processing	**3,040**	2,737	2,903
Foreclosed assets and other real estate owned, net	**(53)**	(112)	97
Other	**6,343**	5,964	5,679
Total noninterest expenses	**35,822**	35,345	32,184
Income before income taxes	**17,708**	14,623	13,056
Income tax expense	**4,082**	3,237	2,766
Net income	**$13,626**	$11,386	$10,290
Earnings per common share:			
Basic	**$3.83**	$3.11	$2.76
Diluted	**$3.81**	$3.09	$2.75

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(000s omitted except share data)

For the years ended December 31,

	2022	2021	2020
Net income	**$13,626**	$11,386	$10,290
Other comprehensive (loss) income:			
Unrealized holding gains (losses) on securities available for sale, net of tax of $15,292, $1,868, & $1,798, respectively	**(38,707)**	**(4,686)**	4,511
Reclassification adjustments for net securities losses (gains) recognized in income, net of tax of $70, $36, & $109, respectively	**176**	(90)	(273)
Total other comprehensive (loss) income	**(38,531)**	(4,776)	4,238
Total comprehensive (loss) income	**($24,905)**	$6,610	$14,528

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(000s omitted except share data)

For the years ended December 31,

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2020	$1,007	$10,132	$133,861	($6,320)	$2,081	$140,761
Net income			10,290			10,290
Other comprehensive income					4,238	4,238
Cash dividends ($.36 per share)			(1,344)			(1,344)
Purchase of treasury stock (17,900 shares)				(510)		(510)
Stock options exercised (16,844 shares)	5	169				174
Stock-based compensation expense		19				19
Restricted stock vested (5,509 shares)	1	193				194
Balance, December 31, 2020	1,013	10,513	142,807	(6,830)	6,319	153,822
Effect of change in accounting principle - Mortgage servicing rights (net of tax $101)			254			254
Net income			11,386			11,386
Other comprehensive loss					(4,776)	(4,776)
Cash dividends ($.42 per share)			(1,544)			(1,544)
Purchase of treasury stock (131,500 shares)				(4,172)		(4,172)
Stock-based compensation expense		16				16
Restricted stock vested (7,854 shares)	2	239				241
Balance, December 31, 2021	1,015	10,768	152,903	(11,002)	1,543	155,227
Net income			13,626			13,626
Other comprehensive loss					(38,531)	(38,531)
Cash dividends ($.54 per share)			(1,932)			(1,932)
Purchase of treasury stock (44,760 shares)				(1,532)		(1,532)
Stock-based compensation expense		25				25
Restricted stock vested (11,406 shares)	3	345				348
Balance, December 31, 2022	$1,018	$11,138	$164,597	($12,534)	($36,988)	$127,231

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(000s omitted except share data)

	For the years ended December 31,		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$13,626**	$11,386	$10,290
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**552**	756	3,785
Foreclosed asset valuation (gains) losses	**64**	195	(134)
Depreciation	**1,106**	1,053	1,217
Net amortization of securities premiums	**3,019**	4,570	2,936
Income on bank owned life insurance	**(547)**	(504)	(598)
Gain on death benefits	**(33)**	(50)	0
Deferred income tax (benefit) expense	**115**	(86)	(486)
Stock-based compensation expense	**25**	16	19
Restricted stock expense	**348**	241	194
Net (gain) loss on the sales and calls of AFS securities	**246**	(126)	(382)
Net (gain) on the sales of foreclosed assets	**(262)**	(121)	(91)
Change in mortgage servicing rights	**(1,208)**	(523)	(157)
Net change in:			
Loans held for sale	**1,833**	592	(839)
Other assets	**(270)**	(878)	2,930
Accrued interest payable and other liabilities	**1,463**	2,138	(466)
Net cash provided by operating activities	**20,077**	18,659	18,218
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in interest-bearing deposits in banks - term deposits	**6,140**	3,086	(755)
Proceeds from sales of AFS securities	**10,348**	16,899	1,750
Proceeds from maturities, calls, and paydowns of AFS securities	**45,029**	115,632	134,445
Proceeds from maturities, calls and paydowns of HTM securities	**345**	340	0
Purchases of AFS securities	**(64,023)**	(219,357)	(196,012)
Purchases of HTM securities	**0**	0	(4,132)
Purchases of bank owned life insurance	**(930)**	0	0
Proceeds from death benefits of bank owned life insurance	**662**	938	0
(Purchases) redemption of marketable equity securities, net	**(1,678)**	(975)	(73)
Loan originations and principal collections, net	**(109,201)**	(28,059)	(43,650)
Proceeds from sales of foreclosed assets	**237**	266	234
Purchases of premises and equipment, net	**(1,573)**	(455)	(445)
Net cash used in investing activities	**(114,644)**	(111,685)	(108,638)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in deposits	**59,263**	80,984	134,367
Net change is securities sold under agreements to repurchase	**1,189**	3,960	4,555
Cash dividends paid	**(1,932)**	(1,544)	(1,344)
Net change in federal funds purchased	**(533)**	(1,591)	(255)
Stock options exercised	**0**	0	174
Purchase of treasury stock	**(1,532)**	(4,172)	(510)
Proceeds from FHLB and Federal Reserve advances and other borrowings	**18,950**	5,000	24,576
Payments on FHLB and Federal Reserve advances and other borrowings	**(28,660)**	(22,712)	(4,826)
Net cash provided by financing activities	**46,745**	59,925	156,737
Net increase (decrease) in cash and cash equivalents	**(47,822)**	(33,101)	66,317
Cash and cash equivalents at beginning of year	**91,644**	124,745	58,428
Cash and cash equivalents at end of year	**$43,822**	$91,644	$124,745

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(000s omitted except share data)

For the years ended December 31,

	2022	2021	2020
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	**$6,505**	$6,441	$9,701
Income taxes	**$2,882**	$3,109	$2,325
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES:			
Foreclosed assets acquired in settlement of loans	**$70**	$67	$128

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Foresight Financial Group, Inc. (Company) and its wholly-owned subsidiaries (Banks) conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The following is a description of the more significant accounting policies:

(a) Nature of Operations

The Company provides a variety of banking services to individuals and businesses through its facilities in the Rockford, Freeport, German Valley, Davis, Lena, Winnebago, Pecatonica, Seward, Bradley, Kankakee, Loves Park, Machesney Park, Belvidere, and Herscher, Illinois areas. Its primary deposit products are demand deposits and certificates of deposit and its primary lending products are agriculture, agribusiness, commercial, real estate, and installment loans.

(b) Basis of Consolidation

The financial statements include the accounts and results of operations of the Company and its wholly-owned subsidiaries: German-American State Bank (German), State Bank of Davis (Davis), State Bank (Freeport), Northwest Bank of Rockford (Northwest), Lena State Bank (Lena), and State Bank of Herscher (Herscher) (collectively the "Banks"). All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through March 8, 2023, which is the date the financial statements were available to be issued.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The allowance for loan losses, deferred tax assets, fair values of securities, foreclosed assets and financial instruments are particularly susceptible to change in the near-term.

(e) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash and balances due from banks, interest-bearing deposits in banks, and federal funds sold, all of which generally mature within ninety days.

(1) Summary of Significant Accounting Policies

(f) Interest-bearing Deposits in Banks

Interest-bearing deposits in banks are comprised of liquid non-maturing deposits but also include some balances in time deposits with the maturity being the determining factor for inclusion in cash and cash equivalents with the non-maturing interest-bearing deposits. Interest-bearing deposits in banks are carried at cost.

(g) Debt Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity (HTM) and recorded at amortized cost. Securities not classified as HTM are classified as available for sale (AFS) and recorded at fair value, with unrealized gains or losses excluded from earnings and reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Other premiums and discounts are amortized (accreted) over the estimated lives of the securities. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

(h) Marketable Equity Securities and Other Investments

Marketable equity securities have a readily determinable fair value and are measured at fair value with changes in fair value reported in net income. Gains and losses on the sale of marketable equity securities are recorded on the trade date and determined using the specific-identification method.

Other investments include equity securities without a readily determinable fair value which consists primarily of Federal Home Loan Bank (FHLB) stock. The Company has elected to account for equity securities without readily determinable fair values using the alternative measurement method. Under this method, these securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. The Company is required to hold FHLB stock as a member of the FHLB and transfer of the stock is substantially restricted. The FHLB stock is pledged as collateral for outstanding FHLB advances. FHLB stock is evaluated for impairment on an annual basis.

(i) Loans Held for Sale

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

Mortgage loans held for sale are generally sold with mortgage servicing rights retained by the Company. The carrying value of mortgage loans sold is reduced by the cost allocated to the associated mortgage servicing rights. Realized gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(j) Loans and Allowance for Loan Losses

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff; generally, are reported at their outstanding unpaid principal balances adjusted for purchase premiums or discounts, charge-offs, and an allowance for loan losses. Interest on loans is accrued daily based on the unpaid principal balance.

A loan is considered to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date. The accrual of interest on a loan is generally discontinued when the loan becomes 90 days delinquent unless the credit is well-secured and in the process of collection. Credit card loans and other personal loans are typically charged off at an earlier date if collection of principal or interest is considered doubtful. Generally, interest accrued but not collected for loans that are placed on nonaccrual status or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan-origination fees with the exception of the Paycheck Protection Program (PPP) fees received in 2020 and 2021 and direct origination costs are generally recognized as income or expense when received or incurred since capitalization of these fees and costs would not have a significant impact on the financial statements. Fees received as part of PPP were capitalized and amortized to income over the contractual life of the PPP loans.

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and classified as impaired.

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

All problem loans meeting Company criteria are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected from the collateral.

(1) Summary of Significant Accounting Policies (continued)

(j) Loans and Allowance for Loan Losses (continued)

TDRs are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired.

The general component covers loans that are collectively evaluated for impairment. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not included in the impairment disclosures. The general allowance component also includes loans that are not individually identified for impairment evaluation, such as commercial loans below the individual evaluation threshold, as well as those loans that are individually evaluated but are not considered impaired.

The general component is based on historical loss experience adjusted for current qualitative factors. The historical loss experience is determined by portfolio segment or loan class and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment or loan class. These economic factors include: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and employees; national and economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Management considers the following when assessing the risk in the loan portfolio:

- Residential real estate loans are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt-to-income and credit scores. Appraisals are generally obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.

- Agricultural and commercial real estate loans are dependent on the industries tied to these loans. Agricultural real estate loans are primarily for land acquisition. Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, retail shopping facilities and various special purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt; and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market, such as geographic location and/or property type.

- Commercial and agricultural loans are primarily for working capital, physical asset expansion, asset acquisition loans and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(j) Loans and Allowance for Loan Losses (continued)

- Consumer and other loans may take the form of installment loans, demand loans, or single payment loans and are extended to individuals for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt-to-income and credit scores.

(k) Loan Commitments

The Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit issued to meet customer-financing needs. Loan commitments are recorded when they are funded. Standby or performance letters of credit are considered financial guarantees in accordance with Generally Accepted Accounting Standards and are recorded at fair value, if material.

(l) Loan Servicing and Change in Accounting Principle

The Company services mortgage loans it sells to third-party institutions. Servicing loans includes collecting monthly principal and interest payments from borrowers, passing such payments through to the third-party investors, and maintaining escrow accounts for taxes and insurance. When necessary, the Company also performs collection functions for delinquent loan payments, handles loan foreclosure proceedings, and disposes of foreclosed property. The Company generally earns a servicing fee of 25 basis points on the outstanding loan balance for performing these services as well as fees and interest income from ancillary sources, such as late fees and float.

Mortgage servicing rights are recognized as separate assets when rights are acquired through a sale of loans and are reported in other assets. Effective January 1, 2021, the Company elected fair value accounting for all of its mortgage servicing rights previously accounted for using the amortization method. This irrevocable election applies to all subsequently acquired or originated servicing assets and liabilities that have characteristics consistent with this class. A cumulative-effect adjustment of $254 (net of tax) was recorded to retained earnings as of January 1, 2021, to reflect the excess of the fair value of mortgage servicing rights over their carrying amount.

Prior to January 1, 2021, when the originating mortgage loans were sold into the secondary market, the Company allocated the total cost of the mortgage loans between mortgage servicing rights and the loans, based on their relative fair values. The cost of originated mortgage-servicing rights was amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage-servicing rights was assessed based on the fair value of those rights. The amount of impairment was the amount by which the capitalized mortgage servicing rights exceeded their fair value. Fair value was determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Effective January 2021, mortgage servicing rights recognized when mortgage loans are sold are included as a component of loan servicing fees and are measured at fair value at acquisition and at each subsequent reporting date. The fair value of mortgage servicing rights is estimated using market prices for comparable contracts, when available, or a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as costs to service, a discount rate, custodial earnings rate, ancillary income, default rates and losses, and prepayment speeds. The fair value of mortgage servicing rights may change due to changes in discount rates, prepayment expectations, default rates, and other factors. Changes in fair value are recognized each period and reported in the Statements of Income as a component of loan servicing fees.

(1) Summary of Significant Accounting Policies (continued)

(l) Loan Servicing and Change in Accounting Principle (continued)

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights prior to the change in accounting principle was offset against loan servicing fee income.

(m) Rate Lock Commitments

Commitments to fund mortgage loans (interest-rate locks) to be sold into the secondary market and mandatory delivery forward commitments for the future delivery of these mortgage loans are to be accounted for as derivatives not qualifying for hedge accounting. The fair values of these mortgage derivatives are to be estimated based on the net future cash flows related to the associated servicing of the loans and on changes in mortgage interest rates from the date of the commitments. Changes in fair values on these derivatives are to be included in net gains on sales of loans. The Company has deemed the effect of these derivatives to be immaterial to the financial statements and, accordingly, has elected not to record fair values associated with these derivatives.

(n) Foreclosed Assets and Other Real Estate Owned

Assets acquired through or instead of loan foreclosure are initially recorded at fair value less estimated cost of disposal when acquired. Subsequent to foreclosure and transfer to other real estate owned, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenues and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets and other real estate owned.

(o) Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation, based on the estimated useful lives of the assets. Depreciation is generally computed on the straight-line method over estimated useful lives ranging from 3 to 40 years.

(p) Bank-Owned Life Insurance

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

(q) Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located in the area and communities noted above. Note 3 details the types of securities in which the Company invests. Note 4 details the types of lending in which the Company engages. The Company does not have any significant concentrations with any one industry or customer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(r) Revenue from Contracts with Customers

The core revenue recognition principle requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The guidance includes a five-step model to apply to revenue recognition, consisting of the following: (1) identify the contract with a customer; (2) identify the performance obligations within the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations within the contract; and (5) recognize revenue when the performance obligations are satisfied.

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying revenue recognition that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The following significant revenue-generating transactions are within the scope of revenue recognition, which are presented in the statements of income as components of noninterest income:

Customer service fees – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, such as statement rendering and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly service charges and maintenance fees, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Company's performance obligation.

Interchange fees – Customers use a bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company is considered an agent with respect to these transactions. Interchange fee payments received included in other noninterest income, net of related expense, are recognized as income daily, concurrently with the transaction processing services provided to the cardholder through the payment networks. There are no contingent debit card interchange fees recorded by the Company that could be subject to a claw-back in future periods.

Trust fees – The Company earns trust fees, included in other noninterest income, from its contracts with trust customers for providing investment management and/or transaction-based services on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly or quarterly services and are assessed based on the total investable assets of the customer's trust account. A signed contract between the Company and the customer is maintained for all customer trust accounts with payment terms identified. There are no contingent incentive fees recorded by the Company that could be subject to a claw-back in future periods.

Insurance commissions – Insurance agency commissions, included in other noninterest income, are received from insurance carriers for the agency's share of commissions from customer premium payments. These commissions are recorded into income when checks are received from the insurance carriers, and there is no contingent portion associated with these commission checks that may be clawed back by the carrier in the future. There may be a short time-lag in recording revenue when cash is received instead of recording the revenue when the policy is signed by the customer, but the time lag is insignificant and does not impact the revenue recognition process. The Company has evaluated the potential amount of premium refunds due to customers when policies are cancelled and has determined such amounts are insignificant.

(1) Summary of Significant Accounting Policies (continued)

(r) Revenue from Contracts with Customers (continued)

Wealth management fees – Wealth management income, included in other noninterest income, is primarily comprised of fees from the management and administration of trusts and other customer assets. These fees are primarily earned over time as the Company provides the services and are recognized quarterly, based upon the quarter-end market value of the assets under management and the applicable fee rate. Payment of these fees is generally received in the month following quarter-ends through a direct charge to customers' accounts. Other related services provided include financial planning and the fees the Company earns, which are based on a fixed fee schedule, are recognized when the services are rendered.

Net gain (loss) on sales of foreclosed assets and other real estate owned – The Company records a gain or loss from the sale of foreclosed assets and other real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed and transfer of control is completed. When the Company finances the sale to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether the Company expects to collect substantially all of the transaction price. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recognized. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if the financing does not include market terms.

(s) Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. The Company files consolidated Federal and State income tax returns.

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes, if applicable. No liabilities for unrecognized tax benefits from uncertain tax positions have been recorded.

(t) Comprehensive Income (Loss)

Accounting principles generally require the Company to include in net income recognized revenue, expenses, gains and losses. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, net of taxes. Such items, along with net income, are components of comprehensive income.

(u) Earnings Per Share

Basic earnings per share (EPS) represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(v) Loss Contingencies

Loss contingencies, including claims and legal actions arising from time to time in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that could have a material effect on the financial statements.

(w) Transfers of Financial 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 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.

(x) Trust Assets

Assets of the trust departments of State Bank and State Bank of Herscher, other than trust cash on deposit at the Banks, are not included in these financial statements because they are not assets of the Company.

(y) Goodwill and Intangible Assets

Intangible assets attributable to the value of core deposits are stated at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over the estimated lives of the assets. The excess of purchase price over fair value of net assets acquired (goodwill) is not amortized.

The Company evaluates whether goodwill and other intangible assets may be impaired at least annually; and whenever events or changes in circumstances indicate it is more likely than not the fair value of the reporting unit or asset is less than its carrying amount.

(z) Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

(aa) Stock Compensation Plans

The Company records the cost of stock-based employee compensation using the fair-value method. Compensation expense for share-based awards is recorded over the vesting period at the fair value of the award at the time of grant. The Company has historically assumed no projected forfeitures on its stock based compensation, since forfeitures have not been significant.

(bb) Advertising

Advertising costs are expensed as incurred.

(000s omitted except share data)

(1) Summary of Significant Accounting Policies (continued)

(cc) Reclassifications

Certain amounts in the 2020 and 2021 financial statements have been reclassified to conform to the 2022 presentation.

(dd) Newly Issued Not Yet Effective Accounting Standard

The following ASU has been issued by FASB and may impact the Company's financial statements in future reporting periods.

ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. This standard will significantly change how financial assets measured at amortized cost are presented. Such assets, which include most loans and securities held to maturity, will be presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The standard will also change the accounting for credit losses related to securities available-for-sale and purchased financial assets with a more-than-insignificant amount of credit deterioration since origination. This new accounting standard is effective for financial statements issued for annual periods beginning after December 15, 2022. The Company has been evaluating the impacts this new standard will have on its financial statements, and based on its methodologies that are anticipated to be implemented at adoption, the Company is estimating an overall increase in its allowance for credit losses ranging between $2,350 and $2,650. The actual amount determined from the adoption of this accounting standard will be recognized as a cumulative effect adjustment to the January 1, 2023 retained earnings balance, net of taxes.

(2) Cash Equivalents and Interest-Bearing Deposits

Effective March 12, 2021, the Federal Reserve's board of directors approved the final rule reducing the required reserve requirement ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

In the normal course of business, the Company maintains cash and due from bank balances in accounts with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's (FDIC) insured limit of $250. Management believes these financial institutions have strong credit ratings and that credit risk related to these deposits is not material.

Interest-bearing deposits consist of certificates of deposit at other financial institutions. Certificates of deposit are in denominations of $250 or less and are fully insured by the FDIC.

Maturities of certificates of deposits at other financial institutions as of December 31, 2022 are as follows:

2023	$1,843
2024	2,480
2025	988
2026	747
2027 and thereafter	0
	$6,058

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(3) Debt Securities

The following tables reflect the amortized costs and approximate fair values of securities at December 31:

Held-to-Maturity 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and municipal	$4,076	$4	($246)	$3,834

Held-to-Maturity 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and municipal	$4,389	$172	($0)	$4,561

Available-for-Sale 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government sponsored entities and U.S. agencies	$123,066	$4	($15,140)	$107,930
State and municipal	130,888	146	(12,499)	118,535
Agency mortgage-backed	189,115	0	(24,246)	164,869
	$443,069	$150	($51,885)	$391,334

Available-for-Sale 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government sponsored entities and U.S. agencies	$86,211	$135	($1,240)	$85,106
State and municipal	147,392	4,587	(493)	151,486
Agency mortgage-backed	204,118	1,764	(2,596)	203,286
	$437,721	$6,486	($4,329)	$439,878

(000s omitted except share data)

(3) Debt Securities (continued)

For the years ended December 31, 2022, 2021 and 2020, proceeds from sales of available-for-sale securities amounted to $10,348, $16,899 and $1,750, respectively. Gross realized gains and losses from the sales and calls of available-for-sale securities for the years ended December 31 are as follows:

	2022	2021	2020
Realized gains	**$170**	$211	$386
Realized losses	**($416)**	($85)	($4)

Securities with carrying amounts of approximately $217,957 and $198,944 at December 31, 2022 and 2021, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

The amortized costs and fair values of securities at December 31, 2022 are shown below by contractual maturities, except for U.S. agencies which are shown by contractual maturities or their expected call dates if the call dates are considered likely to occur based on present market conditions. Expected maturities may differ from contractual maturities on mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Held-to-Maturity	**Amortized Cost**	**Fair Value**
Due in one year or less	$505	$496
Due after one year through five years	1,943	1,849
Due after five years through ten years	1,628	1,489
	$4,076	$3,834

Available-for-Sale	**Amortized Cost**	**Fair Value**
Due in one year or less	$7,171	$7,145
Due after one year through five years	66,146	62,608
Due after five years through ten years	109,515	95,420
Due after ten years	71,122	61,292
	253,954	226,465
Agency mortgage-backed	189,115	164,869
	$443,069	$391,334

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(3) Debt Securities (continued)

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

	2022 Available-for-Sale					
	Less than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Loss	No. of Securities	Fair Value	Gross Unrealized Loss	No. of Securities
U.S. Government sponsored entities and U.S. agencies	$41,193	$2,798	78	$63,470	$12,342	98
State and municipal	75,964	6,497	295	26,270	6,002	83
Agency mortgage-backed	69,899	6,526	248	94,963	17,720	187
Total	$187,056	$15,821	621	$184,703	$36,064	368

	2021 Available-for-Sale					
	Less than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Loss	No. of Securities	Fair Value	Gross Unrealized Loss	No. of Securities
U.S. Government sponsored entities and U.S. agencies	$71,316	$1,119	92	$4,379	$121	7
State and municipal	25,908	329	66	6,312	164	17
Agency mortgage-backed	100,636	2,025	152	20,683	571	33
Total	$197,860	$3,473	310	$31,374	$856	57

	2022 Held-to-Maturity					
	Less than 12 Months			12 Months or More		
	Fair Value	Gross Unrealized Loss	No. of Securities	Fair Value	Gross Unrealized Loss	No. of Securities
State and municipal	$3,201	$246	10	$0	$0	0
Total	$3,201	$246	10	$0	$0	0

There were no held-to-maturity securities in an unrealized loss position as of December 31, 2021.

Unrealized losses on securities have not been recognized into income because the bonds are of high credit quality, management has the intent and ability to hold for the foreseeable future and the decline in fair value is largely due to market interest rate fluctuations and current bond markets. The fair value is expected to recover as the bonds approach their maturity dates and/or market rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans

The following table presents total loans at December 31 by portfolio segment and class of loan:

	2022	2021
Real estate:		
Commercial real estate	**$325,812**	$273,077
Residential real estate	**115,044**	102,935
Agricultural real estate	**147,878**	140,165
Commercial:		
Commercial and industrial	**214,315**	208,967
Agricultural production	**96,270**	79,476
Consumer and other	**69,648**	55,212
	968,967	859,832
Allowance for loan losses	**(14,541)**	(13,985)
Totals	**$954,426**	$845,847

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is an economic stimulus bill signed into law on March 27, 2020, in response to the economic fallout of the CV-19 pandemic in the United States. The creation of the Paycheck Protection Program (PPP) enacted under the CARES Act provides forgivable loans to small businesses for payroll obligations, emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness by the Small Business Administration should all criteria be met. Included in commercial loans are approximately $896 and $8,805 of loans granted under the Paycheck Protection Program as of December 31, 2022 and 2021, respectively. These loans are fully guaranteed by the Small Business Administration.

Detailed analysis of the allowance for loan losses by portfolio segments at December 31 are as follows:

	2022			
	Real Estate	**Commercial**	**Consumer**	**Total**
Balance at beginning of year	$8,914	$4,832	$239	$13,985
Provision charged to operations	(1,248)	1,280	520	552
Recoveries on loans previously charged-off	291	73	90	454
	7,957	6,185	849	14,991
Less loans charged-off	(189)	(64)	(197)	(450)
Balance at end of year	$7,768	$6,121	$652	$14,541
Allowance for loan losses:				
Individually evaluated for impairment	$1,562	$2,766	$33	$4,361
Collectively evaluated for impairment	6,206	3,355	619	10,180
Totals	$7,768	$6,121	$652	$14,541

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

2021	Real Estate	Commercial	Consumer	Total
Balance at beginning of year	$8,282	$5,102	$298	$13,682
Provision charged to operations, net	738	0	18	756
Recoveries on loans previously charged-off	390	41	20	451
	9,410	5,143	336	14,889
Less loans charged-off	(496)	(311)	(97)	(904)
Balance at end of year	$8,914	$4,832	$239	$13,985
Allowance for loan losses:				
Individually evaluated for impairment	$911	$370	$23	$1,304
Collectively evaluated for impairment	8,003	4,462	216	12,681
Totals	$8,914	$4,832	$239	$13,985

2020	Real Estate	Commercial	Consumer	Total
Balance at beginning of year	$8,313	$4,521	$205	$13,039
Provision charged to operations, net	956	2,684	145	3,785
Recoveries on loans previously charged-off	136	73	14	223
	9,405	7,278	364	17,047
Less loans charged-off	(1,123)	(2,176)	(66)	(3,365)
Balance at end of year	$8,282	$5,102	$298	$13,682
Allowance for loan losses:				
Individually evaluated for impairment	$946	$869	$25	$1,840
Collectively evaluated for impairment	7,336	4,233	273	11,842
Totals	$8,282	$5,102	$298	$13,682

(000s omitted except share data)

(4) Loans (continued)

Detailed analysis of loans evaluated for impairment by portfolio segment for the year ended December 31 follows:

	2022			
	Real Estate	Commercial	Consumer	Total
Loans:				
Individually evaluated for impairment	$9,837	$5,882	$126	$15,845
Collectively evaluated for impairment	578,897	304,703	69,522	953,122
Totals	$588,734	$310,585	$69,648	$968,967

	2021			
	Real Estate	Commercial	Consumer	Total
Loans:				
Individually evaluated for impairment	$16,877	$5,367	$79	$22,323
Collectively evaluated for impairment	499,300	283,076	55,133	837,509
Totals	$516,177	$288,443	$55,212	$859,832

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

Detailed information regarding impaired loans by class of loan as of December 31 follows:

	2022				
	Recorded Investment	**Principal Balance**	**Related Allowance**	**Average Investment**	**Interest Recognized**
Loans with no related allowance for loan losses:					
Real estate:					
Commercial real estate	$5,541	$6,018	N/A	$5,809	$221
Residential real estate	1,508	2,303	N/A	1,511	295
Agricultural real estate	219	741	N/A	427	48
Commercial					
Commercial & industrial	68	211	N/A	158	50
Consumer and other	78	89	N/A	88	5
Totals	7,414	9,362		7,993	619
Loans with an allowance for loan losses:					
Real estate:					
Commercial real estate	2,422	2,431	1,543	3,110	90
Residential real estate	147	160	19	152	6
Commercial					
Commercial & industrial	5,762	5,768	2,713	6,337	390
Agricultural production	52	71	53	56	0
Consumer and other	48	49	33	55	6
Totals	8,431	8,479	4,361	9,710	492
Grand Totals	$15,845	$17,841	$4,361	$17,703	$1,111

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

2021	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Real estate:					
Commercial real estate	$11,026	$11,724	N/A	$12,512	$375
Residential real estate	1,286	2,174	N/A	1,711	98
Agricultural real estate	476	805	N/A	841	244
Commercial					
Commercial & industrial	4,947	5,405	N/A	9,986	511
Agricultural production	0	2	N/A	1	0
Consumer and other	0	10	N/A	12	1
Totals	17,744	20,120		25,063	1,229
Loans with an allowance for loan losses:					
Real estate:					
Commercial real estate	3,662	3,777	748	3,822	220
Residential real estate	427	464	163	463	30
Agricultural real estate	0	0	0	0	0
Commercial					
Commercial & industrial	198	229	194	274	18
Agricultural production	222	257	176	275	28
Consumer and other	70	70	23	79	3
Totals	4,579	4,797	1,304	4,913	299
Grand Totals	$22,323	$24,917	$1,304	$29,976	$1,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

	2020				
	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Real estate:					
Commercial real estate	$9,941	$10,656	N/A	$10,158	$108
Residential real estate	2,410	3,369	N/A	2,761	52
Agricultural real estate	4,811	5,034	N/A	4,710	52
Commercial					
Commercial & industrial	1,530	1,629	N/A	1,462	18
Agricultural production	1,814	1,814	N/A	2,698	0
Consumer and other	23	46	N/A	26	0
Total	20,529	22,548		21,815	230
Loans with an allowance for loan losses:					
Real estate:					
Commercial real estate	5,585	5,585	637	5,650	67
Residential real estate	1,299	1,374	309	1,327	16
Agricultural real estate	0	0	0	0	0
Commercial					
Commercial & industrial	649	678	576	726	0
Agricultural production	293	300	293	348	0
Consumer and other	25	25	25	25	0
Total	7,851	7,962	1,840	8,076	83
Grand Total	$28,380	$30,510	$1,840	$29,891	$313

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for loan losses. The Company generally monitors credit quality indicators for all loans using the following internally prepared ratings:

'Pass' ratings are assigned to loans with adequate collateral and debt service ability; such that collectability of the contractual loan payments is highly probable.

'Special Mention' ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.

'Substandard' ratings are assigned to loans that do not have adequate collateral and/or debt service ability; such that collectability of the contractual loan payments is no longer probable.

'Doubtful' ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectability of the contractual loan payments is unlikely.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

Information regarding the credit quality indicators most closely monitored by class of loan at December 31 follows:

2022	Pass	Special Mention	Substandard	Doubtful	Totals
Real estate:					
Commercial real estate	$316,840	$2,654	$6,318	$0	$325,812
Residential real estate	112,740	731	1,573	0	115,044
Agricultural real estate	143,246	4,413	219	0	147,878
Commercial:					
Commercial & industrial	208,212	3,070	3,033	0	214,315
Agricultural production	96,071	146	53	0	96,270
Consumer and other	69,498	95	55	0	69,648
Total	$946,607	$11,109	$11,251	$0	$968,967

2021	Pass	Special Mention	Substandard	Doubtful	Totals
Real estate:					
Commercial real estate	$239,071	$20,439	$13,567	$0	$273,077
Residential real estate	100,486	928	1,521	0	102,935
Agricultural real estate	130,170	9,519	476	0	140,165
Commercial:					
Commercial & industrial	199,960	504	8,503	0	208,967
Agricultural production	77,751	1,503	222	0	79,476
Consumer and other	55,093	40	79	0	55,212
Total	$802,531	$32,932	$24,368	$0	$859,832

Loan aging information by class of loan at December 31 follows:

As of December 31, 2022	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Past Due
Real estate:			
Commercial real estate	$29	$2,469	$2,498
Residential real estate	1,602	475	2,077
Agricultural real estate	188	0	188
Commercial			
Commercial & industrial	285	2,963	3,248
Agricultural production	11	0	11
Consumer and other	821	157	978
Total	$2,936	$6,064	$9,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(4) Loans (continued)

As of December 31, 2022	Total Past Due	Total Current	Total Loans	90+ Days Due and Accruing Interest	Total Non-accrual Loans
Real Estate:					
Commercial real estate	$2,498	$323,314	$325,812	$47	$2,549
Residential real estate	2,077	112,967	115,044	123	537
Agricultural real estate	188	147,690	147,878	0	219
Commercial:					
Commercial & industrial	3,248	211,067	214,315	0	3,033
Agricultural production	11	96,259	96,270	0	53
Consumer and other	978	68,670	69,648	103	88
Total	$9,000	$959,967	$968,967	$273	$6,479

As of December 31, 2021	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Past Due
Real estate:			
Commercial real estate	$700	$2,117	$2,817
Residential real estate	980	201	1,181
Agricultural real estate	73	205	278
Commercial			
Commercial & industrial	181	443	624
Agricultural production	12	0	12
Consumer and other	263	39	302
Total	$2,209	$3,005	$5,214

As of December 31, 2021	Total Past Due	Total Current	Total Loans	90+ Days Due and Accruing Interest	Total Non-accrual Loans
Real Estate:					
Commercial real estate	$2,817	$270,260	$273,077	$1,117	$5,886
Residential real estate	1,181	101,754	102,935	11	870
Agricultural real estate	278	139,887	140,165	205	0
Commercial:					
Commercial & industrial	624	208,343	208,967	0	489
Agricultural production	12	79,464	79,476	0	222
Consumer and other	302	54,910	55,212	0	79
Total	$5,214	$854,618	$859,832	$1,333	$7,546

When, for economic or legal reasons related to the borrower's financial difficulties, the Company grants a concession to the borrower that the Company would not otherwise consider the modified loan is classified as a troubled debt restructuring. Loan modifications may consist of forgiveness of interest and/or principal, a reduction of the interest rate, interest only payments for a period of time, and/or extending amortization terms. All troubled debt restructurings are classified as impaired loans.

(000s omitted except share data)

(4) Loans (continued)

The following table presents information regarding modifications of loans that are classified as troubled debt restructurings by class of loan that occurred during the year ended December 31, 2022:

	Number of Loans	Pre-Modification Investment	Post-Modification Investment
Real Estate:			
Commercial real estate	1	$3,375	$3,375
Commercial:			
Commercial & industrial	3	$4,408	$4,408
Total	4	$7,783	$7,783

There were no modifications of loans that are classified as troubled debt restructurings that occurred during the year ended of December 31, 2021.

The following table summarizes troubled debt restructurings that defaulted within 12 months of their modification date as of December 31, 2022:

	Number of Loans	Recorded Investment
Real Estate:		
Commercial real estate	1	$3,375
Commercial:		
Commercial & industrial	3	$4,484
Total	4	$8,219

There were no troubled debt restructurings that defaulted during the year, within 12 months of their modification as of December 31, 2021.

(5) Loan Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. Mortgage loans serviced for others as of December 31, 2022 and 2021, were approximately $286,804 and $303,768, respectively. Custodial escrow balances maintained in conjunction with serviced loans were approximately $3,552 and $3,859 at December 31, 2022 and 2021, respectively.

Effective January 1, 2021, due to the election of a change in accounting principle by the Company, the following is a summary of changes in the balance of mortgage servicing rights, included in other assets, for the year ended December 31, 2021:

Balance at December 31, 2020	$1,150
Effect of change in accounting principle	355
Balance at January 1, 2021	1,505
Change in fair value	466
Additions	57
Balance at December 31, 2021	$2,028

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(5) Loan Servicing (continued)

Prior to the election in 2021, the following summarizes the activity pertaining to mortgage servicing rights, included in other assets, for the year ended December 31, 2020:

	2020
Balance at beginning of year	$993
Mortgage servicing rights capitalized	813
Mortgage servicing rights amortized	(656)
Balance at end of year	$1,150

No impairment of mortgage servicing rights existed and no valuation allowance was recognized for 2020.

The following is a summary of changes in the balance of mortgage servicing rights for the years ended December 31, 2022 and 2021:

	2022	2021
Beginning Balance	**$2,028**	$1,505
Ending Balance	**$3,236**	$2,028

The estimated fair value of mortgage servicing rights is determined using a valuation model that calculates the present value of expected future servicing and ancillary income, net of expected servicing costs. The model incorporates various assumptions, such as discount rates and prepayment speeds based on market data from independent organizations. Information about the estimated fair value of mortgage servicing rights at December 31:

	2022	2021	2020
Range of discount rates	**9.00% - 11.00%**	9.00% - 11.00%	9.00% - 11.00%
Range of prepayment speeds	**6.30% - 26.25%**	6.79% - 33.96%	6.59% - 34.37%
Weighted average default rate	**9.00%**	9.01%	9.01%

(6) Mortgage Banking Loan Commitments

The Company enters into commitments to fund residential mortgage loans (interest rate locks) at specified times in the future, with the intention that these loans will be subsequently sold to third-party investors. A mortgage loan commitment binds the Company to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock. It is the Company's practice to enter into best efforts and mandatory delivery forward commitments for the future delivery of residential mortgage loans to third-party investors when an interest rate lock commitment is granted. Best efforts forward commitments bind the Company to deliver a mortgage loan to a third-party investor only if the underlying loan is funded. Mandatory delivery forward commitments bind the Company to deliver a residential mortgage loan to a third-party investor even if the underlying loan never funds. As of December 31, 2022 and 2021, the Company had approximately $907 and $6,559 in interest rate lock commitments outstanding. As of December 31, 2022 and 2021, the Company had approximately $947 and $110,261 in mandatory delivery forward commitments outstanding and approximately $867 and $2,857 in best effort forward commitments outstanding. These outstanding mortgage loan commitments are considered to be derivatives. The approximate fair values associated with these derivatives were considered to be immaterial as of December 31, 2022 and 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(7) Foreclosed Assets and Other Real Estate Owned

Foreclosed assets and other real estate owned net of valuation allowance consist of the following at December 31:

	2022	2021
Residential real estate	**$70**	$0
Commercial real estate	**0**	39
Non-farm non-residential properties	**0**	0
Construction, land development and other land	**0**	0
Balance at end of year	**$70**	$39

Residential real estate loans that are in process of foreclosure totaled $29 at December 31, 2022 and $99 at December 31, 2021.

(8) Premises and Equipment

The components of premises and equipment at December 31 are as follows:

	2022	2021
Land	**$2,644**	$2,644
Buildings and leasehold improvements	**22,182**	21,757
Furniture, fixtures, and equipment	**13,976**	13,426
	38,802	37,827
Less accumulated depreciation	**21,204**	20,696
	$17,598	$17,131

Depreciation expense for the years ended December 31, 2022, 2021 and 2020 amounted to $1,106, $1,053 and $1,217, respectively.

(9) Other Assets

The components of other assets at December 31 are as follows:

	2022	2021
Accrued interest receivable	**$7,255**	$5,535
Mortgage servicing rights	**3,236**	2,028
Net deferred tax assets	**18,227**	2,980
Qualified affordable housing project investments	**84**	439
Other	**2,852**	3,947
	$31,654	$14,929

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(10) Time Deposits

The aggregate amount of time deposits with a minimum denomination of $250 was approximately $101,661 and $68,880 at December 31, 2022 and 2021, respectively. Time deposits are included in the interest-bearing deposits on the consolidated balance sheet.

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

2023	$165,817
2024	112,752
2025	77,466
2026	14,775
2027 and thereafter	6,611
	$377,421

(11) Employee and Director Benefit Plans

The Company and the Banks maintain a 401(k) plan with profit sharing features covering substantially all employees under which the Company has historically provided a discretionary match of eligible employee contributions. Total 401(k) expense was approximately $574, $561, and $549, for 2022, 2021, and 2020, respectively. Each plan participant elects how the employer contributions are invested; whereby the participants choose between purchasing the Company's common stock or investing in the plan's investment funds.

In addition, the Company and the Banks maintain non-qualified deferred compensation plans whereby certain directors and officers are provided with guaranteed annual payments for periods ranging from 10 to 15 years after reaching a variation of retirement ages pending participant plan. The compensation plans are funded by bank-owned life insurance policies which had an aggregate death benefit of approximately $53,372 and $53,114 as of December 31, 2022 and 2021, respectively. The Banks accrue amounts to be paid over the participant's active service life. The accrued benefits were $3,329, $2,888, and $2,547 at December 31, 2022, 2021 and 2020, respectively. Non-qualified deferred compensation expenses were $539, $413, and $476 in 2022, 2021 and 2020, respectively.

(000s omitted except share data)

(12) Income Taxes

The components of income tax expense for the years ended December 31 are as follows:

	2022	2021	2020
Current – federal	**$2,700**	$2,148	$2,074
Current – state	**1,267**	1,175	1,178
	3,967	3,323	3,252
Deferred – federal	**74**	(61)	(330)
Deferred – state	**41**	(25)	(156)
	115	(86)	(486)
Total income tax expense	**$4,082**	$3,237	$2,766

A reconciliation of the differences between the statutory federal income tax rate and the effective federal income tax rate with the resulting dollar amounts is shown in the following table:

	2022		2021		2020	
	Amount	**% of Pretax Earnings**	Amount	% of Pretax Earnings	Amount	% of Pretax Earnings
Statutory federal tax	**$3,718**	**21.0%**	$3,071	21.0%	$2,741	21.0%
Increase (decrease) in taxes resulting from:						
Tax-exempt interest	**(598)**	**(3.4%)**	(619)	(4.2%)	(593)	(4.5%)
Bank-owned life insurance	**(122)**	**(0.7%)**	(126)	(0.9%)	(124)	(1.0%)
State taxes, net of federal benefit	**1,033**	**5.8%**	909	6.2%	807	6.2%
Other	**51**	**0.3%**	2	0.0%	(65)	0.5%
Effective tax rates	**$4,082**	**22.6%**	$3,237	22.1%	$2,766	21.2%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(12) Income Taxes (continued)

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

	2022	2021
Deferred tax assets:		
Allowance for loan losses	**$4,144**	$3,986
Allowance for losses on foreclosed assets and other real estate owned	**0**	74
Available-for-sale securities	**14,747**	
Deferred compensation and other	**2,176**	2,022
Total deferred tax assets	**21,067**	6,082
Deferred tax liabilities:		
FHLB stock dividend	**55**	55
Depreciation	**1,407**	1,549
Mortgage servicing rights and other	**1,246**	746
Available-for-sale securities		615
Purchase accounting adjustments	**132**	137
Total deferred tax liabilities	**2,840**	3,102
Net deferred tax assets	**$18,227**	$2,980

No valuation allowance has been recorded since deferred tax assets are expected to be realized.

With few exceptions, the Company is no longer subject to federal or state examinations by tax authorities for years before 2018.

(13) Transactions with Related Parties

The Company had, and may be expected to have in the future, loans or other banking transactions in the ordinary course of business with directors, significant stockholders, principal officers, their immediate families, and affiliated companies in which they are principal stockholders (commonly referred to as related parties). In management's opinion, these loans and transactions were on the same terms as those for comparable loans and transactions with non-related parties.

Activity for related party loans for the years ending December 31, is as follows:

	2022	**2021**
Balance at beginning of year	$6,128	$8,671
New credits	573	2,231
Repayments	(2,131)	(4,774)
Balance at end of year	$4,570	$6,128

Deposit accounts from related parties totaled approximately $18,663 and $19,075 at December 31, 2022 and 2021, respectively.

(000s omitted except share data)

(14) Financial Instruments with Off-Balance-Sheet Risk and Concentrations

Financial instruments with off-balance-sheet risk:

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of their customers. These financial instruments include commitments to extend credit, credit lines, letters of credit, and overdraft protection. They involve, to varying degrees, elements of credit risk in excess of amounts recognized on the consolidated balance sheets.

The Company's exposure to credit losses in the event of nonperformance by the other parties to the financial instruments, for commitments to extend credit, and letters of credit are represented by the contractual amounts of those instruments. The Banks use the same credit policies in making commitments and issuing letters of credit as they do for on-balance-sheet instruments.

A summary of the contractual amounts of the Banks' exposures to off-balance-sheet risk as of December 31 is as follows:

	2022	2021
Unused lines of credit and other loan commitments	**$271,980**	$211,776
Commercial letters of credits	**510**	887
Performance and standby letters of credit	**3,637**	4,554

Commitments to extend credit are agreements to lend to customers as long as there are no violations of any conditions established in the contracts. Commitments generally have fixed expiration dates or other termination clauses and may require the 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. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Banks evaluate each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Banks upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies; but may include accounts receivable, inventory, crops, livestock, property and equipment, residential real estate, and income-producing commercial properties.

Standby, performance and commercial letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. They are considered financial guarantees under FASB guidance. The fair value of these financial guarantees is considered immaterial.

The Company participates in the FHLB Mortgage Partnership Finance Program (the "Program"). In addition to entering into forward commitments to sell mortgage loans to a secondary market agency, the Company enters into firm commitments to deliver loans to the FHLB through the Program. Under the Program, loans are funded by the FHLB, and the Company receives an agency fee reported as a component of gain on sale of loans. The Company had no firm commitments outstanding to deliver loans through the Program at December 31, 2022 and 2021. Once delivered to the Program, the Company provides a contractually agreed-upon credit enhancement and performs servicing of the loans. Under the credit enhancement, the Company is liable for losses on loans delivered to the Program after application of any mortgage insurance and a contractually agreed-upon credit enhancement provided by the Program subject to an agreed-upon maximum. The agreed-upon accumulated credit enhancement provided by the Program totaled $38, subject to an agreed-upon maximum. The fee the Company received for this credit enhancement was not material in each of the years ended December 31, 2022, 2021 and 2020.

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(14) Financial Instruments with Off-Balance-Sheet Risk and Concentrations (continued)

Concentration of credit risk:

The Company provides several types of loans to customers including real estate, agricultural, commercial, and installment loans. The largest component of loans is secured by residential real estate, commercial real estate, or other interest in real property. Lending activities are conducted with customers in a wide variety of industries as well as with individuals with a wide variety of credit requirements. The Company does not have a concentration of loans in any specific industry. Credit risk, as it relates to the Company's business activities, tends to be geographically concentrated in that the majority of the customer base lies within the surrounding communities served by its subsidiary banks.

(15) Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to $36,298 and $35,109 at December 31, 2022 and 2021, respectively, and are collateralized by U.S. agencies, state and municipal and mortgage-backed investment securities with fair values of approximately $59,736 and $61,560. The weighted-average interest rates on these agreements were 1.11% and 0.10% at December 31, 2022 and 2021, respectively. Securities sold under agreements to repurchase mature on a daily basis.

(16) Federal Home Loan Bank (FHLB) and Federal Reserve Advances and Other Borrowings

FHLB Advances at December 31:	**2022**	2021
Fixed-rate advances with rates ranging from 2.31% to 4,14% and weighted average rates of 3.79% and 1.06% as of December 31, 2022 and 2021, respectively. Interest is payable monthly with principal due at maturity.	**$6,500**	$16,000

Advances are collateralized by 1-4 family mortgage loans, other qualifying loans and securities. The total amounts of collateral securing FHLB advances were approximately $188,468 and $93,767 as of December 31, 2022 and 2021, respectively. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. FHLB advances are also secured by $1,468 and $1,360 of FHLB stock owned by the Company at December 31, 2022 and 2021, respectively.

The Company participates in the Federal Reserve Bank of Chicago's Discount Window Lending Program. Primary advances generally mature daily and bear interest at a generally approved rate in relation to the federal funds rate. The primary advance interest rate at December 31, 2022 was 4.5%. Outstanding advances were $0 at December 31, 2022 and 2021. Advances are collateralized by investment securities pledged totaling approximately $8,867 and $9,578 at December 31, 2022 and 2021, respectively, to the Federal Reserve Bank.

Additional other borrowings totaled $866 and $1,076 at December 31, 2022 and 2021, respectively, and mature from 2024 to 2027, at interest rates ranging from 2.00% to 2.38%.

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(16) Federal Home Loan Bank (FHLB) and Federal Reserve Advances and Other Borrowings (continued)

At December 31, the scheduled maturities of FHLB advances and other borrowings are as follows:

	2022	2021
2023	**$4,500**	$0
2024	**500**	5,163
2025	**798**	500
2026	**0**	5,818
2027	**1,568**	5,595
2028 and thereafter	**0**	0
	$7,366	$17,076

The Company had federal funds purchased with its main correspondent institutions totaling $0 and $533 as of December 31, 2022 and 2021, respectively. Federal funds purchased generally mature within one day from transaction date. The weighted average interest rate was 0.25% as of December 31, 2021.

(17) Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices; such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of valuation methodologies used for assets recorded at fair value:

Securities available-for-sale: The fair values of the Company's securities available-for-sale are primarily determined by matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities. The values determined by matrix pricing are considered Level 2 fair value measurements.

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(17) Fair Value Measurements (continued)

Marketable equity securities – Marketable equity securities with a readily determinable fair value are measured at fair value on a recurring basis. The fair value measurement of equity securities with a readily determinable fair value are based on the quoted price of the security and is considered a Level 1 fair value measurement. Equity securities without a readily determinable fair value are measured at fair value on a nonrecurring basis when transaction prices for identical or similar securities are identified. Fair value measurements on equity securities without a readily determinable fair value are generally considered a Level 2 fair value measurement.

Collateral-dependent impaired loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs, through charge-offs or specific reserve allowances, that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. The fair value of collateral dependent impaired loans is generally based on recent real estate appraisals. Adjustments are routinely made in the appraisal process by independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification. Non-real estate collateral may be valued using an appraisal, net book value of the borrower's financial statements or aging reports, adjusted or discounted based on management's expertise and knowledge of the borrower and borrower's business. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are therefore considered Level 3 measurements.

Foreclosed assets and other real estate owned: Real estate acquired through or in lieu of loan foreclosure is not measured at fair value on a recurring basis. However, other real estate is initially measured at fair value (less estimated costs to sell) when it is acquired and may also be measured at fair value (less estimated costs to sell) if it becomes subsequently impaired. The fair value measurement for each property may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are therefore considered Level 3 measurements.

Mortgage servicing rights - Mortgage servicing rights are measured at fair value on a recurring basis. Serviced loan pools are stratified by year of origination, and a fair value measurement is obtained for each stratum from an independent firm. The measurement is based on recent sales of mortgage servicing rights with similar characteristics. Since the fair value measurement is based on observable market data, it is considered a Level 2 measurement.

(000s omitted except share data)

(17) Fair Value Measurements (continued)

The following table presents the Company's approximate fair-value hierarchy for the assets measured at fair value as of December 31:

As of December 31, 2022		Fair Value Measurements at Reporting Date Using		
	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Assets:				
Securities available-for-sale				
U.S. Government sponsored entities and U.S. agencies	**$107,930**		**$107,930**	
State and municipal	**$118,535**		**$118,535**	
Agency mortgage-backed	**$164,869**		**$164,869**	
Marketable equity securities	**$996**		**$996**	
Mortgage servicing rights	**$3,236**		**$3,236**	
Assets measured at fair value on a non-recurring basis:				
Assets:				
Collateral-dependent impaired loans	**$4,070**			**$4,070**
Foreclosed assets and other real estate owned	**$70**			**$70**

Collateral-dependent impaired loans, which are measured for impairment using the fair value of collateral, had a carrying value of $8,431 with specific reserves of $4,361 as of December 31, 2022.

Foreclosed assets and other real estate owned, which are measured at the lower of carrying or fair value less costs to sell, were carried at their fair value of $70, which is comprised of the outstanding balance of $70, net of an allowance for losses of $0 as of December 31, 2022.

As of December 31, 2021		Fair Value Measurements at Reporting Date Using		
	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value on a recurring basis:				
Assets:				
Securities available-for-sale				
U.S. Government sponsored entities and U.S. agencies	$85,106		$85,106	
State and municipal	$151,486		$151,486	
Agency mortgage-backed	$203,286		$203,286	
Marketable equity securities	$900		$900	
Mortgage servicing rights	$2,028		$2,028	
Assets measured at fair value on a non-recurring basis:				
Assets:				
Collateral-dependent impaired loans	$3,275			$3,275
Foreclosed assets and other real estate owned	$39			$39

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(17) Fair Value Measurements (continued)

Collateral-dependent impaired loans, which are measured for impairment using the fair value of collateral, had a carrying value of $4,579 with specific reserves of $1,304 as of December 31, 2021.

Foreclosed assets and other real estate owned, which are measured at the lower of carrying or fair value less costs to sell, were carried at their fair value of $39, which is comprised of the outstanding balance of $297, net of an allowance for losses of $258 as of December 31, 2021.

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2022 and 2021:

	Valuation Technique	Unobservable Input	Range
Collateral-dependent impaired loans, net of specific reserves	Sales comparison approach	Appraised values	10% - 20%
Foreclosed assets and other real estate owned	Sales comparison approach	Appraised values	10% - 20%

FASB guidance requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates may not be realized in immediate settlement of the instrument. Accounting guidance excludes certain financial instruments and certain nonfinancial instruments from its disclosure requirements. These fair value disclosures may not represent the fair value of the Company.

The estimated fair values of the Company's financial instruments as of December 31, 2022 are as follows:

	Carrying Amount	Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$43,822	$43,822	$43,822		
Interest-bearing deposits in other banks-term deposits	6,058	5,833	5,733	$100	
Securities	395,410	395,168		395,168	
Marketable equity securities	3,943	3,943	2,947	996	
Loans held for sale	421	421		421	
Loans, net of allowance	954,426	928,416			$928,416
Accrued interest receivable	7,255	7,255	7,255		
Cash surrender value of bank-owned life insurance	24,058	24,058			24,058
Mortgage servicing rights	3,236	3,236		3,236	
Financial liabilities:					
Demand and saving deposits	$917,286	$917,286	$917,286		
Time deposits	377,421	367,715			$367,715
Securities sold under agreements to repurchase	36,298	35,819		$35,819	
FHLB advances and other borrowings	7,366	7,225			7,225
Accrued interest payable	977	977	977		

(000s omitted except share data)

(17) Fair Value Measurements (continued)

The estimated fair values of the Company's financial instruments as of December 31, 2021 are as follows:

	Carrying Amount	Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$91,644	$91,644	$91,644		
Interest-bearing deposits in other banks-term deposits	12,198	12,472	12,372	$100	
Securities	444,267	444,439		444,439	
Marketable equity securities	2,265	2,265	1,365	900	
Loans held for sale	2,254	2,254		2,254	
Loans, net of allowance	845,847	844,952			$844,952
Accrued interest receivable	5,535	5,535	5,535		
Cash surrender value of bank-owned life insurance	23,210	23,210			23,210
Mortgage servicing rights	2,028	2,028		2,028	
Financial liabilities:					
Demand and saving deposits	$882,299	$882,299	$882,299		
Time deposits	353,145	353,939			$353,939
Federal funds purchased	533	533	533		
Securities sold under agreements to repurchase	35,109	35,111		$35,111	
FHLB advances and other borrowings	17,076	17,355			17,355
Accrued interest payable	694	694	694		

(18) Stock-Compensation Plans

During 2012, the Company approved an equity incentive plan to promote the long-term financial success of the Company through stock-based awards to employees, directors or service providers who contribute to that success. This equity incentive plan permits Company management to approve and grant a maximum of 150,000 shares of common stock-based awards in the form of any combination of stock options, stock appreciation rights, stock awards or cash incentive awards. The 2012 equity incentive plan expired in September 2022 and a new plan was implemented in October 2022. The 2022 plan mirrors the expired 2012 plan with the exception of the cash incentive awards which were excluded from the 2022 plan.

Stock Options

The fair value of each option award is estimated on the date of grant using a closed form option valuation model (Black-Scholes) based on the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield in effect at the time of the grant. The Company's accounting policy is to recognize forfeitures as they occur.

No options were granted for the year ended December 31, 2021 and 2020. For the year ended December 31, 2022, 5,000 shares of non-qualified stock options were granted under the 2012 equity incentive plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(18) Stock-Compensation Plans (continued)

Stock Options (continued)

The following assumptions were used in estimating the fair value of options granted during the year ended December 31, 2022:

	2022
Expected volatility	64.09%
Expected dividend yield	1.40%
Expected term (in years over vesting period)	5.00
Risk free rate	3.03%

Based on these assumptions the estimated weighted average grant date fair value of options granted was $15.96 during 2022.

For the years ended December 31, 2022, 2021 and 2020, the Company recognized $25, $16, and $19 in compensation expense for stock options, respectively. No tax benefits were recognized for the three-year period ended December 31, 2022. The intrinsic value of options exercised during the years ended December 31, 2022, 2021 and 2020 was $0, $0 and $276, respectively.

The following table summarizes the activity of options for the year ended:

	December 31, 2022		December 31, 2021	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price
Shares under option, beginning of year	**25,000**	**$35.55**	25,000	$35.55
Granted during the year	**5,000**	**31.40**	0	0
Forfeited and expired during the year	**(8,334)**	**35.55**	0	0
Exercised during the year	**0**	**0**	0	0
Shares under option, end of year	**21,666**	**$34.60**	25,000	$35.55
Options exercisable, end of year	**16,666**	**$35.55**	12,500	$35.55

The following table summarizes information about stock options outstanding at December 31, 2022:

Exercise Price	**Number Outstanding**	**Remaining Contractual Life (Years)**	**Number Exercisable**
$35.55	16,666	0.25	16,666
31.40	5,000	9.50	0
	21,666		16,666

Total shares available for grant under the 2012 equity incentive plan were 0, 64,603 and 78,727 at December 31, 2022, 2021 and 2020, respectively. Total shares available for grant under the 2022 equity incentive plan was 150,000 as of December 31, 2022.

(000s omitted except share data)

(18) Stock-Compensation Plans (continued)

Stock Awards

Stock awards are granted in the form of restricted stock awards (RSA's) and restricted stock units (RSU's) which typically vest equally over a two-year period; however, there were RSAs and RSUs issued in 2021 that vest over a five-year period. RSA's share in dividends and have voting rights throughout the vesting period. RSU's are paid a dividend equivalent during the vesting period but have no voting rights.

The following table summarizes information regarding unvested restricted stock and shares outstanding during the year ended:

	December 31, 2022		December 31, 2021	
	Unvested Shares	**Weighted Average Grant Value**	Unvested Shares	Weighted Average Grant Value
Restricted stock, beginning of year	**19,754**	**$30.86**	13,301	$29.41
Granted during the year	**9,104**	**34.00**	16,403	31.79
Forfeited during the year	**(1,282)**	**33.03**	(863)	29.93
Restricted shares (net for taxes)	**(1,980)**	**30.51**	(1,233)	30.51
Vested during the year	**(11,406)**	**30.51**	(7,854)	30.51
Restricted stock, end of year	**14,190**	**$33.01**	19,754	$30.86

During 2022, 2021 and 2020, total accrued compensation expense of $390, $332 and $246 (before tax benefits of $111, $95 and $70) was recorded from amortization of restricted shares expected to vest, respectively. Future projected compensation expense (before tax benefits); assuming all restricted shares eventually vest to employees; would be $179, $38, $7 and $2 for years 2023, 2024, 2025 and 2026 respectively.

(19) Stock Repurchase Program

In November 2020, the Company's Board of Directors adopted a stock repurchase plan. The plan provided a maximum dollar threshold of aggregate cost of repurchases under the plan, set a limit on the daily number of shares that could be repurchased and provided a maximum per share price. This plan, scheduled to expire on November 30, 2021, was subsequently extended to November 30, 2022 with modification of maximum per share price and daily purchase limits. A revised repurchase plan was approved by the Board of Directors as of December 30, 2021 and effective January 1, 2022, replacing the prior active plan. The revised stock repurchase plan provided additional funding, updated maximum per share price and adjusted daily limits and expired June 1, 2022 with no further extensions approved in 2022. For the years ended December 31, 2022, 2021 and 2020, the Company repurchased 44,760, 131,500 and 17,900 shares under the repurchase program.

The purchase price for the shares of the Company's stock repurchased is reflected as a reduction to shareholders' equity as treasury stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(000s omitted except share data)

(20) Earnings Per Common Share

For the years ended December 31, earnings per common share have been computed based on the following:

	2022	2021	2020
Net income	**$13,626**	$11,386	$10,290
Net income available to common stockholders	**$13,626**	$11,386	$10,290
Average number of common shares outstanding	**3,565,548**	3,665,228	3,726,475
Effect of dilutive options	**12,280**	15,844	10,799
Average number of common shares outstanding used to calculate diluted earnings per common share	**3,577,828**	3,681,072	3,737,274

(21) Equity and Regulatory Matters

The Company and Banks are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements.

In September 2019, the FDIC finalized a rule that introduced an optional simplified measure of capital adequacy known as the community bank leverage ratio (CBLR) framework. In order to qualify for the CBLR framework, the Company and Banks must have a Tier 1 leverage ratio of greater than 9%, less than $10 billion in total consolidated assets, and limited amounts of off-balance-sheet exposures and trading assets and liabilities. The Coronavirus Aid, Relief, and Economic Security Act lowered the CBLR to 8% through December 31, 2020. Beginning in 2021, the CBLR will increase to 8.5% for the calendar year, before increasing back to 9% beginning January 1, 2022. As of December 31, 2022 and 2021, the Company and Banks qualified for and elected to use the CBLR framework. An institution opting into the CBLR framework and meeting all requirements under the framework will be considered to have met the well-capitalized ratio requirements under the Prompt Corrective Action regulations and will not be required to report or calculate risk-based capital.

As of December 31, 2022, the most recent notification from the regulatory agencies categorized all six Banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Banks must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events since December 31, 2022, which management believes have changed the capital categories of the Banks.

(21) Equity and Regulatory Matters (continued)

The Company and the Banks actual capital amounts and ratios as of December 31 are presented in the following tables:

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount In $000s	Ratio	Amount In $000s	Ratio
As of December 31, 2022:				
Community Bank Leverage Ratio:				
Company	$164,081	10.81%	$136,583	9.00%
Northwest	36,762	9.64%	34,334	9.00%
German	30,249	9.11%	29,892	9.00%
Davis	19,082	10.77%	15,942	9.00%
Freeport	35,708	10.26%	31,317	9.00%
Lena	10,994	11.23%	8,811	9.00%
Herscher	20,406	11.88%	15,465	9.00%

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount In $000s	Ratio	Amount In $000s	Ratio
As of December 31, 2021:				
Community Bank Leverage Ratio:				
Company	$153,543	10.50%	$124,246	8.50%
Northwest	33,922	8.83%	32,670	8.50%
German	28,252	9.30%	25,827	8.50%
Davis	19,575	11.43%	14,552	8.50%
Freeport	33,006	10.07%	27,849	8.50%
Lena	11,324	11.99%	8,026	8.50%
Herscher	20,130	11.75%	14,562	8.50%

(22) Dividends

State banking regulations restrict the amount of dividends that a bank may pay to its stockholders. The regulations provide that dividends are limited to the balance of undivided profits, subject to capital-adequacy requirements, plus an additional amount equal to the Bank's current-year earnings through the date of any declaration of dividends. The payment of dividends would also be restricted if a Bank does not meet the minimum capital conservation buffer as defined by Basel III regulatory capital guidelines.

(23) Subsequent Event

In July 2022, the Company entered into a definitive agreement to sell 100% of the common shares of State Bank of Herscher. The consummation of the transaction is contingent upon regulatory approval and is expected to occur in 2023. As part of the terms of the proposed transaction, the Company would sell a wholly owned subsidiary along with certain intangible assets and assets and liabilities of the sold bank.

CONSOLIDATING SCHEDULE 1 - BALANCE SHEET
(000s omitted except share data)

December 31, 2022

ASSETS	German-American State Bank	State Bank of Davis
Cash and due from banks	$4,286	$2,220
Interest-bearing deposits in banks	2,096	514
Federal funds sold	1,624	467
Interest-bearing deposits in banks - term deposits	747	0
Debt securities:		
Debt securities available-for-sale	56,782	72,934
Debt securities held-to-maturity	0	629
Marketable equity securities and other investments	2,020	277
Loans held for sale	0	0
Loans, net	247,344	84,511
Foreclosed assets and other real estate owned, net	70	0
Premises and equipment, net	2,615	705
Bank owned life insurance	3,917	2,052
Other assets	5,626	4,842
Investment in subsidiary banks	0	0
Total assets	$327,127	$169,151
LIABILITIES AND STOCKHOLDLERS' EQUITY		
Liabilities:		
Deposits:		
Noninterest bearing	$64,593	$22,888
Interest-bearing	232,094	130,339
Total deposits	296,687	153,227
Securities sold under agreements to repurchase		922
Federal Home Loan Bank (FHLB) and Federal Reserve advances and other borrowings	2,500	2,000
Accrued interest payable and other liabilities	2,343	510
Total liabilities	301,530	156,659
Stockholders' equity:		
Preferred stock	0	0
Common stock	400	100
Additional paid-in capital	3,075	1,693
Retained earnings	26,774	17,289
Treasury stock	0	0
Accumulated other comprehensive income (loss)	(4,652)	(6,590)
Total stockholders' equity	25,597	12,492
Total liabilities and stockholders' equity	$327,127	$169,151

Northwest Bank	State Bank	Lena State Bank	State Bank of Herscher	Foresight Financial Group, Inc.	Eliminations	Consolidated Total
$5,910	$10,078	$1,153	$4,707	$335	($335)	$28,354
1,037	2,474	693	1,161	5,291	(5,291)	$7,975
1,081	2,603	650	1,068	0		7,493
1,245	1,240	1,835	991	0	0	6,058
75,990	79,349	31,935	74,344	0		391,334
0	3,447	0	0	0		4,076
893	322	139	292	0		3,943
421	0	0	0	0		421
254,132	243,510	54,436	70,493	0		954,426
0	0	0	0	0		70
6,612	1,424	275	1,746	4,221		17,598
6,324	1,601	1,127	4,915	4,122		24,058
7,501	5,967	2,411	4,381	926		31,654
0	0	0	0	116,214	(116,214)	
$361,146	$352,015	$94,654	$164,098	$131,109	($121,840)	$1,477,460
$81,402	$56,308	$6,914	$44,285	$0	($335)	$276,055
243,778	234,506	77,365	105,861	0	(5,291)	1,018,652
325,180	290,814	84,279	150,146	$0	(5,626)	1,294,707
4,270	31,106	0	0	0		36,298
568	298	2,000	0	0		7,366
1,928	1,684	535	980	3,878		11,858
331,946	323,902	86,814	151,126	3,878	(5,626)	1,350,229
0	0	0	0	0		0
1,450	1,000	500	400	1,018	(3,850)	1,018
7,967	4,835	3,786	17,986	11,135	(39,339)	11,138
27,345	29,874	6,708	2,020	164,600	(110,013)	164,597
0	0	0	0	(12,534)		(12,534)
(7,562)	(7,596)	(3,154)	(7,434)	(36,988)	36,988	(36,988)
29,200	28,113	7,840	12,972	127,231	(116,214)	127,231
$361,146	$352,015	$94,654	$164,098	$131,109	($121,840)	$1,477,460

For the year ended December 31, 2022

	German-American State Bank	State Bank of Davis
Interest and dividend income:		
Loans, including fees	$11,212	$3,406
Debt securities:		
Taxable	710	1,190
Tax-exempt	573	520
Interest-bearing deposits in banks and other	112	83
Federal funds sold	29	21
Total interest and dividend income	12,636	5,220
Interest expense:		
Deposits	2,115	781
Federal funds purchased	7	5
Securities sold under agreements to repurchase	0	8
FHLB and other borrowings	62	5
Total interest expense	2,184	799
Net interest and dividend income	10,452	4,421
Provision for loan losses	210	604
Net interest and dividend income, after provision for loan losses	10,242	3,817
Noninterest income:		
Customer service fees	207	68
Equity in earnings of subsidiaries		
Gain (loss) on sales and calls of AFS securuties, net	0	(15)
Gain on sales of loans, net	0	0
Loan-servicing fees, net	0	0
Other	1,314	331
Total noninterest income	1,521	384
Noninterest expenses:		
Salaries and employee benefits	4,155	1,276
Occupancy expense of premises, net	396	139
Outside services	927	440
Data processing	897	437
Foreclosed assets and other real estate owned, net	(53)	0
Other	1,565	514
Total noninterest expenses	7,887	2,806
Income before income taxes	3,876	1,395
Income tax expense (benefit)	937	163
Net income	$2,939	$1,232

CONSOLIDATING SCHEDULE 2 - STATEMENT OF INCOME
(000s omitted except share data)

Northwest Bank	State Bank	Lena State Bank	State Bank of Herscher	Foresight Financial Group, Inc.	Eliminations	Consolidated Total
$12,187	$10,603	$2,430	$3,152	0		$42,990
1,336	1,303	418	1,160	0		6,117
382	477	257	309	0		2,518
153	122	68	118	8	($18)	646
67	43	8	22	0		190
14,125	12,548	3,181	4,761	8	(18)	52,461
1,278	1,336	519	280	0	($18)	6,291
13	7	2	4	0		38
12	303	0	0	0		323
49	0	18	0	2		136
1,352	1,646	539	284	2	(18)	6,788
12,773	10,902	2,642	4,477	6	0	45,673
686	(682)	(74)	(192)	0		552
12,087	11,584	2,716	4,669	6	0	45,121
527	98	65	90			1,055
				$15,890	($15,890)	0
(225)	0	(6)	0		$0	(246)
969	0	0	0		$0	969
1,964	0	0	14			1,978
1,193	1,244	146	605	4,614	(4,794)	4,653
4,428	1,342	205	709	20,504	(20,684)	8,409
5,865	3,325	652	1,711	5,643		22,627
937	241	80	300	281	(62)	2,312
1,156	599	348	411	891	(3,219)	1,553
1,284	798	279	541	317	(1,513)	3,040
0	0	0	0	0		(53)
1,962	848	265	497	692		6,343
11,204	5,811	1,624	3,460	7,824	(4,794)	35,822
5,311	7,115	1,297	1,918	12,686	(15,890)	17,708
1,310	1,885	307	420	(940)		4,082
$4,001	$5,230	$990	$1,498	$13,626	($15,890)	$13,626

Board of Directors

Robert W. Stenstrom
Chairman, Board of Directors
Chairman & CEO,
Stenstrom Companies

Peter Q. Morrison
President,
Chief Executive Officer

Judd D. Thruman
Partner, Fishburn,
Whiton, Thruman, LTD.

Carolyn S. Sluiter, D.V.M.
Retired Veterinarian

Douglas A. Wagner
Owner, Floor to Ceiling

Jeffrey M. Sterling
Retired President/CEO
of German American
State Bank

Frederick J. Kundert
Retired, Harder Corporation

John J. Morrissey
President, Staff Management
& Market Dimensions
Principal, Morrissey
Family Business

John W. Collman
Ag Production

Executive Officers

Peter Q. Morrison
President,
Chief Executive Officer

Dean E. Cooke
Chief Financial Officer

K. Denise Osadjan
Chief Risk Officer

Rusti Swanson
Chief Credit Officer

Andrew LaPour
Director of
Information Technology

Lori Morgan
Director of
Corporate Operations

Nora Koehler
Director of
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