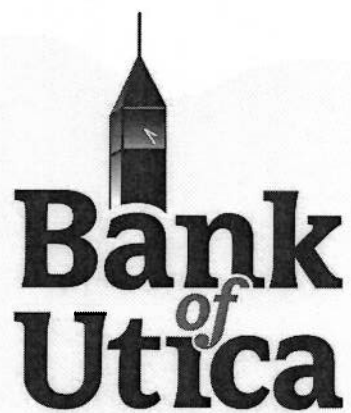


**December 31, 2022**



***in a league all our own.®***

## **TABLE OF CONTENTS**

<b><u>DESCRIPTION</u></b>	<b><u>Page</u></b>
Report of Independent Certified Public Accountants	1 - 4
Consolidated Statements of Financial Condition	5
Consolidated Statements of Income	6
Consolidated Statements of Changes in Shareholders' Equity	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 32

## **Independent Auditors' Report**

**To the Board of Directors and Stockholders  
of Bank of Utica**

### **Opinion**

We have audited the consolidated financial statements of Bank of Utica and Subsidiary (the "Bank"), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the consolidated related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

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

**Other Matter**

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the internal control over financial reporting of the Bank as of December 31, 2022, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated January 31, 2023 expressed an unqualified opinion thereon.

*Mazars USA LLP*

New York, New York  
January 31, 2023

## Independent Auditors' Report

To the Board of Directors and Stockholders  
of Bank of Utica

### Opinion on Internal Control over Financial Reporting

We have audited the Bank's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (Call Report Instructions) as of December 31, 2022, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Bank maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in the 2013 *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the consolidated financial statements of the Bank, and our report dated January 31, 2023, expressed an unqualified opinion thereon.

### Basis for Opinion

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

### Responsibilities of Management for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying "Management Report Regarding Combined Statement of Management's Responsibilities, Report on Management's Assessment of Compliance with Designated Laws and Regulations, and Report on Management's Assessment of Internal Control Over Financial Reporting."

### Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

**Definition and Inherent Limitations of Internal Control over Financial Reporting**

An institution's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An institution's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the institution; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the institution are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the institution's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

*Mazars USA LLP*

New York, New York  
January 31, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITIONDECEMBER 31,ASSETS

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and Cash Equivalents	\$ 45,026,485	\$ 43,205,952
Investment Securities - Held to Maturity	1,093,348,412	1,174,661,805
Investment Securities - Equity Securities	146,210,472	152,844,685
Loans Receivable - Net	101,583,589	118,432,668
Property and Equipment - Net	16,697,183	17,994,322
Accrued Interest Receivable	11,429,486	11,716,777
Other Assets	7,128,115	6,515,489
	<u>7,128,115</u>	<u>6,515,489</u>
 TOTAL ASSETS	 <u>\$ 1,421,423,742</u>	 <u>\$ 1,525,371,698</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits	\$ 1,093,403,646	\$ 1,203,501,304
Deferred Tax Liability - Net	20,265,740	21,841,724
Accrued Interest Payable	825,591	930,507
Other Liabilities	3,882,033	3,235,586
Total Liabilities	<u>1,118,377,010</u>	<u>1,229,509,121</u>
Shareholders' Equity:		
Voting Common Stock - \$20 Par Value, Authorized 50,000 Shares Issued and Outstanding	1,000,000	1,000,000
Nonvoting Common Stock - \$20 Par Value, Authorized 200,000 Shares Issued and Outstanding	4,000,000	4,000,000
Capital Surplus	247,921,000	228,174,000
Retained Earnings	50,125,732	62,688,577
Total Shareholders' Equity	<u>303,046,732</u>	<u>295,862,577</u>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 <u>\$ 1,421,423,742</u>	 <u>\$ 1,525,371,698</u>

## BANK OF UTICA AND SUBSIDIARY

UTICA, NEW YORK

CONSOLIDATED STATEMENTS OF INCOMEFOR THE YEAR ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Interest and Dividend Income:		
Investment Securities:		
Taxable	\$ 30,267,137	\$ 29,357,108
Exempt from Federal Income Tax	1,990,321	2,325,177
Dividend Income	3,781,776	3,413,885
Loans	3,936,341	4,635,249
Interest Bearing Deposits in Banks	-	12
Federal Loan Processing Fees	-	615,066
Federal Funds Sold	853,698	80,358
Total Interest and Dividend Income	<u>40,829,273</u>	<u>40,426,855</u>
Interest Expense:		
Interest on Deposits & Borrowed Funds	<u>12,653,065</u>	<u>13,196,049</u>
Net Interest Income	<u>28,176,208</u>	<u>27,230,806</u>
Non-Interest Income:		
Net Gain/Loss on Unrealized Gain/Loss of Investment Securities	(6,070,196)	26,063,856
Net Gain on Disposal of Investment Securities	744,358	3,700,987
Service Charges on Deposit Accounts	153,551	165,942
Other	378,765	59,647
Total Non-interest (Loss) Income	<u>(4,793,522)</u>	<u>29,990,432</u>
Non-Interest Expense		
Salaries, Employee Benefits and Training	4,591,785	4,236,196
Occupancy and Information Technology	2,917,414	2,924,222
Regulatory - FDIC and NYS Banking Department	500,182	465,966
Provision for Loan Loss Reserves	127,000	-
Other	1,747,850	1,641,438
Total Non-Interest Expense	<u>9,884,231</u>	<u>9,267,822</u>
Income Before Income Taxes	13,498,455	47,953,416
Income Tax Expense	<u>1,876,800</u>	<u>9,449,020</u>
NET INCOME	<u>\$ 11,621,655</u>	<u>\$ 38,504,396</u>
NET INCOME PER SHARE OF COMMON STOCK	<u>\$ 46</u>	<u>\$ 154</u>
SHARES OUTSTANDING	<u>250,000</u>	<u>250,000</u>

See Accompanying Notes to Consolidated Financial Statements



CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITYFOR THE YEAR ENDED DECEMBER 31,

	Voting Common Stock	Non-Voting Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2020	\$ 1,000,000	\$ 4,000,000	\$ 211,160,000	\$ 45,448,181	\$ 261,608,181
Net Income	-	-	-	38,504,396	38,504,396
Dividends Declared	-	-	-	(4,250,000)	(4,250,000)
Transfer	-	-	17,014,000	(17,014,000)	-
Balance at December 31, 2021	1,000,000	4,000,000	228,174,000	62,688,577	295,862,577
Net Income	-	-	-	11,621,655	11,621,655
Dividends Declared	-	-	-	(4,437,500)	(4,437,500)
Transfer	-	-	19,747,000	(19,747,000)	-
Balance at December 31, 2022	\$ 1,000,000	\$ 4,000,000	\$ 247,921,000	\$ 50,125,732	\$ 303,046,732

See Accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWSFOR THE YEAR ENDED DECEMBER 31,

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Net Income	\$ 11,621,655	\$ 38,504,396
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,362,415	1,545,997
Deferred Income (Benefit) Tax	(1,575,984)	5,552,209
Investment Securities Amortization	11,192,576	7,783,702
Impairment of Securities	-	349,314
Realized (Gain) on Investment Securities	(744,358)	(3,700,987)
Unrealized Loss (Gain) on Investment Securities	6,070,196	(26,063,856)
Loss from Limited Partnerships	18,522	-
Donation of Equity Securities	872,126	631,515
(Increase) Decrease in Assets:		
Accrued Interest Receivable and Other Assets	(325,335)	(4,930,006)
Increase (Decrease) in Liabilities:		
Accrued Interest Payable and Other Liabilities	541,531	27,384
NET CASH FROM OPERATING ACTIVITIES	<u>29,033,344</u>	<u>19,699,668</u>
Cash Flows from Investing Activities:		
Proceeds from Redemptions, Principal Payments,		
Maturities and Sales of Securities Held to Maturity	232,168,090	254,947,092
Purchase of Securities Held to Maturity	(161,888,062)	(396,178,421)
Purchase of Equity Securities	-	(108,769)
Proceeds from Sales of Equity Securities	148,518	78,538
Distributions from Limited Partnerships	110,000	-
Increase in Loans - Net	16,849,079	1,632,824
Purchases of Property and Equipment	(65,278)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>87,322,347</u>	<u>(139,628,736)</u>
Cash Flows from Financing Activities:		
Increase in Deposits - Net	(110,097,658)	140,123,413
Dividends Paid	(4,437,500)	(4,250,000)
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	<u>(114,535,158)</u>	<u>135,873,413</u>
INCREASE IN CASH	1,820,533	15,944,345
Cash Balance - January 1	43,205,952	27,261,607
Cash Balance - December 31	<u>\$ 45,026,485</u>	<u>\$ 43,205,952</u>
Supplemental Disclosures:		
Cash Paid for Interest	<u>\$ 12,650,065</u>	<u>\$ 13,196,049</u>
Cash Paid for Taxes	<u>\$ 3,531,335</u>	<u>\$ 4,557,213</u>
Non-Cash Financing Activities		
Dividends Declared and Payable	<u>\$ 2,250,000</u>	<u>\$ 2,187,500</u>

See Accompanying Notes to Consolidated Financial Statements

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 1 – Summary of Significant Accounting Policies:

- A. Principals of Consolidation and Nature of Operations – The accompanying consolidated financial statements include the accounts of the Bank of Utica and Bank of Utica Investment Subsidiary, Ltd., its wholly-owned subsidiary. Intercompany transactions and balances have been eliminated in consolidation.

The Bank of Utica (the “Bank”) is a privately held full service commercial Bank and accepts deposits, and generates loans primarily in the Utica, New York region, and invests in securities.

- B. Basis of Accounting – The accompanying consolidated financial statements have been prepared in all material respects in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and practices within the Banking industry.
- C. Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, the fair value of financial instruments, and other-than-temporary impairments of securities.
- D. Cash and Cash Equivalents – For the purposes of presentation in the Consolidated Statements of Cash Flows, cash and cash equivalents include cash and due from banks. Cash and cash equivalents have original maturities of three months or less, and accordingly, the carrying amount of these instruments is deemed to be a reasonable estimate of fair value.
- E. Investment Securities – The Bank holds both equity and debt investment securities. Equity securities are securities with a readily determinable fair value. The Bank did not hold any equity securities designated as trading securities as of December 31, 2022 and 2021. Debt securities held are designated as held to maturity. The Bank did not have any debt securities classified as available for sale at December 31, 2022 and 2021. The initial designation of the securities held is made at the time of purchase depending on the nature, and the intent and ability to hold the securities.

ASU 2016-01 affects all entities that hold financial assets or owe financial liabilities. The amendments in this Update address certain aspects of recognition, measurement, presentation, and disclosure of financial statements. For commercial banks, the new guidance primarily affected the measurement of equity securities that are at fair value. Changes in fair value are recognized in net income rather than through other comprehensive income as in prior practice. Debt securities that are classified as available for sale, the changes in fair value will be recognized in other comprehensive income. The Bank did not have any debt securities classified as available for sale at December 31, 2022 and 2021. Debt securities that management has both the intent and ability to hold to maturity are carried at amortized cost, adjusted for amortization of premium and accretion of discount computed by the level yield method over their contractual lives.

Management conducts periodic evaluations of securities held to maturity to determine if the amortized cost basis of a security has been other-than-temporarily impaired. These evaluations of other than temporary impairment (OTTI) consider numerous factors and their relative significance will vary from case to case. The evaluations consider all attributes of a particular security. Debt

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 1 – Summary of Significant Accounting Policies (continued):

securities are deemed to be OTTI if (1) management has the intent to sell the security at a loss, (2) it is more likely than not it will have to sell the security before recovery of its amortized cost, (3) a credit loss has been incurred, or (4) there is a probability that a credit loss will be incurred. Credit loss is measured by reference to the present value of expected cash flows discounted at the security's effective interest rate. If a debt security is deemed to be OTTI, the debt security is written down to fair value by a charge to non-interest income for the credit loss component with any other component of loss recognized through income (loss), net of tax.

Premiums (discounts) on debt securities are amortized (accreted) to income using the level yield method to the contractual maturity date adjusted for actual prepayment experience.

Realized gains and losses are determined using the specific identification method and are reported in noninterest income.

- F. Loans Receivable – The Bank's loan balance is comprised of loans held in the portfolio, including commercial loans, consumer loans, and residential mortgage loans. Loans are reported at their outstanding principal balances adjusted for the allowance for loan losses. Interest income on all types of loans, except those classified as nonaccrual, is accrued based upon the outstanding principal amounts.

The accrual of interest on loans is discontinued after 90 days delinquent unless such loans are well secured and are in process of collection. Loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Upon discontinuance of accrual of interest, all unpaid accrued interest is reversed. Subsequent receipts of interest are recorded as interest income on a cash basis unless collectability is in doubt, in which case cash payments are applied to principal. Loans may be returned to accrual status, if and when borrowers demonstrate the ability to repay a loan in accordance with the contractual terms.

- G. Allowance for Loan Losses – The allowance for loan losses has been determined in accordance with U.S. GAAP, principally FASB ASC 450, "Contingencies", ("ASC 450") and FASB ASC 310, "Receivables", ("ASC 310"). Under the above accounting principles, management is required to maintain an allowance for probable losses at the balance sheet date. Management is responsible for the timely and periodic determination of the amount of the allowance required. Management believes that the allowance for loan losses is adequate to cover specifically identifiable losses, as well as estimated losses inherent in the portfolio for which certain losses are probable but not specifically identifiable.

The allowance is maintained at a level adequate to absorb losses that have occurred. Management determines the adequacy of the allowance based upon reviews of individual credits, recent loss experience, current economic conditions, the risk characteristics of the various segmentations of loans and other pertinent factors. Credits deemed uncollectible are charged against the allowance. Provisions for credit losses, if any, and recoveries on loans previously charged-off are added to the allowance.

The determination of the adequacy of the provision for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. The Bank's charge-off policy meets or is more stringent than regulatory minimums.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 1 – Summary of Significant Accounting Policies (continued):

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated loan losses.

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

A loan is considered impaired when it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. Certain consumer, residential mortgage, and commercial loans whose terms have been modified in troubled debt restructurings ("TDR") are individually evaluated for impairment.

TDR's are loans in which the borrower is experiencing financial difficulty and the Bank has granted an economic concession to the borrower that it would not otherwise consider. When loans are modified under the terms of a TDR, the Bank typically offers the borrower an extension of the loan maturity date and/or a reduction in the original contractual interest rate.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. Section 4013 of the CARES Act, "Temporary Relief from Troubled Debt Restructurings," provides banks the option to temporarily suspend certain requirements under GAAP related to troubled debt restructurings ("TDR") for a limited period of time to account for the effects of the COVID-19 pandemic. Additionally, on April 7, 2020, the banking agencies, including the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency, issued a statement, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)" ("Interagency Statement"), to encourage banks to work prudently with borrowers and to describe the agencies' interpretation of how accounting rules under ASC 310-40, "Troubled Debt Restructurings by Creditors," apply to certain of the COVID-19 pandemic related modifications. Further, on August 3, 2020, the Federal Financial Institutions Examination Council issued a Joint Statement on Additional Loan Accommodations related to COVID-19, to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of initial loan accommodation periods.

Under the CARES Act and related Interagency Statement, the Bank may temporarily suspend its delinquency and nonperforming treatment for certain loans that have been granted a payment accommodation that facilitates borrowers' ability to work through the immediate impact of the pandemic. Borrowers who were current prior to becoming affected by the COVID-19 pandemic, then receive payment accommodations as a result of the effects of the COVID-19 pandemic and if all payments are current in accordance with the revised terms of the loan, generally would not be reported as past due. The Bank has chosen to utilize this part of the CARES Act as it relates to delinquencies and nonperforming loans and will not report these loans as past due.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 1 – Summary of Significant Accounting Policies (continued):

Under Section 4013 of the CARES Act, modifications of loan terms do not automatically result in TDRs and the Bank generally does not need to categorize the COVID-19 pandemic related modifications as TDRs. The Bank may elect not to categorize loan modifications as TDRs if they are (1) related to the COVID-19 pandemic; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020. The termination date was extended by the Consolidated Appropriations Act of 2021, to the earlier of 60 days after the date of termination of the National Emergency or January 1, 2022. For all other loan modifications, the federal banking agencies have confirmed with staff of the Financial Accounting Standards Board ("FASB") that short-term modifications made on a good faith basis in response to the COVID-19 pandemic to borrowers who were current prior to any relief, are not TDRs. This includes short-term (e.g., six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented. Financial institutions accounting for eligible loans under Section 4013 are not required to apply ASC Subtopic 310-40 to the Section 4013 loans for the term of the loan modification. Financial institutions do not have to report Section 4013 loans as TDRs in regulatory reports. The Bank has chosen to utilize this section of the CARES Act and will not report the COVID-19 pandemic related modifications as TDRs. The Bank made modifications for numerous businesses and individuals as a result of the pandemic.

- H. Property and Equipment – Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is computed by the straight-line and accelerated methods.

Depreciation is charged to operations over the estimated useful lives of the assets. The estimated useful lives and methods of depreciation for the principal items are as follows:

Buildings and Improvements	10-40	Straight-Line
Furniture and Equipment	3-10	Straight-Line

Maintenance and repairs of premises and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of premises and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain, or loss is included in operations.

- I. Profit Sharing Plan – Profit sharing costs are charged to employee benefits expense as accrued.
- J. Postretirement Benefits – Postretirement health insurance benefits are charged to employee benefits expense when paid. Although not under contractual obligation, the Bank currently provides certain health care benefits to retired employees. At the option of the Bank, retirees may continue to receive certain health insurance benefits if they meet age and service requirements while working for the Bank. The health care plans can be contributory with participant contributions adjusted annually. The Bank reserves the right to amend or terminate any of the benefits at any time. The amounts paid for such benefits in 2022 and 2021 were \$51,718 and \$46,351, respectively.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 1 – Summary of Significant Accounting Policies (continued):

- K. Income Taxes – There are two components of income tax expense: current and deferred. Current income tax expense (benefit) approximates cash to be paid (refunded) for income taxes for the applicable period. Deferred income tax expense (benefit) is determined by recognizing deferred tax assets and liabilities for the future tax consequences attributable to differences in the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The principal timing differences are the provision for loan losses, depreciation and amortization, and unrealized gain (loss) on equity securities.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The realization of deferred tax assets is assessed and a valuation allowance is recognized for that portion of the asset, if any, for which it is not more likely than not that the tax benefits will be realized. Management generally considers the character and timing of taxable temporary differences, tax planning strategies and the expectation of future taxable income of the appropriate character when evaluating the need for a valuation allowance.

When measuring the amount of current taxes to be paid (or refunded) management considers the merit of various tax treatments in the context of statutory, judicial and regulatory guidance. The Bank also considers the results of recent tax audits and historical experience. While management considers the amount of income taxes payable (or receivable) to be appropriate based on information currently available, future additions and reductions to such amounts may be necessary due to unanticipated events or changes in circumstances. Management has not taken, and does not expect to take, any position in a tax return which position it deems to be uncertain. The bank is no longer subject to U.S. Federal and State tax examinations by tax authorities for years prior to 2019.

Interest and penalties, if any, related to the underpayment of income taxes are recorded as a component of non-interest expense in the consolidated statements of income.

- L. Net Income per Share of Common Stock – Net income per share of common stock is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. The weighted average number of common shares, including voting and non-voting, was 250,000 as of December 31, 2022 and 2021.
- M. Off-Balance-Sheet Financial Instruments – In the ordinary course of business, the Bank has entered into off-balance-sheet financial commitments to extend credit, such as lines and letters of credit. Such financial commitments are recorded in the consolidated financial statements when these commitments are funded.
- N. Advertising Costs – Advertising costs are charged to non-interest expense in the statements of income when incurred. Advertising costs for 2022 and 2021 were \$270,703 and \$260,737, respectively.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 1 – Summary of Significant Accounting Policies (continued):

- O. New Accounting Pronouncements - In June of 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 affects all entities that hold financial assets that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, and any other financial assets that have the contractual right to receive cash. For non-SEC public entities, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2022. For commercial banks, the new guidance will primarily affect the presentation of assets measured at amortized cost to be at the net amount expected to be collected. Allowance for credit losses valuation accounts will be established for assets measured at amortized cost, and available-for-sale debt securities. The Bank has evaluated the impact of the guidance on the Bank’s consolidated financial statements and determined its impact to not be material.

In March of 2022, the FASB issued ASU 2022-02, “Troubled Debt Restructurings and Vintage Disclosures.” ASU 2022-02 eliminates the troubled debt restructuring (“TDRs”) accounting model for creditors and instead requires companies to apply the loan refinancing and restructuring guidance to determine whether a modification made to a borrower results in a new loan or a continuation of an existing loan. In addition, companies are no longer required to use a discounted cash flow method to measure the allowance for credit losses for certain TDRs and instead allows for the use of an expected loss approach for all loans. The guidance also introduces new disclosure requirements related to restructuring of financing receivables made to borrowers experiencing financial difficulty, and amends vintage disclosures to require current-period gross write-off by year of origination. The guidance should be applied on a prospective basis except for amendments related to recognition and measurement of TDRs, where a modified retrospective transition method is optional. The Company does not expect the adoption of this guidance to have a material impact on the Company’s Consolidated Financial Statements. The Bank expects to adopt ASU 2022-02 on January 1, 2023.

In December 2019, the FASB issued ASU 2019-12, “Simplifying the Accounting for Income Taxes.” This ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying and amending existing guidance. For public business entities, the amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in any interim period for (1) public business entities for periods for which financial statements have not yet been issued and (2) all other entities for periods for which financial statements have not yet been made available for issuance. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Bank adopted ASU 2019-12 on January 1, 2021 with no material impact on the Bank’s consolidated financial statements.

- P. Risks and Uncertainties - We considered the impacts of the COVID-19 pandemic on our business, results of operations and financial condition. The COVID-19 pandemic has created economic and financial disruptions globally and has led governmental authorities to take unprecedented measures to mitigate the spread of the disease. From an operational perspective, our business has remained open and we do not have any plans to close our business operations. We are not able at this time to estimate the ultimate effect of the pandemic on our business, results of operations or financial condition in the future.



NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 2 – Restriction on Cash and Cash Equivalents

The Bank is required at times to maintain reserve funds in cash or on deposit with the Federal Reserve Bank. As of December 31, 2022 and 2021, the Bank was not required to maintain a reserve balance.

NOTE 3 – Investment Securities:

The amortized cost and estimated fair values of securities held to maturity and equity securities are as follows:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>Securities Being Held to Maturity</u>				
State & Municipal				
Debt Securities	\$ 96,534,947	\$ 43,974	6,955,054	\$ 89,623,867
Mortgage Backed Securities	73,092	1,623	-	74,715
Other Domestic &				
Foreign Debt Securities	996,740,373	423,018	75,813,509	921,349,882
Total Held to Maturity	<u>\$ 1,093,348,412</u>	<u>\$ 468,615</u>	<u>\$ 82,768,563</u>	<u>\$ 1,011,048,464</u>
<u>Equity Securities</u>	<u>\$ 54,043,626</u>	<u>\$ 93,179,845</u>	<u>\$ 1,012,999</u>	<u>\$ 146,210,472</u>
	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>Securities Being Held to Maturity</u>				
State & Municipal				
Debt Securities	\$ 132,156,841	\$ 2,775,915	\$ 373,400	\$ 134,559,356
Mortgage Backed Securities	104,167	8,806	-	112,973
Other Domestic &				
Foreign Debt Securities	1,042,400,797	19,219,340	5,848,113	1,055,772,024
Total Held to Maturity	<u>\$ 1,174,661,805</u>	<u>\$ 22,004,061</u>	<u>\$ 6,221,513</u>	<u>\$ 1,190,444,353</u>
<u>Equity Securities</u>	<u>\$ 54,607,644</u>	<u>\$ 98,491,322</u>	<u>\$ 254,281</u>	<u>\$ 152,844,685</u>

Securities carried at approximately \$379,647,208 on December 31, 2022 and \$337,098,853 at December 31, 2021, were pledged to secure public deposits and for other purposes required or permitted by law.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 3 – Investment Securities (continued):

The following summarizes the amortized cost and fair value of securities held to maturity by contractual maturity at December 31, 2022. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Due:	<u>Amortized Cost</u>	<u>Fair Value</u>
Within One Year	\$ 203,974,288	\$ 201,714,888
From One to Five Years	755,651,338	695,580,726
From Five to Ten Years	127,872,660	108,971,455
After Ten Years	5,850,126	4,781,395
	<u>\$ 1,093,348,412</u>	<u>\$ 1,011,048,464</u>

As held to maturity securities, the difference between amortized cost and fair value is not expected to be realized because of the Bank's ability and intent to hold these securities until due.

In prior periods, the Bank sold held to maturity securities with a book value in excess of the market value resulting in losses. These sales were the result of isolated circumstances involving deterioration in the issuer's creditworthiness, and as such are permitted under FASB guidance. The sales were not inconsistent with their original classification of held to maturity. During 2022 and 2021, the Bank did not sell any held to maturity securities due to instances involving deterioration in the issuer's creditworthiness.

Gross realized gains and losses on sales of equity securities, held to maturity securities and optional calls of held to maturity securities are summarized as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Realized Gains	\$ 871,339	\$ 3,727,987
Realized Losses	(126,981)	(27,000)
	<u>\$ 744,358</u>	<u>\$ 3,700,987</u>

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

## NOTE 3 – Investment Securities (continued):

The following summarizes the fair value and gross unrealized losses for those equity securities which are temporarily impaired. The Bank owned 8 and 5 individual securities that have been in a continuous unrealized loss position for less than twelve months as of December 31, 2022 and 2021, respectively. The Bank owned 3 and 3 individual securities that have been in a continuous unrealized loss position for twelve months or longer at December 31, 2022 and 2021, respectively.

December 31, 2022					
Less Than Twelve Months		Twelve Months or Longer		Total	
Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity Securities					
\$ 3,393,655	\$ (554,287)	\$ 642,623	\$ (458,712)	\$ 4,036,278	\$ (1,012,999)
December 31, 2021					
Less Than Twelve Months		Twelve Months or Longer		Total	
Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equity Securities					
\$ 1,385,330	\$ (198,050)	\$ 636,208	\$ (56,231)	\$ 2,021,538	\$ (254,281)

The following summarizes the fair value and unrealized losses for those held to maturity securities which are temporarily impaired. The Bank owned 467 and 203 individual securities that have been in continuous unrealized loss position for less than twelve months and 197 and 3 individual securities that have been in a continuous unrealized loss position for twelve months or longer as of December 31, 2022 and 2021, respectively.

December 31, 2022									
Less Than Twelve Months			Twelve Months or Longer			Total			
Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	
Mortgage Backed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal Securities	63,604,742	60,553,524	(3,051,218)	22,489,059	18,743,583	(3,745,476)	86,093,801	79,297,107	(6,796,694)
Corporate Bonds	592,483,684	565,312,638	(27,171,046)	384,607,077	335,964,614	(48,642,463)	977,090,761	901,277,252	(75,813,509)
	<u>\$ 656,088,426</u>	<u>\$ 625,866,162</u>	<u>\$ (30,222,264)</u>	<u>\$ 407,096,136</u>	<u>\$ 354,708,197</u>	<u>\$ (52,387,939)</u>	<u>\$ 1,063,184,562</u>	<u>\$ 980,574,359</u>	<u>\$ (82,610,203)</u>
December 31, 2021									
Less Than Twelve Months			Twelve Months or Longer			Total			
Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	Amortized Cost	Fair Value	Unrealized Losses	
Mortgage Backed	\$ 36	\$ 36	\$ -	\$ -	\$ -	\$ 36	\$ 36	\$ -	\$ -
Municipal Securities	24,820,815	24,447,755	(373,060)	430,000	429,660	(340)	25,250,815	24,877,415	(373,400)
Corporate Bonds	390,984,497	385,213,091	(5,771,406)	4,789,897	4,713,190	(76,707)	395,774,394	389,926,281	(5,848,113)
	<u>\$ 415,805,348</u>	<u>\$ 409,660,882</u>	<u>\$ (6,144,466)</u>	<u>\$ 5,219,897</u>	<u>\$ 5,142,850</u>	<u>\$ (77,047)</u>	<u>\$ 421,025,245</u>	<u>\$ 414,803,732</u>	<u>\$ (6,221,513)</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 3 – Investment Securities (continued):

The temporary impairment of securities held to maturity is primarily attributable to changes in overall market interest rates and/or changes in credit spreads since the investments were acquired. In general, as market interest rates rise and/or credit spreads widen, the fair value of fixed rate securities will decrease, and as market interest rates fall and/or credit spreads tighten, the fair value of fixed rate securities will increase. As of December 31, 2022, the Bank has the ability and intent to hold these securities to maturity or until such time as they are called or prepaid. As of December 31, 2022, management expects to collect all amounts due according to the contractual terms of these securities and does not believe that there are any cases of unrecorded OTTI as of December 31, 2022.

During 2022 and 2021, the Bank recognized no other-than-temporary impairment losses (charged against income) related to equity securities.

NOTE 4 – Loans Receivable and Allowance for Loan Losses:

The components of loans in the consolidated statements of financial condition were as follows:

	<u>2022</u>	<u>2021</u>
Commercial Loans	\$ 22,599,100	\$ 24,672,198
Commercial Real Estate Loans	31,940,141	45,215,337
Residential Real Estate Loans	1,505,221	1,409,052
Consumer Loans	3,201,421	3,635,432
Government Guaranteed Loans (1)	43,196,299	44,532,304
Overdrafts	187,579	168,318
	<u>\$ 102,629,761</u>	<u>\$ 119,632,641</u>

(1) As of December 31, 2022 and 2021, Government Guaranteed Loans include \$9,047 and \$4,156,319, respectively of Paycheck Protection Program (PPP) Loans

During 2021, the Bank received approval from the U.S. Small Business Administration (“SBA”) to disburse 124 PPP loans totaling \$12,398,767. Loans under the PPP that meet SBA requirements may be forgiven in certain circumstances and are 100% guaranteed by the SBA. PPP loans have either a two-year or five-year term, provide for fees of up to 5% of the loan amount and earn interest at an annual rate of 1%. As of December 31, 2022 and 2021, loans under this program of \$9,047 and \$4,156,319, respectively, were included in receivables.

The Bank evaluates the credit quality of its loan portfolio based on internal credit risk ratings using numerous factors, including rating agency information, collateral, collection experience, and other internal metrics. Ratings are updated at least annually or more frequently if there is a material change in creditworthiness.

The rating classifications in use by the Bank are as follows:

Pass – Primary source of loan repayment is satisfactory or better, with secondary sources very likely to be realized if necessary; loan within normal credit standards.

Special Mention – An asset classified as special mention have a potential weakness that deserves management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Bank’s credit position at some future date.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 4 – Loans Receivable and Allowance for Loan Losses (continued):

Substandard – A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – An asset classified Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – An asset classified loss is considered uncollectable and of such little value that continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing-off this basically worthless asset even though partial recovery may be affected in the future.

The following table sets forth the loans by credit quality indicator:

December 31, 2022							
Credit Rating:	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Government Guaranteed	Overdrafts	Total
Pass	\$ 22,536,185	\$ 30,757,452	\$ 1,505,221	\$ 3,201,421	\$ 43,196,299	\$ 187,579	\$101,384,157
Special Mention	-	-	-	-	-	-	-
Substandard	62,915	1,182,689	-	-	-	-	1,245,604
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
	<u>\$ 22,599,100</u>	<u>\$ 31,940,141</u>	<u>\$ 1,505,221</u>	<u>\$ 3,201,421</u>	<u>\$ 43,196,299</u>	<u>\$ 187,579</u>	<u>\$102,629,761</u>
December 31, 2021							
Credit Rating:	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Government Guaranteed	Overdrafts	Total
Pass	\$ 24,607,391	\$ 43,731,831	\$ 1,409,052	\$ 3,635,432	\$ 44,532,304	\$ 168,318	\$118,084,328
Special Mention	-	-	-	-	-	-	-
Substandard	63,807	1,483,506	-	-	-	-	1,547,313
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
	<u>\$ 24,671,198</u>	<u>\$ 45,215,337</u>	<u>\$ 1,409,052</u>	<u>\$ 3,635,432</u>	<u>\$ 44,532,304</u>	<u>\$ 168,318</u>	<u>\$119,631,641</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 4 – Loans Receivable and Allowance for Loan Losses (continued):

The Bank tracks loan payment activity for the loan portfolio. The payment status for the loan portfolio at December 31, 2022 and 2021 is shown in the table below:

	December 31, 2022				
	30-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
Commercial Loans	\$ 965,074	\$ 95,100	\$ 1,060,174	\$ 21,538,926	\$ 22,599,100
Commercial Real					
Estate Loans	84,790	414,901	499,691	31,440,450	31,940,141
Residential Real					
Estate Loans	25,149	-	25,149	1,480,072	1,505,221
Consumer Loans	4,128	-	4,128	3,197,293	3,201,421
Government					
Guaranteed Loans	-	-	-	43,196,299	43,196,299
Overdrafts	412	9,025	9,437	178,142	187,579
	<u>\$ 1,079,553</u>	<u>\$ 519,026</u>	<u>\$ 1,598,579</u>	<u>\$ 101,031,182</u>	<u>\$ 102,629,761</u>

	December 31, 2021				
	30-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
Commercial Loans	\$ 184,861	\$ -	\$ 184,861	\$ 24,487,337	\$ 24,672,198
Commercial Real					
Estate Loans	109,252	922,996	1,032,248	44,183,089	45,215,337
Residential Real					
Estate Loans	33,080	-	33,080	1,375,972	1,409,052
Consumer Loans	12,804	-	12,804	3,622,628	3,635,432
Government					
Guaranteed Loans	-	-	-	44,532,304	44,532,304
Overdrafts	157,903	5,241	163,144	5,174	168,318
	<u>\$ 497,900</u>	<u>\$ 928,237</u>	<u>\$ 1,426,137</u>	<u>\$ 118,206,504</u>	<u>\$ 119,632,641</u>

Performing and non-performing assets are shown in the following table:

	December 31, 2022		December 31, 2021	
	Accrual	Non-Accrual	Accrual	Non-Accrual
Commercial Loans	\$ 22,599,100	\$ -	\$ 24,671,198	\$ -
Commercial Real Estate Loans	31,525,240	414,901	44,292,341	922,996
Residential Real Estate Loans	1,505,221	-	1,409,052	-
Consumer Loans	3,106,321	95,100	3,635,432	-
Government Guaranteed Loans	43,196,299	-	44,532,304	-
Overdrafts	187,579	-	168,318	-
	<u>\$ 102,119,760</u>	<u>\$ 510,001</u>	<u>\$ 118,708,645</u>	<u>\$ 922,996</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 4 – Loans Receivable and Allowance for Loan Losses (continued):

A loan is considered impaired when it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the agreement. Certain Commercial and Residential loans and those loans whose terms have been modified in a TDR are individually evaluated for impairment. Smaller balance homogenous loans are collectively evaluated for impairment.

	As of December 31, 2022			Year Ended December 31, 2022		
	Unpaid Principal Balance	Allowance Recorded	Average Recorded Loan	Interest Income Recognized Total	Interest Cash Basis	Interest Income Foregone
Impaired Loans With No Related Allowance Recorded:						
Commercial & Commercial						
Real Estate	\$ 1,713,164	\$ -	\$ 1,878,416	\$ 67,159	\$ 66,996	\$ 31,706
Residential	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
	<u>1,713,164</u>	<u>-</u>	<u>1,878,416</u>	<u>67,159</u>	<u>66,996</u>	<u>31,706</u>
Impaired Loans With An Allowance Recorded:						
Commercial & Commercial						
Real Estate	404,951	13,615	424,344	15,004	15,121	-
Residential	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
	<u>404,951</u>	<u>13,615</u>	<u>424,344</u>	<u>15,004</u>	<u>15,121</u>	<u>-</u>
Total Impaired Loans	<u>\$ 2,118,115</u>	<u>\$ 13,615</u>	<u>\$ 2,302,760</u>	<u>\$ 82,163</u>	<u>\$ 82,117</u>	<u>\$ 31,706</u>

	As of December 31, 2021			Year Ended December 31, 2021		
	Unpaid Principal Balance	Allowance Recorded	Average Recorded Loan	Interest Income Recognized Total	Interest Cash Basis	Interest Income Foregone
Impaired Loans With No Related Allowance Recorded:						
Commercial & Commercial						
Real Estate	\$ 2,043,669	\$ -	\$ 2,048,420	\$ 69,014	\$ 68,970	\$ 30,684
Residential	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
	<u>2,043,669</u>	<u>-</u>	<u>2,048,420</u>	<u>69,014</u>	<u>68,970</u>	<u>30,684</u>
Impaired Loans With An Allowance Recorded:						
Commercial & Commercial						
Real Estate	443,736	15,619	714,905	16,358	16,471	-
Residential	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	-
	<u>443,736</u>	<u>15,619</u>	<u>714,905</u>	<u>16,358</u>	<u>16,471</u>	<u>-</u>
Total Impaired Loans	<u>\$ 2,487,405</u>	<u>\$ 15,619</u>	<u>\$ 2,763,325</u>	<u>\$ 85,372</u>	<u>\$ 85,441</u>	<u>\$ 30,684</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 4 – Loans Receivable and Allowance for Loan Losses (continued):

During the normal course of business, the Bank modifies loans to maximize recovery efforts. If the borrower is experiencing financial difficulty and a concession is granted, the Bank considers such modifications as troubled debt restructuring (TDR's). The types of concessions that the Bank grants typically include forgiveness of principal and interest rate concessions.

The following table summarizes the Bank's loan modification activities that were considered to be troubled debt restructurings during the year ended December 31, 2022:

<u>Loan Type</u>	<u>Number</u>	<u>Pre-Modification Recorded Investment</u>	<u>Post-Modification Recorded Investment</u>
Commercial Real Estate	<u>1</u>	<u>\$ 405,063</u>	<u>\$ 405,063</u>

The Bank had no loan modification activities that were considered troubled debt restructurings for the year ended December 31, 2022.

As of December 31, 2022 and 2021, the Bank had commercial loans of \$2,118,115 and \$2,487,405 that were considered TDR's with recorded allowances of \$13,615 and \$15,619 respectively.

The Bank does not have a significant concentration of risk to any individual client. However, a geographic concentration arises because the Bank operates primarily in the Central New York region. The Bank does not engage in any international lending activities.

In its normal course of business, the Bank does not offer interest only loans, other than demand notes typically secured by quick collateral, or loans with other features that may increase the Bank's exposure to credit risk and result in a concentration of credit risk.

The allowance for loan losses is composed of specific allowances for certain loans and general allowances grouped into loan pools based on similar characteristics. The allowance for loan losses is allocated at year end based on the ALLL Reserve Adequacy Report of required reserves. Additionally, the Bank does not record an allowance for loans that are guaranteed by government agencies, as there is nominal risk of principal loss.

An analysis of the change in the allowance for credit losses follows:

	<u>December 31, 2022</u>			
	<u>Commercial &amp; Commercial Real Estate</u>	<u>Residential</u>	<u>Consumer</u>	<u>Total</u>
Beginning Balance	\$ 1,151,704	\$ 33,178	\$ 15,091	\$ 1,199,973
ALLL Allocation	138,128	1,300	(12,428)	127,000
Charge-Offs	(300,000)	-	(421)	(300,421)
Provision for Loss Reserves	-	-	-	-
Recoveries	15,953	-	3,667	19,620
Ending Balance	<u>\$ 1,005,785</u>	<u>\$ 34,478</u>	<u>\$ 5,909</u>	<u>\$ 1,046,172</u>



## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

## NOTE 4 – Loans Receivable and Allowance for Loan Losses (continued):

	December 31, 2021			
	Commercial & Commercial			Total
	Real Estate	Residential	Consumer	
Beginning Balance	\$ 1,584,377	\$ 45,054	\$ 24,399	\$ 1,653,830
ALLL Allocation	49,040	(11,876)	(37,164)	-
Charge-Offs	(516,216)	-	(9,966)	(526,182)
Provision for Loss Reserves	-	-	-	-
Recoveries	34,503	-	37,822	72,325
Ending Balance	<u>\$ 1,151,704</u>	<u>\$ 33,178</u>	<u>\$ 15,091</u>	<u>\$ 1,199,973</u>

The Bank's loan portfolio and related allowance for loan losses at December 31, 2022 and 2021 are shown in the tables below:

	December 31, 2022							
	Commercial & Commercial Real Estate		Residential		Consumer		Total	
	Book Value	Allowance	Book Value	Allowance	Book Value	Allowance	Book Value	Allowance
Loans individually evaluated for impairment	\$ 2,118,115	\$ 13,615	\$ -	\$ -	\$ -	\$ -	\$ 2,118,115	\$ 13,615
Loans collectively evaluated for impairment	<u>52,608,705</u>	<u>992,170</u>	<u>1,522,163</u>	<u>34,478</u>	<u>3,184,477</u>	<u>5,909</u>	<u>57,315,345</u>	<u>1,032,557</u>
Total loans evaluated for impairment	<u>\$ 54,726,820</u>	<u>\$ 1,005,785</u>	<u>\$ 1,522,163</u>	<u>\$ 34,478</u>	<u>\$ 3,184,477</u>	<u>\$ 5,909</u>	<u>\$ 59,433,460</u>	<u>\$ 1,046,172</u>

	December 31, 2021							
	Commercial & Commercial Real Estate		Residential		Consumer		Total	
	Book Value	Allowance	Book Value	Allowance	Book Value	Allowance	Book Value	Allowance
Loans individually evaluated for impairment	\$ 2,487,405	\$ 15,619	\$ -	\$ -	\$ -	\$ -	\$ 2,487,405	\$ 15,619
Loans collectively evaluated for impairment	<u>67,569,448</u>	<u>1,136,085</u>	<u>1,409,053</u>	<u>33,178</u>	<u>3,635,433</u>	<u>15,091</u>	<u>72,613,934</u>	<u>1,184,354</u>
Total loans evaluated for impairment	<u>\$ 70,056,853</u>	<u>\$ 1,151,704</u>	<u>\$ 1,409,053</u>	<u>\$ 33,178</u>	<u>\$ 3,635,433</u>	<u>\$ 15,091</u>	<u>\$ 75,101,339</u>	<u>\$ 1,199,973</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 5 – Property and Equipment:

Components of premises and equipment included in the consolidated statements of financial condition at December 31, 2022 and 2021 were as follows:

	December 31,	
	2022	2021
Cost:		
Land	\$ 79,541	\$ 79,541
Bank Building & Improvements	25,074,744	25,074,744
Furniture & Equipment	4,745,623	4,680,345
Total Cost	29,899,908	29,834,630
Less Accumulated Depreciation	13,202,725	11,840,308
Net Book Value	<u>\$ 16,697,183</u>	<u>\$ 17,994,322</u>

Depreciation and amortization charged to equipment and occupancy expense amounted to \$1,362,415 in 2022 and \$1,545,997 in 2021.

NOTE 6 – Deposits:

Components of deposits included in the consolidated statements of financial condition at December 31, 2022 and 2021 were as follows:

	December 31,	
	2022	2021
Demand Deposit Accounts	\$ 224,826,851	\$ 222,516,748
Savings & Other Time	181,906,308	185,700,190
Money Market	263,985,137	305,680,850
Certificates of Deposit of Under \$250,000	337,414,558	377,110,393
Certificates of Deposit of \$250,000 and Over	85,270,792	112,493,123
Total Deposits	<u>\$ 1,093,403,646</u>	<u>\$ 1,203,501,304</u>

Certificates of deposit maturing in years ending December 31:

2023	\$ 230,504,264
2024	114,756,693
2025	29,953,184
2026	29,004,194
2027	18,451,130
Thereafter	15,885
	<u>\$ 422,685,350</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 6 – Deposits (continued):

Interest expense by deposit type is as follows:

	December 31,	
	2022	2021
Demand Deposit Accounts	\$ 139,332	\$ 129,309
Savings & Other Time	1,366,707	871,273
Money Market	1,838,201	1,310,574
Certificates of Deposit of Under \$250,000	7,574,314	8,646,208
Certificates of Deposit of \$250,000 and Over	1,734,511	2,238,685
Total Expense	<u>\$ 12,653,065</u>	<u>\$ 13,196,049</u>

NOTE 7 – Income Taxes:

The provision for income taxes consisted of the following:

	December 31,	
	2022	2021
Current		
Federal	\$ 3,281,852	\$ 3,673,056
State	170,932	223,755
	<u>3,452,784</u>	<u>3,896,811</u>
Deferred		
Federal	(1,346,800)	5,406,212
State	(229,184)	145,997
	<u>(1,575,984)</u>	<u>5,552,209</u>
	<u>\$ 1,876,800</u>	<u>\$ 9,449,020</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 7 – Income Taxes (continued) :

The provision for income taxes is less than that computed by applying the federal statutory rate of 21%, as indicated in the following analysis:

	December 31,	
	2022	2021
Taxes Based on Statutory Rate	\$ 2,834,675	\$ 10,070,211
State Income Tax, Net of Tax Benefit	82,456	468,624
Effect of Tax-Exempt Income	(417,967)	(488,287)
Dividends Received Deduction	(397,086)	(358,458)
Effect of Federal & State Tax Law Changes	(175,379)	(117,285)
Other	(49,899)	(125,785)
	<u>\$ 1,876,800</u>	<u>\$ 9,449,020</u>

The net cumulative effects of the temporary differences are as follows:

	December 31,	
	2022	2021
Deferred Tax Assets		
Allowance for Loan Losses	\$ 227,229	\$ 262,283
Interest on Nonaccrual Loans	30,542	24,599
	<u>257,771</u>	<u>286,882</u>
Deferred Tax Liabilities		
Net Unrealized Gain on Equity		
Securities	20,018,689	21,472,066
Depreciation and Amortization	504,822	656,540
	<u>20,523,511</u>	<u>22,128,606</u>
Net Deferred Tax (Liabilities)	<u>\$ (20,265,740)</u>	<u>\$ (21,841,724)</u>

The Bank has performed an evaluation of its tax positions and has concluded that as of December 31, 2022, there were no significant uncertain tax positions requiring additional recognition in its consolidated financial statements.

The Bank is subject to regular examination by Federal and State taxing authorities. As of December 31, 2022, the tax years ended December 31, 2019, 2020, 2021, and 2022 remain subject to examination by all of the Bank's relevant tax jurisdictions.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 8 – Employee Benefits:

The Bank has both a cash profit sharing and deferred profit sharing in effect for employees. The cash profit sharing uses a contribution rate and applies it to the Bank's operating profits. It then allocates this amount to the employees based on their compensation. For 2022 and 2021, the contribution rate used was 2%. The profit sharing plan is employer funded. For 2022 and 2021, the contribution rate was 15% and is allocated to the employees based on their compensation. The amount of the contributions each year are at the discretion of the Board of Directors. These expenses totaled \$813,505 in 2022 and \$781,346 in 2021, and are included within salaries and employee benefits.

NOTE 9 – Related Parties:

The Bank has entered into transactions and commitments to extend credit with its directors, officers, and their affiliations, including companies under their control. Such transactions were made in the ordinary course of business, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans and commitments to such related parties at December 31, 2022 and 2021 were \$359,642 and \$41,327, and related party deposits amounted to \$11,713,924 and \$12,462,265 respectively.

NOTE 10 – Contingent Liabilities and Commitments:

The Bank's consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk and liquidity risk. A summary of the Bank's commitments and contingent liabilities at December 31, 2022 and 2021, is as follows:

	2022	2021
Commitments to Extend Credit (Commercial)	\$ 35,499,431	\$ 45,092,000
Open Letters of Credit	\$ 1,195,000	\$ 1,196,000
Unused Check Credit Lines	\$ 2,011,471	\$ 2,086,039

The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the statement of condition. The commitments to extend credit are non-contractual in nature. Because letters of credit have fixed maturity dates, and they almost always expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank.

As of December 31, 2022 and 2021, the Bank had no reserves related to credit risk inherent in off balance sheet credit commitments and financial guarantees.

The Bank can often be party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes at December 31, 2022 and 2021 that the liabilities, if any, arising from such litigation and claims will not be material to its financial position.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 11 – Concentrations of Credit Risk:

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Bank's total credit exposure. Although the Bank's portfolio of financial instruments is broadly diversified along industry, product, and geographic lines, material transactions are completed with other financial institutions, particularly in the securities business.

In connection with the Bank's efforts to maintain a diversified portfolio, the Bank limits its exposure to any one geographic region, country or individual creditor and monitors this exposure on a continuous basis. The consolidated Bank's investment policy includes segment limits that prescribe the maximum investment in each market segment based on a percentage of Bank assets or capital. At December 31, 2022, the Bank's most significant concentration of credit risk was with United States and foreign corporations. The Bank's exposure, which primarily results from debt securities issued by United States and foreign corporations, amounted to approximately \$996,740,000 and \$1,042,401,000 at December 31, 2022 and 2021, respectively. All debt securities are rated investment grade at the time of acquisition and the Bank was well below the maximum percentage allowed by bank policy for investments in United States and foreign corporate debt as of December 31, 2022 and 2021.

NOTE 12 – Fair Value of Financial Instruments:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy established under ASC 820-10 is summarized as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date.
- Level 2 - Significant other observable inputs such as any of the following: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active, (3) inputs other than quoted prices that are observable for the asset or liability (*e.g.*, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), or (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- Level 3 - Significant unobservable inputs for the asset or liability. Significant unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Significant unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 12 – Fair Value of Financial Instruments (continued):

The following tables present the assets that are reported on the consolidated statements of financial condition at fair value as of the date indicated by level within the fair value hierarchy. Financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2022				
	Fair Value	Level 1	Level 2	Level 3
Equity Securities	\$ 146,210,472	\$ 146,203,105	\$ 7,367	\$ -

Assets Measured at Fair Value on a Recurring Basis at December 31, 2021				
	Fair Value	Level 1	Level 2	Level 3
Equity Securities	\$ 152,844,685	\$ 152,837,318	\$ 7,367	\$ -

During the years ended December 31, 2022 and 2021, there were no transfers of financial instruments between Level 1 and Level 2. The Bank had no Level 3 securities measured on a recurring basis as of December 31, 2022 and 2021.

Assets Measured at Fair Value on a Non-Recurring Basis at December 31, 2022				
	Fair Value	Level 1	Level 2	Level 3
Impaired Loans				
Commercial & Commercial Real Estate	\$ 2,104,500	\$ -	\$ -	\$ 2,104,500
Residential Real Estate	\$ -	\$ -	\$ -	

Assets Measured at Fair Value on a Non- Recurring Basis at December 31, 2021				
	Fair Value	Level 1	Level 2	Level 3
Impaired Loans				
Commercial & Commercial Real Estate	\$ 2,471,786	\$ -	\$ -	\$ 2,471,786
Residential Real Estate	\$ -	\$ -	\$ -	\$ -

*Impaired Loans* - Loans with certain characteristics are evaluated individually for impairment. A loan is considered impaired when, based upon existing information and events, it is probable that the Bank will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. The Bank's impaired loans at December 31, 2022 and 2021 were collateralized by real estate and were thus carried at the lower of the outstanding principal balance or the estimated fair value of the collateral. Fair value is estimated through either a negotiated note sale value (Level 2 input), or, more commonly, a recent real estate appraisal (Level 3 input). These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the 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 of the inputs for determining fair value.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 12 – Fair Value of Financial Instruments (continued):

An appraisal is generally ordered when an impaired commercial real estate or residential real estate loan is determined to be impaired. Adjustments for potential disposal costs are also considered when determining the final appraised value.

The following table presents quantitative information about significant unobservable inputs used in the fair value measurements for Level 3 assets and liabilities at December 31, 2022:

	Fair Value at December 31, 2022	Valuation Technique	Input/ Assumption
Non-Recurring Fair Value Measurements		Underlying	Probability of Default
Impaired Loans	\$ 2,104,500	Collateral	Discount

The carrying amounts and estimated at fair values of financial instruments at December 31, 2022 and 2021 are as follows:

	December 31,			
	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Equivalents	\$ 45,026,485	\$ 45,026,485	\$ 43,205,952	\$ 43,205,952
Securities Held to Maturity	\$ 1,093,348,412	\$ 1,011,048,464	\$ 1,174,661,805	\$ 1,190,444,353
Equity Securities	\$ 146,210,472	\$ 146,210,472	\$ 152,844,685	\$ 152,844,685
Loans Receivable	\$ 102,629,761	\$ 77,699,066	\$ 119,632,641	\$ 104,328,007
Accrued Interest Receivable	\$ 11,429,486	\$ 11,429,486	\$ 11,716,777	\$ 11,716,777
Financial Liabilities:				
Deposits	\$ 1,093,403,646	\$ 971,247,955	\$ 1,203,501,304	\$ 1,156,731,890
Accrued Interest Payable	\$ 825,591	\$ 825,591	\$ 930,507	\$ 930,507
Commitments to Extend Credit	\$ 38,705,902	\$ 38,705,902	\$ 48,374,039	\$ 48,374,039

The methods and assumptions used to estimate fair values for financial assets and liabilities other than those previously discussed were determined as follows:

Cash and equivalents, accrued interest receivable and accrued interest payable – due to the short-term nature of these assets and liabilities the Bank estimated that carrying value approximates fair value.

Securities held to maturity and equity securities – investment securities fair values were based on quoted market prices and significant other observable inputs, such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.



NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 12 – Fair Value of Financial Instruments (continued):

Loans receivable – the estimated fair value for fixed rate loans is determined by discounting the estimated cash flows using the current rate at which similar loans would be made to borrowers with similar credit ratings and maturities. The estimated fair value of variable rate loans approximate carrying value as the portfolio reprices frequently.

Deposits – the estimated fair value of demand deposit, savings and money market accounts is, by definition, equal to the amount payable on demand at the reporting date (*i.e.*, their carrying amount). The fair value of certificates of deposits is estimated using a discounted cash flow calculation that applies current interest rates to aggregated expected maturities.

Borrowed funds – estimated fair value is based on carrying value because of the short-term nature of the borrowing.

Commitments to extend credit – The fair value of commitments to extend credit is estimated as the fully refundable fees charged as of the valuation date to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current interest rates and the committed rates.

NOTE 13 – Minimum Regulatory Capital Requirements:

On September 17, 2019, the federal banking agencies issued a final rule providing simplified capital requirements for certain community banking organizations (banks and holding companies) with less than \$10 billion in total consolidated assets, implementing provisions of The Economic Growth, Regulatory Relief, and Consumer Protection Act (“EGRRCPA”). Under the proposal, a qualifying community banking organization would be eligible to elect the community bank leverage ratio framework or continue to measure capital under the existing Basel III requirements. The new rule was effective beginning January 1, 2020, and qualifying community banking organizations may elect to opt into the new community bank leverage ratio (“CBLR”) in their call report beginning in the first quarter of 2020.

A qualifying community banking organization (“QCBO”) is defined as a bank, a savings association, a bank holding company or a savings and loan holding company with:

- A leverage capital ratio of greater than 9.0%;
- Total consolidated assets of less than \$10.0 billion;
- Total off-balance sheet exposures (excluding derivatives other than credit derivatives and unconditionally cancelable commitments) of 25% or less of total consolidated assets; and
- Total trading assets and trading liabilities of 5% or less of total consolidated assets.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2022 AND 2021NOTE 13 – Minimum Regulatory Capital Requirements (continued):

On April 6, 2020, the federal banking regulators, implementing the applicable provisions of the CARES Act, which modified the CBLR framework so that: (i) beginning in the second quarter 2020 and until the end of the year, a banking organization that has a leverage ratio of 8% or greater and meets certain other criteria may elect to use the CBLR framework; and (ii) community banking organizations will have until January 1, 2022, before the CBLR requirement is re-established at greater than 9%. Under the interim rules, the minimum CBLR will be 8.5% for calendar year 2021, and 9% thereafter. The numerator of the CBLR is Tier 1 capital, as calculated under present rules. The denominator of the CBLR is the QCBO's average assets, calculated in accordance with the QCBO's Call Report instructions less assets deducted from Tier 1 capital.

The Bank has opted into the CBLR and will therefore not be required to comply with the Basel III capital requirements. As of December 31, 2022 and 2021, the Bank's CBLR was 20.9% and 19.5%, respectively.

The following table shows the CBLR ratio for the Bank for the periods ended December 31, 2022 and 2021:

	<u>Actual</u>	<u>Required for Capital Adequacy Purposes</u>	<u>To Be Well- Capitalized Under Prompt Corrective Action Regulations</u>
At December 31, 2022:			
CBLR	20.9%	9.0%	9.0%
At December 31, 2021:			
CBLR	19.5%	8.5%	8.5%

NOTE 14 – Subsequent Events:

The Bank has evaluated its December 31, 2022 consolidated financial statements for subsequent events through January 31, 2023 the date the consolidated financial statements were available to be issued. The Bank is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.