Mayville Financial Corporation

Mayville, Michigan

MSB
MAYVILLE STATE BANK

Years Ended December 31, 2023 and 2022

2023 Annual Report

Rehmann

MAYVILLE FINANCIAL CORPORATION

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MAYVILLE FINANCIAL CORPORATION (MFC) & MAYVILLE STATE BANK (MSB)

Board of Directors (Year elected to Board; Occupation)

Brad Sullivan, Chairman - 2000... COO, General Housing Corp.
Dan Babcock, Vice Chairman - 2003 ....President, DR Buckhorn Enterprises, Inc.
James Abbey - 2014 .... Partner, Abbey, Abbey & Thomas PLLC
Shelly Brooks - 2005..President/CEO, Mayville State Bank
Bruce Buckmaster - 2019..Owner, Buckmaster Farm Services Inc.
Evan Osentoski - 2019 .... Assoc. Real Estate Broker, Osentoski Realty Co.

Officers and Employees (MSB unless otherwise noted)

Shelly Brooks ....President/CEO, MSB; President & Treasurer, MFC
Scott Wegrzyn............................Sr. Vice President Lending; Bank Secrecy Officer; Board Secretary MFC
Timothy Gallagher ....Sr. Vice President Retail & Operations, MSB; Vice President, MFC
Bethany Wingert.. Vice President Operations; Cashier
Celeste Hurd ....Chief Financial Officer; Information Security Officer
Anna Blackwell ....Asst. Vice President; IRA Administrator
Ben Heminger ....Asst. Vice President; Loan Officer
Jeffery Fackler..Information Technology Officer; Security Officer
Jack Millerschin ....Financial Officer; Asst. Cashier; Asst. Secretary MFC
Cammie Asmus ....Head of Operations
Sarah Banky .... Teller
Tammara Bodeis .... Teller
Kristen Charvat ....Custodian
Nicole Dziuba......................... Sr. Financial Services Representative; Director of Marketing; CRA Officer
Dylan Friday... Asst. Branch Manager - Millington
Dawson Hilts..Financial Services Representative; Loan Officer
Ashleigh Jackson ....Loan Review Officer; Financial Services Representative
Michelle Kiss...Custodian
Jacklyn Majors .... Financial Services Representative; OIC
April Pelch ....Branch Manager - Millington; Loan Officer
Joy Perkins..Operations – Document Specialist
Amanda Roberts .... Teller
Kimberly Smith .... Operations - EFT Specialist
Sara Sweet.. Teller
Diane Travis ....Custodian
Jessica Trisch..Teller; Sr. Financial Services Representative
Dakota Wightman .... Teller
Amber Wilcher...Teller; Loan Processor
Kathy Wilson .... Records Administrator

Dear Shareholders:

The Board of Directors and management of Mayville Financial Corporation are pleased to submit this 139th annual report for the year ended December 31, 2023.

Net income for the year 2023 ended at $774,487 (+2.4%), representing a return on average assets of 0.78%. Return on Average Stockholders' Equity (ROE) ended at 10.43% as compared to 8.69% for 2022. By measuring the Bank's income that is earned on our stockholders' equity, ROE signals how effectively we are using your investment to generate increased profits. Total assets ended the year at $93.9 million, a 9.9% decrease from 2022 year-end. Total deposits decreased $11.0 million (-11.3%) to $85.9 million. With continued elevated inflation rates and dramatically higher cost of essential goods, the economic climate put pressure on individuals to access their savings. Recognizing this, along with a highly competitive rate environment, there has been a noticeable decline in deposit dollars across many financial institutions. The rate environment also impacted loan growth goals as Net Loans outstanding as of December 31, 2023 decreased to $42.7 million (-1.9%). As interest rates rise, it is natural to see a decline in borrowing and refinancing activity. However, this does not mean that opportunities for growth are non-existent. In fact, there are still plenty of sectors where the loan portfolio can be expanded while ensuring strong credit quality. By diversifying the loan portfolio and exploring new sectors, the bank can adapt to changing market conditions and continue to thrive. It is crucial to assess risk carefully and make strategic decisions to capitalize on opportunities for growth even in a challenging environment.

Mayville Financial Corporation's stock price ended the year selling at $29.50 per share, which is the same ending price as 2022. Shareholders received a total of $0.90 per share in cash dividends during 2023, representing a return of 3.2% based on the average MFC stock price of $28.11 (+17.3%) for the year. The Bank maintained strong capital levels, keeping the Bank in a well-capitalized position.

The increase in book value per share from $15.78 to $17.30 as of December 31, 2023, signifies a notable growth of 9.6%. However, it is crucial to acknowledge the impact of rising interest rates on the Bank's investment portfolio and the effect on stockholders' equity. As a result of these market changes, the Bank has experienced reductions in the fair value of its investments, leading to unrealized losses in the investment portfolio. It is imperative for shareholders to consider these fluctuations and their implications noting that recognition of the unrealized losses would only occur if the Bank were to sell investments before maturity.

Mayville Financial Corporation continues to have strong performance allowing us to pay consistent dividends to our shareholders. This performance helped retain the Bank's 5-Star rating from Bauer Financial, Inc., for the quarter ending December 31, 2023; the 106th consecutive quarter the Bank has earned this superior rating.

Our commitment to making prudent lending decisions, carefully managing our costs, and delivering exceptional customer service has been the driving force behind our success. As we look to the future, you can trust that we will continue to prioritize these foundational elements of our business. We are steadfast in our pursuit of maintaining profitability and fortifying our capital reserves, ensuring that we have the resources necessary to support our community and foster long-term growth. This focus on the basics of banking may not make headlines, but it is the bedrock upon which we are building a sustainable, thriving financial institution. Rest assured, we are resolute in our dedication to providing you with the stability, reliability, and quality you deserve from your banking partner.

We thank you, our shareholders, for your continued interest in and support of Mayville Financial Corporation and its subsidiary, Mayville State Bank. With your support, we will continue to successfully grow the Bank and increase the value of your investment.

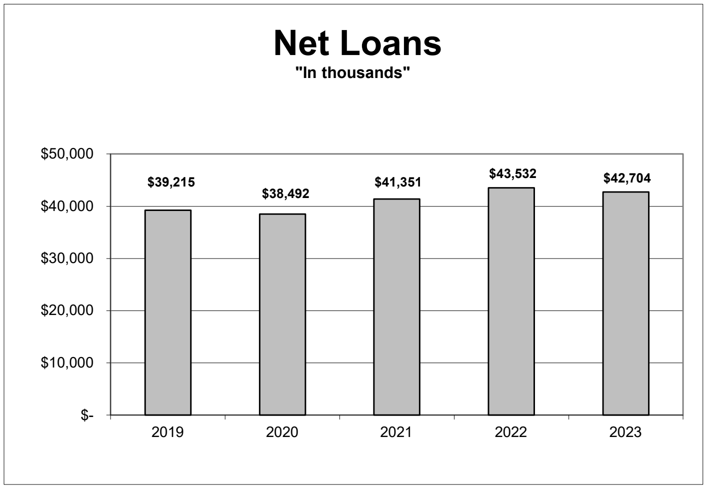
For the Board of Directors,

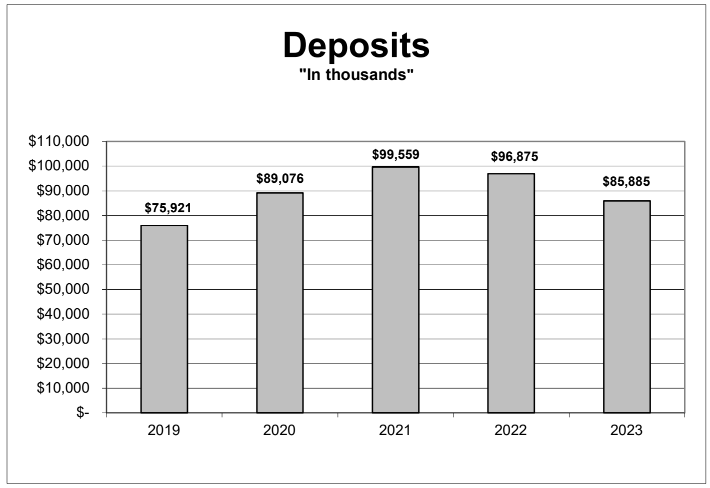
Shelly M Brooks

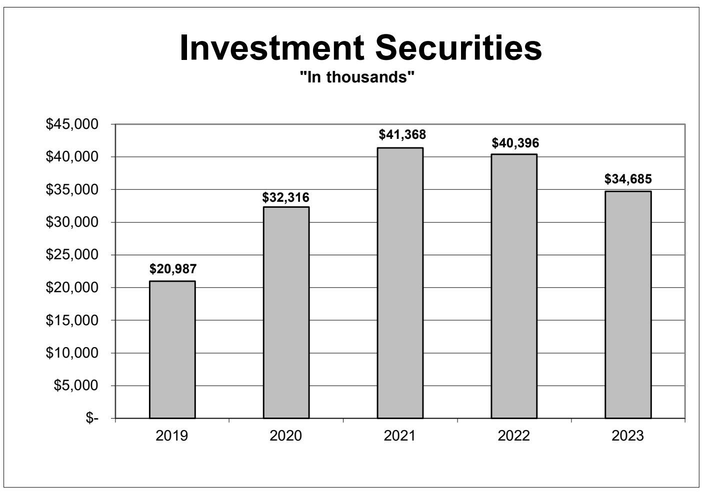
Shelly M. Brooks
President
MAYVILLE FINANCIAL CORPORATION

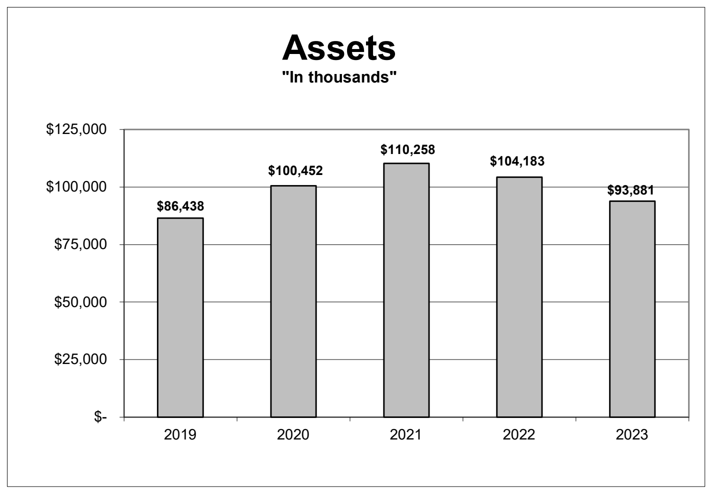
Mayville Financial Corporation

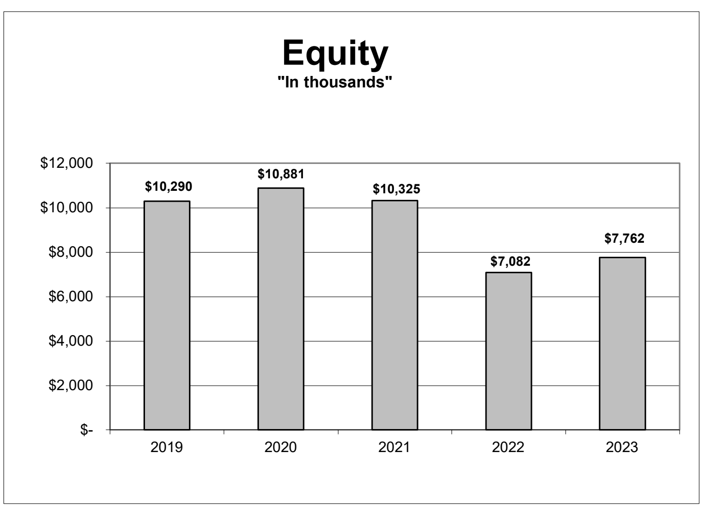
Financial Highlights - Five Years

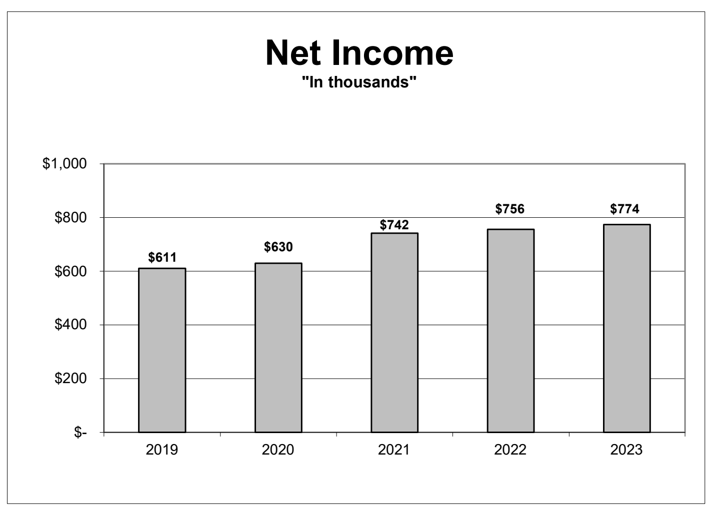








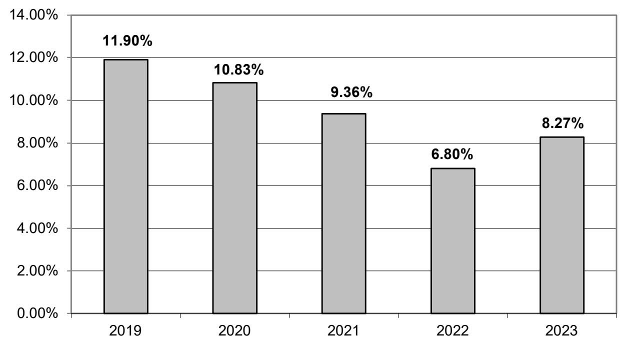




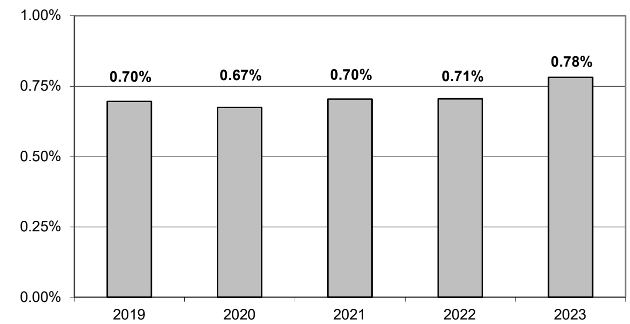
Mayville Financial Corporation

Financial Highlights - Five Years

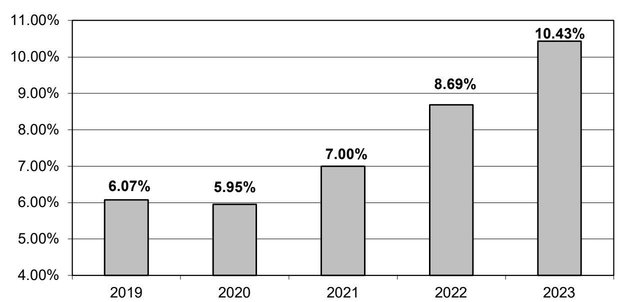
Equity to Assets



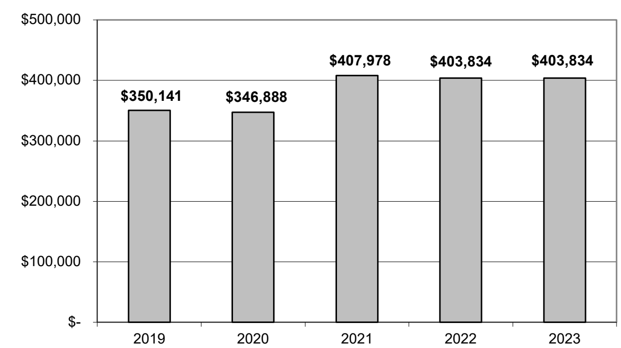
Return on Average Assets



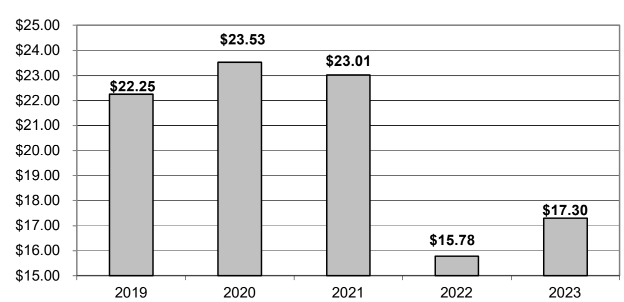
Return on Average Stockholders' Equity



Dividends Paid



Book Value Per Share



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INDEPENDENT AUDITORS' REPORT

April 24, 2024

Stockholders and Board of Directors
Mayville Financial Corporation
Mayville, Michigan

Opinion

We have audited the accompanying consolidated financial statements of ***Mayville Financial Corporation*** (the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Mayville Financial Corporation,*** as of December 31, 2023 and 2022, and the consolidated 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Corporation and 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.

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, in 2023 the Corporation adopted Accounting Standards Codification 326, *Financial Instruments – Credit Losses.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Corporation'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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern for a reasonable period of time.

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

Other Information included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises "Financial Highlights - Five Years" and other nonfinancial information, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Rehmann Robson LLC

MAYVILLE FINANCIAL CORPORATION

Consolidated Balance Sheets

	December 31	
ASSETS	**2023**	**2022**
Cash and due from banks	$ 2,430,874	$ 5,916,660
Federal funds sold	2,454,000	1,975,000
Cash and cash equivalents	**4,884,874**	**7,891,660**
Certificates of deposit held at other financial institutions	3,963,000	4,460,000
Debt securities		
Available-for-sale	34,670,295	39,543,716
Held-to-maturity	14,607	852,782
Federal Home Loan Bank stock, at cost	220,090	284,400
Loans, net of allowance for credit losses of $490,041 and $528,390 at December 31, 2023 and 2022, respectively	42,703,658	43,531,693
Accrued interest receivable	298,406	331,495
Premises and equipment, net	2,764,512	2,915,094
Bank owned life insurance	3,430,448	3,330,374
Deferred tax asset, net	799,500	861,500
Other assets	131,147	180,193
Total assets	**$ 93,880,537**	**$ 104,182,907**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Interest-bearing		
NOW and money market accounts	$ 14,049,420	$ 17,417,390
Savings accounts	31,158,578	37,760,321
Other time deposits	19,220,378	18,720,754
Time deposits over $250,000	858,737	602,077
Total interest-bearing	65,287,113	74,500,542
Noninterest-bearing	20,597,723	22,373,988
Total deposits	**85,884,836**	**96,874,530**
Accrued interest payable	18,970	11,108
Accrued expenses and other liabilities	214,369	215,419
Total liabilities	**86,118,175**	**97,101,057**
Stockholders' equity		
Common stock, no par value: 1,250,000 shares authorized, 448,704 shares issued and outstanding	3,594,418	3,594,418
Retained earnings	7,615,806	7,245,153
Accumulated other comprehensive loss	(3,447,862)	(3,757,721)
Total stockholders' equity	**7,762,362**	**7,081,850**
Total liabilities and stockholders' equity	**$ 93,880,537**	**$ 104,182,907**

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

MAYVILLE FINANCIAL CORPORATION

Consolidated Statements of Income

	Year Ended December 31	
	2023	2022
Interest and dividend income		
Loans (including fees)	$ 2,217,454	$ 2,035,935
Investment securities		
Available-for-sale	735,019	729,568
Held-to-maturity	13,917	16,585
Federal funds sold and other	113,291	32,119
Other interest and dividend income	237,874	205,786
Total interest and dividend income	**3,317,555**	**3,019,993**
Interest expense on deposits	190,773	141,891
Net interest income	**3,126,782**	**2,878,102**
Credit loss expense	90,000	-
Net interest income, after credit loss expense	**3,036,782**	**2,878,102**
Noninterest income		
Service charges on deposit accounts	247,134	234,678
ATM income	242,030	238,105
Earnings on bank owned life insurance	100,074	93,543
Gain on sale of premises and equipment	-	49,460
Other	67,097	56,311
Total noninterest income	**656,335**	**672,097**
Noninterest expenses		
Compensation	1,205,305	1,159,801
Profit sharing and other employee benefits	229,555	224,819
Occupancy and equipment	320,773	314,010
FDIC assessments	40,235	29,700
ATM processing fees	168,672	159,379
Professional fees	100,850	97,253
Directors fees	77,400	75,920
Data processing fees	201,860	194,368
Net loss on sale of investment securities	-	13,298
Other	418,980	380,340
Total noninterest expenses	**2,763,630**	**2,648,888**
Income before federal income tax expense	**929,487**	**901,311**
Income tax expense	155,000	145,000
Net income	**$ 774,487**	**$ 756,311**
Net income per basic share of common stock	**$ 1.73**	**$ 1.69**

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

MAYVILLE FINANCIAL CORPORATION

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31	
	2023	**2022**
Available-for-sale debt securities		
Unrealized holding losses arising during the year	$ 392,227	$ (4,565,005)
Reclassification adjustment for net realized losses included in net income	-	13,298
Comprehensive income (loss) before income tax (expense) benefit	**392,227**	**(4,551,707)**
Income tax (expense) benefit related to other comprehensive income (loss)	(82,368)	955,858
Other comprehensive income (loss)	**309,859**	**(3,595,849)**
Net income	774,487	756,311
Comprehensive income (loss)	**$ 1,084,346**	**$ (2,839,538)**

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

MAYVILLE FINANCIAL CORPORATION

Consolidated Statements of Stockholders' Equity

	Common Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Earnings	(Loss) Income	Total
Balances, January 1, 2022	**448,704**	**$ 3,594,418**	**$ 6,892,676**	**$ (161,872)**	**$ 10,325,222**
Comprehensive loss	-	-	756,311	(3,595,849)	(2,839,538)
Cash dividends paid ($0.90 per share)	-	-	(403,834)	-	(403,834)
Balances, December 31, 2022	**448,704**	**3,594,418**	**7,245,153**	**(3,757,721)**	**7,081,850**
Comprehensive income	-	-	774,487	309,859	1,084,346
Cash dividends paid ($0.90 per share)	-	-	(403,834)	-	(403,834)
Balances, December 31, 2023	**448,704**	**$ 3,594,418**	**$ 7,615,806**	**$ (3,447,862)**	**$ 7,762,362**

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

MAYVILLE FINANCIAL CORPORATION

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2023	**2022**
Cash flows from operating activities		
Net income	$ 774,487	$ 756,311
Adjustments to reconcile net income to net cash provided by operating activities		
Credit loss expense	90,000	-
Depreciation	192,190	196,020
Increase in cash surrender value of bank owned life insurance	(100,074)	(93,543)
Net amortization of investment securities premiums	168,318	244,184
Gain on sale of premises and equipment	-	(49,460)
Loss on sale of investment securities	-	13,298
Deferred income tax (benefit) expense	(20,000)	3,000
Changes in operating assets and liabilities which provided (used) cash		
Accrued interest receivable	33,089	(21,333)
Other assets	127,177	(104,137)
Accrued interest payable	7,862	(2,476)
Accrued expenses and other liabilities	(18,050)	(53,628)
Net cash provided by operating activities	**1,254,999**	**888,236**
Cash flows from investing activities		
Net change in certificates of deposit held at other financial institutions	497,000	3,463,000
Proceeds from sale of FHLB stock	64,310	38,700
Activity in held-to-maturity securities		
Purchases	-	(800,000)
Maturities, prepayments and calls	838,175	1,355,531
Activity in available-for-sale securities		
Purchases	-	(12,901,262)
Maturities, sales, prepayments and calls	5,097,330	8,508,132
Loan principal repayments (originations)	676,536	(2,180,748)
Proceeds from sales of premises and equipment	-	49,460
Purchases of premises and equipment	(41,608)	(33,170)
Net cash provided by (used in) investing activities	**7,131,743**	**(2,500,357)**
Cash flows from financing activities		
Acceptances and withdrawals of deposits, net	(10,989,694)	(2,684,086)
Cash dividends paid	(403,834)	(403,834)
Net cash used in financing activities	**(11,393,528)**	**(3,087,920)**
Net decrease in cash and cash equivalents	**(3,006,786)**	**(4,700,041)**
Cash and cash equivalents, beginning of year	7,891,660	12,591,701
Cash and cash equivalents, end of year	**$ 4,884,874**	**$ 7,891,660**

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

Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Nature of Business

The accompanying consolidated financial statements include the accounts of ***Mayville Financial Corporation,*** a registered bank holding company (the "Corporation"), and its wholly owned subsidiary, Mayville State Bank (the "Bank"), and the Bank's subsidiary Mayville Financial Services. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Corporation is independently owned and operates a community bank engaged in the business of retail and commercial banking services through its two branches located in Tuscola County in Michigan. Active competition, principally from other commercial banks, savings banks and credit unions, exists in all the Bank's primary markets. The Bank's results of operations can be significantly affected by changes in interest rates or changes in the automotive and agricultural industries which comprise a significant portion of the local economic environment.

The Bank is a state chartered bank and a member of the Federal Deposit Insurance Corporation ("FDIC") Bank Insurance Fund. The Bank is subject to the regulations and supervision of the FDIC and state regulators and undergoes periodic examinations by these regulatory authorities. The Corporation is further subject to regulations and supervision of the Federal Reserve Board governing bank holding companies.

Concentration Risks

The Bank's primary deposit products are interest and noninterest bearing checking accounts, savings accounts and time deposits and its primary lending products are real estate mortgages, commercial and consumer loans. The Bank does not have significant concentrations with respect to any one industry, customer, or depositor.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and the reported amounts of income and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the determination of the allowance for credit losses.

Summary of Significant Accounting Policies

Accounting policies used in preparation of the accompanying consolidated financial statements are in conformity with accounting principles generally accepted in the United States. The principles which materially affect the determination of the consolidated financial position and results of operations of the Corporation and the Bank are summarized below.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold. Generally, federal funds are sold for a one-day period. The Corporation maintains deposit accounts in various financial institutions which generally exceed the FDIC insured limits or are not insured. Management does not believe the Corporation is exposed to any significant interest, credit or other financial risk as a result of these deposits.

Certificates of Deposit Held at Other Financial Institutions

Certificates of deposit held at other financial institutions mature within five years and are carried at cost.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data, such as the reporting entity's own data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 2.

Investment Securities

Debt securities that management has the ability and positive intent to hold to maturity are classified as held-to-maturity and are recorded at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale and are recorded at fair value, with unrealized gains and losses, net of the effect of deferred income taxes, recorded in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the investment securities. Realized gains or losses on the sale of available-for-sale debt securities are recorded in investment income or loss on the trade date and are determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

Allowance for Credit Losses - Available-for-Sale Securities

In estimating the allowance for credit losses of available-for-sale debt securities in an unrealized loss position, management first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet this criteria, management evaluates whether the decline in fair value has resulted from credit losses or other factors. Management also considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $146,860 at December 31, 2023, and is excluded from the estimate of credit losses.

Allowance for Credit Losses - Held-to-Maturity Securities

Held-to-maturity debt securities are measured on a collective basis by major security type for expected credit losses, if any. Management classifies the held-to-maturity portfolio into major security types. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Accrued interest receivable on held-to-maturity debt securities totaled $127 December 31, 2023, and is excluded from the estimate of credit losses.

The Bank's held-to-maturity debt securities consist of four securities, which are all issued by local municipal entities, and have a long history of no credit losses.

Federal Home Loan Bank Stock

The Bank is a member of the Federal Home Loan Bank System and is required to invest in capital stock of the Federal Home Loan Bank of Indianapolis ("FHLB"). The amount of the required investment is based upon the available balance of the Bank's outstanding home mortgage loans or advances from the FHLB and is carried at cost plus the value assigned to stock dividends.

Loans

Loans that management has the positive intent and ability to hold for the foreseeable future or until maturity or pay-off are generally reported at their outstanding unpaid principal balances adjusted for charge-offs, and the allowance for credit losses and any deferred fees or costs on originated loans. Accrued interest receivable totaled $125,486 at December 31, 2023, and was reported in accrued interest receivable on the consolidated balance sheet and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Management estimates that direct costs incurred in originating loans approximate the origination fees generated on these loans. Therefore, net deferred loan origination fees on loans classified as held-to-maturity are not included on the accompanying consolidated balance sheets.

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

All interest accrued in the current year but not collected for loans that are placed on nonaccrual or are charged off, is reversed against interest income while interest accrued but not collected in prior years is reversed against the allowance for credit losses. 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 principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Nonperforming loans of the loan portfolio are comprised of those loans accounted for on a nonaccrual basis and accruing loans contractually past due 90 days or more as to interest or principal payments.

Allowance for Credit Losses - Loans

The allowance for credit losses ("allowance") is a valuation account that is deducted from, or added to, the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loan losses are charged off against the allowance when management determines the loan balance to be uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Cash received on previously charged off amounts is recorded as a recovery to the allowance.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments are made to historical loss information that may increase or reduce reserve levels and include the following: adjustments for comparable peer experience; the effects of changes in lending policies, underwriting practices, the loan portfolio volume and nature of loans, lending management and staff, problem loans, past dues, credit and overall quality of loans, the loan review system, the value of underlying collateral, and credit concentrations; and any other internal factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risks characteristics exist. The Bank has identified the following portfolio segments:

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

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

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

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

Consumer and Other: The consumer and other loan portfolio is comprised of a large number of small loans, including automobile, personal loans, credit cards, etc. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

The weighted average remaining maturity ("WARM") methodology is used to calculate the allowance for credit losses for all loan pools. Under this methodology, the Bank calculates by each segment described above an estimated lifetime loss rate and the remaining life of the loan by considering the Bank's historical loss data as well as peer group data based on peer groups that are specifically identified by the Bank. Additionally, the allowance for credit losses calculation includes subjective adjustments to the historical loss factors for qualitative risk considerations that are likely to cause estimated credit losses to differ from historical experience as described above.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs, as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank.

For borrowers that are in financial distress, the Bank may provide relief to the borrower by modifying the loan through principal forgiveness, term extension, interest rate reduction or an other-than-significant payment delay. When principal forgiveness is provided, the amount of the forgiveness is charged off against the allowance for credit losses.

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

Pass: A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

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

Substandard: Loans classified as substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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

The majority of the Bank's consumer and residential loan portfolio is comprised of secured loans that are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the consumer and residential loan portfolios is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Bank's collection department for resolution, which generally occurs fairly rapidly and often through repossession and foreclosure. Credit quality for the entire consumer and residential loan portfolio is measured by the periodic delinquency rate, nonaccrual amounts and actual losses incurred.

Although management believes the allowance to be appropriate, ultimate losses may vary from its estimates. At least quarterly, the Board of Directors reviews the appropriateness of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Bank's primary regulators review the appropriateness of the allowance. The regulatory agencies may require changes to the allowance based on their judgment about information available at the time of their examination.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Bank has entered into commitments to extend credit, including commitments under credit arrangements and commitments to grant new loans. Such financial instruments are considered to be guarantees; however, as the amount of the liability related to such guarantees on the commitment date is considered insignificant, the commitments are generally recorded only when they are funded.

The allowance for credit losses on off-balance sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which the Bank is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Bank has the unconditional right to cancel the obligation. Adjustments to the allowance are reported in the consolidated statement of income as a component of credit loss expense. For the period of exposure, the estimate of expected credit losses considers both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance-sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment. Estimating credit losses on amounts expected to be funded uses the same methodology as described for loans as if such commitments were funded.

At December 31, 2023, the liability for credit losses on off-balance sheet credit exposures was $17,000 and is included in accrued expense and other liabilities on the consolidated balance sheet; the liability for credit losses was reduced by $2,000 in 2023 through a reversal of credit loss expense.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less costs to sell, on the date of transfer, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other noninterest expenses on the consolidated statements of income. The Corporation held foreclosed assets amounting to $78,499 at December 31, 2023. There were no foreclosed assets held at December 31, 2022.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation which is computed principally by the straight-line method based upon the estimated useful lives of the related assets, which range from 3 to 40 years. Major improvements are capitalized and appropriately amortized based upon the useful lives of the related assets or the expected terms of the leases, if shorter, using the straight-line method. Maintenance, repairs and minor alterations are charged to current operations as expenditures occur. Management annually reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

Bank Owned Life Insurance

The Bank holds life insurance policies purchased on the lives of key members of management. In the event of death of one of these individuals, the Bank, as beneficiary of the policies, would receive a specified cash payment equal to the face value of the policy. Such policies are recorded at their cash surrender value, or the amount that can be currently realized as of the balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net expense or income recognized under the contracts for the year and is included in other noninterest income on the consolidated statements of income.

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred income tax asset or liability is determined based on the federal income 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 federal income tax rates and laws. Valuation allowances are established, where necessary, to reduce deferred tax assets to the amount expected more likely than not to be realized. Income tax expense is the tax payable or refundable for the year plus or minus the change during the year in deferred tax assets and liabilities.

Advertising Costs

The cost of advertising and promotions are expensed as incurred. The Corporation incurred $22,326 and $26,313 in advertising costs in 2023 and 2022, respectively.

Net Income Per Share

Net income per basic share of common stock represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the year, which was 448,704 in both 2023 and 2022.

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2023, the most recent consolidated balance sheet presented herein, through April 24, 2024, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified.

Adoption of New Accounting Standard

Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Accounting Standards Codification ("ASC") Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to certain off-balance sheet credit exposures not accounted for as insurance (including loan commitments, standby letters of credit, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. Prior to ASU No. 2016-13, GAAP required an "incurred loss" methodology for recognizing credit losses that delayed recognition until it was probable a loss had been incurred. Under the incurred loss approach, entities were limited to a probable initial recognition threshold when credit losses were measured; an entity generally only considered past events and current conditions when measuring the incurred loss. ASC 326 also updated the accounting for available-for-sale debt securities to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell as well as other changes.

Notes to Consolidated Financial Statements

The Corporation adopted ASC 326 on January 1, 2023, using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

The following table details the impact of the adoption of ASC 326 on January 1, 2023:

	Pre-Adoption Allowance	Impact of Adoption	Post-Adoption Allowance
Assets:			
Allowance for credit losses on debt securities held-to-maturity	$ -	$ 1,000	$ 1,000
Allowance for credit losses on loans			
Commercial and industrial	35,919	(1,919)	34,000
Commercial real estate	155,703	(86,703)	69,000
Real estate construction	5,120	(120)	5,000
Residential real estate	221,596	31,404	253,000
Consumer and other	40,618	106,772	147,390
Unallocated	69,434	(69,434)	-
Total	**$ 528,390**	**$ (19,000)**	**$ 509,390**
Liabilities:			
Allowance for credit losses on off-balance-sheet credit exposures	**$ -**	**$ 19,000**	**$ 19,000**

2. FAIR VALUE MEASUREMENTS

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Marketable securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis such as investment securities held-to-maturity, impaired loans, foreclosed assets, and certain other assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified.

Investment Securities

The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Impaired Loans

The fair value of impaired loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. 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 for similar loans and collateral underlying such loans. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted in accordance with the allowance policy.

Foreclosed Assets

The carrying amounts of foreclosed assets are reported in the consolidated balance sheets under other assets. Upon transfer from the loan portfolio, foreclosed assets are adjusted to and subsequently carried at the lower of carrying value or fair value less costs to sell. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation classifies the foreclosed asset as nonrecurring Level 2. When a current appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation classifies the foreclosed asset as nonrecurring Level 3.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement at the reporting date.

Assets Recorded at Fair Value on a Recurring Basis

The following tables set forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of December 31:

	Assets at Fair Value			
2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities available-for-sale:				
Corporate bonds	$ -	$ 395,997	$ -	$ 395,997
Government-sponsored enterprises	-	4,195,816	-	4,195,816
States and municipal	-	14,008,537	-	14,008,537
Mortgage-backed	-	16,069,945	-	16,069,945
Total assets at fair value	**$ -**	**$ 34,670,295**	**$ -**	**$ 34,670,295**

	Assets at Fair Value			
2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities available-for-sale:				
Corporate bonds	$ -	$ 2,784,604	$ -	$ 2,784,604
Government-sponsored enterprises	-	4,097,268	-	4,097,268
States and municipal	-	14,023,833	-	14,023,833
Mortgage-backed	-	18,638,011	-	18,638,011
Total assets at fair value	**$ -**	**$ 39,543,716**	**$ -**	**$ 39,543,716**

Assets Recorded at Fair Value on a Nonrecurring Basis

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a nonrecurring basis as of December 31:

	Assets at Carrying Value			
2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Impaired loans (1)	$ -	$ -	$ 6,997	$ 6,997

	Assets at Carrying Value			
2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Impaired loans (1)	$ -	$ -	$ 7,201	$ 7,201

(1) Certain impaired loans were remeasured and reported at fair value through a specific valuation allowance based upon the estimated fair value of the underlying collateral. Impaired loans of $6,997 and $7,201 at December 31, 2023 and 2022, respectively, were reduced by a specific valuation allowance totaling $6,997 and $7,201 as of December 31, 2023 and 2022, respectively.

Quantitative information about Level 3 fair value measurements is as follows as of December 31:

2023	**Level 3 Instruments**			
Instrument	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range**
Impaired loans	$ 6,997	Discounted Appraisal Value	Discount Applied to Collateral Appraisal	100%

2022	**Level 3 Instruments**			
Instrument	**Fair Value**	**Valuation Technique**	**Unobservable Input**	**Range**
Impaired loans	$ 7,201	Discounted Appraisal Value	Discount Applied to Collateral Appraisal	100%

3. INVESTMENT SECURITIES

The amortized cost and fair value of debt securities, including gross unrealized gains and losses, are summarized as follows as of December 31:

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity				
States and municipal	$ 14,607	$ -	$ -	$ 14,607
Available-for-sale				
Corporate bonds	401,563	-	5,566	395,997
Government-sponsored enterprises	4,461,641	3,848	269,673	4,195,816
States and municipal	15,385,433	2,839	1,379,735	14,008,537
Mortgage-backed	18,786,040	-	2,716,095	16,069,945
Total available-for-sale	39,034,677	6,687	4,371,069	34,670,295
Total	**$ 39,049,284**	**$ 6,687**	**$ 4,371,069**	**$ 34,684,902**

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity				
States and municipal	$ 852,782	$ -	$ 2,753	$ 850,029
Available-for-sale				
Corporate bonds	2,809,280	-	24,676	2,784,604
Government-sponsored enterprises	4,442,432	2,492	347,656	4,097,268
States and municipal	15,773,186	-	1,749,353	14,023,833
Mortgage-backed	21,275,427	-	2,637,416	18,638,011
Total available-for-sale	44,300,325	2,492	4,759,101	39,543,716
Total	**$ 45,153,107**	**$ 2,492**	**$ 4,761,854**	**$ 40,393,745**

There were no securities pledged as of December 31, 2023 or 2022.

The amortized cost and fair value of held-to-maturity securities and available-for-sale securities grouped by contractual maturity at December 31, 2023, are summarized as follows:

	Maturing				
	Due in One Year Or Less	Due After One Year Through Five Years	Due After Five Years Through Ten Years	Securities with Variable Monthly Payments	Total
Held-to-maturity					
States and municipal	$ 7,213	$ 7,394	$ -	$ -	$ 14,607
Available-for-sale					
Corporate bonds	401,563	-	-	-	401,563
Government-sponsored enterprises	-	4,179,055	282,586	-	4,461,641
States and municipal	327,356	8,719,096	6,338,981	-	15,385,433
Mortgage-backed	-	-	-	18,786,040	18,786,040
Total available-for-sale	728,919	12,898,151	6,621,567	18,786,040	39,034,677
Total amortized cost	**$ 736,132**	**$ 12,905,545**	**$ 6,621,567**	**$ 18,786,040**	**$ 39,049,284**
Fair value	**$ 725,663**	**$ 12,110,074**	**$ 5,779,220**	**$ 16,069,945**	**$ 34,684,902**

Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations.

Because of their variable monthly payments, mortgage-backed securities are not reported by a specific maturity group.

There were $2,916,896 in proceeds from sales of available-for-sale securities during 2022. Gross realized losses amount to $13,298 in 2022. This resulted in a reclassification of a loss $13,298 ($16,091 net of tax) in 2022 from accumulated other comprehensive loss to net loss on sale of securities, a component of noninterest expenses on the 2022 consolidated statement of income. There were no securities sold in 2023.

As of the year ended December 31, 2023 and 2022, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity.

Information pertaining to securities with unrealized losses aggregated by investment category for which an allowance for credit losses has not been recorded and the length of time that individual securities have been in a continuous loss position at December 31 is as follows:

	Less than 12 Months		Over 12 Months			
2023	**Fair Value**	**Gross Unrealized Loss**	**Fair Value**	**Gross Unrealized Loss**	**Fair Value**	**Total Gross Unrealized Losses**
Available-for-sale						
Corporate bonds	$ -	$ -	$ 395,997	$ 5,566	$ 395,997	$ 5,566
Government-sponsored enterprises	-	-	3,909,383	269,673	3,909,383	269,673
States and municipal	-	-	13,815,434	1,379,735	13,815,434	1,379,735
Mortgage-backed	-	-	16,069,945	2,716,095	16,069,945	2,716,095
Total securities available-for-sale	**$ -**	**$ -**	**$ 34,190,759**	**$ 4,371,069**	**$ 34,190,759**	**$ 4,371,069**

	Less than 12 Months		Over 12 Months			
2022	**Fair Value**	**Gross Unrealized Loss**	**Fair Value**	**Gross Unrealized Loss**	**Fair Value**	**Total Gross Unrealized Losses**
Held-to-maturity						
States and municipal	$ 828,387	$ 2,753	$ -	$ -	$ 828,387	$ 2,753
Available-for-sale						
Corporate bonds	2,784,604	24,676	-	-	2,784,604	24,676
Government-sponsored enterprises	3,372,063	295,007	447,351	52,649	3,819,414	347,656
States and municipal	4,225,722	215,854	9,798,111	1,533,499	14,023,833	1,749,353
Mortgage-backed	8,147,744	540,864	10,490,267	2,096,552	18,638,011	2,637,416
Total securities available-for-sale	**$18,530,133**	**$ 1,076,401**	**$ 20,735,729**	**$ 3,682,700**	**$ 39,265,862**	**$ 4,759,101**

As of December 31, 2023, the Corporation's investment security portfolio consisted of 128 securities, 122 of which were in an unrealized loss position. As of December 31, 2022, the Corporation's investment security portfolio consisted of 140 securities, 133 of which were in unrealized loss position.

Allowance for Credit Losses - Held-to-Maturity Securities

The allowance for credit losses on held-to-maturity securities is a contra-asset valuation account that is deducted from the amortized cost basis of held-to-maturity securities to present the net amount expected to be collected. An allowance of $1,000 was recorded upon the adoption of ASC 2016-13. At December 31, 2023, no allowance was required and a reversal for credit losses of $1,000 was recorded in 2023. Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. With regard to securities issued by local municipal entities, management considers (i) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, (ii) internal forecasts and (iii) whether or not such securities are guaranteed or pre-refunded by the issuers.

The Corporation monitors the credit quality of debt securities held-to-maturity through review of the annual financial statements, ongoing interest payments, and historical experience with applicable municipal entities. At December 31, 2023, the Corporation had no securities held-to-maturity that were past due 30 days or more as to principal or interest payments. The Corporation had no securities held-to-maturity classified as nonaccrual for 2023.

Allowance for Credit Losses - Available-for-Sale Securities

As of December 31, 2023, no allowance for credit losses has been recognized on available for sale securities in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. This is based upon management's analysis of the underlying risk characteristics, including credit ratings, and other qualitative factors related to our available for sale securities and in consideration of our historical credit loss experience and internal forecasts. The issuers of these securities continue to make timely principal and interest payments under the contractual terms of the securities. Furthermore, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that we will not have to sell any such securities before a recovery of cost. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The Bank grants commercial, consumer and residential mortgage loans to customers situated primarily in the Tuscola County Area. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area. Substantially all of the consumer and residential loans are collateralized by various items of property, while commercial loans are collateralized primarily by business assets and personal guarantees; a portion of loans are unsecured.

Loans are summarized as follows at December 31:

	2023	2022
Commercial and industrial	$ 2,762,358	$ 3,367,283
Commercial real estate	4,200,516	3,710,256
Real estate construction	920,084	2,048,075
Residential real estate	29,346,655	29,498,564
Consumer and other	5,964,086	5,435,905
Total loans	43,193,699	44,060,083
Allowance for loan losses	490,041	528,390
Loans, net	**$42,703,658**	**$ 43,531,693**

The following table summarizes the activity related to the allowance for credit losses for 2023 under the CECL methodology:

2023	Commercial and Industrial	Commercial Real Estate	Real Estate Construction	Residential Real Estate	Consumer and Other	Unallocated	Total
Allowance for loan losses:							
Balance at beginning of year, prior to adoption of ASC 326	$ 35,919	$ 155,703	$ 5,120	$ 221,596	$ 40,618	$ 69,434	$ 528,390
Impact of adopting ASC 326	(1,919)	(86,703)	(120)	31,404	106,772	(69,434)	(20,000)
Credit loss expense	(1,000)	86,000	(2,000)	3,174	6,826	-	93,000
Loans charged-off	-	-	-	(16,174)	(103,609)	-	(119,783)
Recoveries	-	-	-	-	8,434	-	8,434
Balance at end of year	**$ 33,000**	**$ 155,000**	**$ 3,000**	**$ 240,000**	**$ 59,041**	**$ -**	**$ 490,041**

Prior to the adoption of ASC 326 on January 1, 2023, the Bank calculated the allowance for credit losses under the incurred loss methodology. The following tables are disclosures related to the allowance for loan losses for 2022.

2022	Commercial and Industrial	Commercial Real Estate	Real Estate Construction	Residential Real Estate	Consumer and Other	Unallocated	Total
Allowance for loan losses:							
Balance at beginning of year	$ 52,410	$ 87,595	$ 3,426	$ 232,770	$ 36,141	$ 136,760	$ 549,102
Provision for loan losses	(16,491)	68,108	1,694	(10,874)	24,889	(67,326)	-
Loans charged-off	-	-	-	(300)	(37,024)	-	(37,324)
Recoveries	-	-	-	-	16,612	-	16,612
Balance at end of year	**$ 35,919**	**$ 155,703**	**$ 5,120**	**$ 221,596**	**$ 40,618**	**$ 69,434**	**$ 528,390**
Allowance for loan losses attributable to:							
Individually evaluated for impairment	$ 7,201	$ -	$ -	$ -	$ -	$ -	$ 7,201
Collectively evaluated for impairment	28,718	155,703	5,120	221,596	40,618	69,434	521,189
Total allowance for loan losses	**$ 35,919**	**$ 155,703**	**$ 5,120**	**$ 221,596**	**$ 40,618**	**$ 69,434**	**$ 528,390**

2022	Commercial and Industrial	Commercial Real Estate	Real Estate Construction	Residential Real Estate	Consumer and Other	Unallocated	Total
Loans:							
Individually evaluated for impairment	$ 7,201	$ -	$ -	$ 569,570	$ -		$ 576,771
Collectively evaluated for impairment	3,360,082	3,710,256	2,048,075	28,928,994	5,435,905		43,483,312
Total loans	3,367,283	3,710,256	2,048,075	29,498,564	5,435,905		44,060,083
Accrued interest receivable	2,253	17,876	-	77,284	16,337		113,750
Total recorded investment in loans	**$ 3,369,536**	**$ 3,728,132**	**$ 2,048,075**	**$29,575,848**	**$5,452,242**		**$44,173,833**

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable the Corporation would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and accruing troubled debt restructurings. When determining if the Corporation would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Corporation considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was 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 was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

The allowance for loan losses and recorded investment in loans by portfolio segment and based on impairment method is as follows for the year ended December 31, 2022:

2022	Loan Balance	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded					
Residential real estate	$ 569,570	$ 569,570	$ -	$ 518,438	26,806
Loans with an allowance recorded					
Commercial and industrial	7,201	7,201	7,201	8,520	459
Total impaired loans					
Commercial and industrial	7,201	7,201	7,201	8,520	459
Residential real estate	569,570	569,570	-	518,438	26,806
Total	**$ 576,771**	**$ 576,771**	**$ 7,201**	**$ 526,958**	**$ 27,265**

Nonaccrual loans and loans past due 90 days or more still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are individually evaluated for impairment and deemed impaired (i.e., individually classified impaired loans). The sum of non-accrual loans and loans past due 90 days or more still on accrual will differ from the total impaired loan amount.

There were no loans on nonaccrual status as of December 31, 2023 and 2022. There was no interest income recognized on nonaccrual loans during the year ended December 31, 2023.

The following tables present the amortized cost basis of individually evaluated loans or as otherwise designated as having a higher risk and are collateral-dependent loans by class of loans as of December 31, 2023:

	General Commercial Assets	Personal Property
Commercial and industrial	$ 5,063	$ -
Consumer and other	-	1,934
Total	**$ 5,063**	**$ 1,934**

Notes to Consolidated Financial Statements

The following table shows an aging analysis of the loan portfolio by time past due as of December 31, 2023:

2023	Accruing Interest Current	Accruing Interest 30-89 Days Past Due	Accruing Interest More Than 90 Days Past Due	Total Past Due	Total Loans
Commercial and industrial	$ 2,757,295	$ -	$ 5,063	$ 5,063	$ 2,762,358
Commercial real estate	4,188,815	11,701	-	11,701	4,200,516
Real estate construction	919,939	-	145	145	920,084
Residential real estate	28,097,997	1,150,442	98,216	1,248,658	29,346,655
Consumer and other	5,885,755	57,185	21,146	78,331	5,964,086
Total	**$ 41,849,801**	**$ 1,219,328**	**$ 124,570**	**$ 1,343,898**	**$ 43,193,699**

The following table shows an aging analysis of the loan portfolio by time past due as of December 31, 2022:

2022	Accruing Interest Current	Accruing Interest 30-89 Days Past Due	Accruing Interest More Than 90 Days Past Due	Total Past Due	Total Loans
Commercial and industrial	$ 3,292,983	$ 74,300	$ -	$ 74,300	$ 3,367,283
Commercial real estate	3,710,256	-	-	-	3,710,256
Real estate construction	2,048,075	-	-	-	2,048,075
Residential real estate	28,482,087	800,338	216,139	1,016,477	29,498,564
Consumer and other	5,417,865	18,040	-	18,040	5,435,905
Total	**$ 42,951,266**	**$ 892,678**	**$ 216,139**	**$ 1,108,817**	**$ 44,060,083**

For borrowers that are in financial distress, the Bank may provide relief to the borrower by modifying the loan through principal forgiveness, term extension, interest rate reduction or an other-than-significant payment delay. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. In some cases, the Bank provides multiple types of concessions on one specific loan. If after the initial concession is granted, the borrower continues to experience financial distress an additional modification may be granted. There were no loans modified due to financial distress in 2023 or 2022. Additionally, there were no such modifications that had payment defaults during 2023 and 2022.

Notes to Consolidated Financial Statements

The following table shows the loans allocated by management's internal risk ratings as of December 31, 2023:

	Commercial Credit Risk Profile by Risk Rating				
	Pass	Special Mention or Watch	Substandard	Doubtful	Total
Risk Rating					
Commercial and industrial	$ 2,757,295	$ -	$ 5,063	$ -	$ 2,762,358
Commercial real estate	3,368,672	831,844	-	-	4,200,516
Total	**$ 6,125,967**	**$ 831,844**	**$ 5,063**	**$ -**	**$ 6,962,874**

The following table shows the homogeneous loans allocated by payment activity as of December 31, 2023:

	Consumer Credit Risk Profile by Payment Activity			
	Real Estate Construction	Residential Real Estate	Consumer and Other	Total
Payment activity				
Performing	$ 919,939	$ 29,248,439	$ 5,942,940	$ 36,111,318
Nonperforming	145	98,216	21,146	119,507
Total	**$ 920,084**	**$ 29,346,655**	**$ 5,964,086**	**$ 36,230,825**

The following table shows the loans allocated by management's internal risk ratings as of December 31, 2022:

	Commercial Credit Risk Profile by Risk Rating				
	Pass	Special Mention or Watch	Substandard	Doubtful	Total
Risk Rating					
Commercial and industrial	$ 3,360,082	$ -	$ 7,201	$ -	$ 3,367,283
Commercial real estate	2,775,255	935,001	-	-	3,710,256
Total	**$ 6,135,337**	**$ 935,001**	**$ 7,201**	**$ -**	**$ 7,077,539**

The following table shows the homogeneous loans allocated by payment activity as of December 31, 2022:

	Consumer Credit Risk Profile by Payment Activity			
	Real Estate Construction	Residential Real Estate	Consumer and Other	Total
Payment activity				
Performing	$ 2,048,075	$ 29,282,425	$ 5,435,905	$ 36,766,405
Nonperforming	-	216,139	-	216,139
Total	**$ 2,048,075**	**$ 29,498,564**	**$ 5,435,905**	**$ 36,982,544**

5. PREMISES AND EQUIPMENT

Net premises and equipment consists of the following amounts at December 31:

	2023	2022
Land and improvements	$ 136,403	$ 136,403
Buildings and improvements	3,479,216	3,479,216
Furniture and equipment	748,499	751,734
Total	4,364,118	4,367,353
Less accumulated depreciation	1,599,606	1,452,259
Premises and equipment, net	**$ 2,764,512**	**$ 2,915,094**

Depreciation expense was $192,190 and $196,020 for 2023 and 2022, respectively.

6. DEPOSITS

Scheduled maturities of time deposits for each of the five years succeeding December 31, 2023, and thereafter, are summarized as follows:

Year	Amount
2024	$ 16,270,152
2025	1,798,663
2026	771,978
2027	1,051,032
2028	151,917
Thereafter	35,373
Total	**$ 20,079,115**

7. BORROWED FUNDS AND AVAILABLE LINES OF CREDIT

At December 31, 2023, the Bank has a $10,000,000 available line of credit from the Federal Home Loan Bank ("FHLB"). No borrowings were outstanding at December 31, 2023 and 2022. Under the terms of this agreement, the Bank may borrow amounts in accordance with the advances agreement, and the terms and conditions of the advice of credit between the Bank and FHLB. The Bank has agreed to pledge a blanket lien on qualifying loans. The Bank had loans pledged to the FHLB totaling approximately $18,500,000 and $26,200,000 at December 31, 2023 and 2022, respectively.

At December 31, 2023, the Bank also has $7,258,000 available under a short-term line of credit provided by other financial institutions. Under the terms of this agreement, the Bank may borrow amounts at a mutually agreed upon interest rate. No such borrowings were outstanding at December 31, 2023 or 2022.

8. FEDERAL INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities presented in the accompanying consolidated balance sheets are comprised of the following amounts as of December 31:

	2023	2022
Deferred tax assets		
Allowance for credit losses	$ 77,000	$ 79,000
PPP deferred loan fees	-	1,000
Unrealized loss on available-for-sale securities	917,000	999,000
Total deferred tax assets	**994,000**	**1,079,000**
Deferred tax liabilities		
Prepaid expenses	6,000	8,000
Depreciation	173,000	193,000
Accretion	13,500	12,500
FHLB stock dividends	2,000	4,000
Total deferred tax liabilities	**194,500**	**217,500**
Net deferred tax asset	**$ 799,500**	**$ 861,500**

The provision for federal income taxes consists of the following components for the years ended December 31:

	2023	2022
Currently payable	$ 175,000	$ 142,000
Deferred (benefit) expense	(20,000)	3,000
Income tax expense	**$ 155,000**	**$ 145,000**

A reconciliation between federal income tax expense reported and the amount computed by applying the statutory federal income tax rate of 21% to income before federal income taxes is as follows for the years ended December 31:

	2023	2022
Income tax provision at statutory rate	$ 195,000	$ 189,000
Effect of tax-exempt interest income	(22,000)	(29,000)
Other - net	(18,000)	(15,000)
Income tax expense	**$ 155,000**	**$ 145,000**

The Corporation concluded that there are no significant uncertain tax positions requiring recognition on the Corporation's consolidated financial statements based on the evaluation performed for the years 2020 through 2023, the years which remain subject to examination by major tax jurisdictions as of December 31, 2023. The Corporation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next 12 months. The Corporation does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2023 or 2022, and it is not aware of any claims for such amounts by federal or state income tax authorities.

9. RELATED PARTY TRANSACTIONS

Loans

In the ordinary course of business, the Bank grants loans to certain directors, executive officers and their affiliates. Such loans aggregated approximately $1,306,000 and $1,457,000 as of December 31, 2023 and 2022, respectively.

Deposits

Deposits of Corporation directors, executive officers and their affiliates were approximately $983,000 and $1,240,000 as of December 31, 2023 and 2022, respectively.

10. OFF-BALANCE SHEET ACTIVITIES

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policy in making commitments, including requirements for collateral, as it does for on-balance-sheet instruments; no significant losses are anticipated as a result of these commitments.

At December 31, 2023 and 2022, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2023	2022
Unfunded commitments under lines of credit	$ 5,518,000	$ 5,079,000
Commitments to grant loans	90,000	506,000

Unfunded commitments under commercial lines of credit, revolving home equity lines of credit and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. The commitments for equity lines of credit may expire without being drawn upon. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed. A majority of such commitments are at fixed rates of interest; a portion is unsecured.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Notes to Consolidated Financial Statements

11. REGULATORY REQUIREMENTS

Capital Requirements

The Bank is subject to various regulatory capital requirements, including restriction on dividends, administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators, that if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, capital and certain off-balance-sheet items as defined in the regulations and calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

In 2019, the federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework (CBLR framework), for qualifying community banking organizations, consistent with Section 201 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act.* The final rule became effective on January 1, 2020 and was elected by the Bank as of December 31 , 2020. In April 2020, the federal banking agencies issued an interim final rule that makes temporary changes to the CBLR framework, pursuant to section 4012 of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act,* and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act. Under the interim final rules the community bank leverage ratio minimum requirement is 8.5% for calendar year 2021, and 9% for calendar year 2022 and beyond. The interim rule allows for a two-quarter grace period to correct a ratio that falls below the required amount, provided that the bank maintains a leverage ratio of 7% as of December 31 , 2020, 7.5% for calendar year 2021, and 8% for calendar year 2022 and beyond.

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2023, the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

	Actual		Minimum To Be Well Capitalized Under Prompt Prompt Corrective Action Provisions	
December 31, 2023	**Amount**	**Ratio**	**Amount**	**Ratio**
(Dollars in thousands)				
Tier 1 (Core) Capital to Leverage Assets	$ 10,673	11.32 %	$ 8,487	9.00 %

	Actual		Minimum To Be Well Capitalized Under Prompt Prompt Corrective Action Provisions	
December 31, 2022	**Amount**	**Ratio**	**Amount**	**Ratio**
(Dollars in thousands)				
Tier 1 (Core) Capital to Leverage Assets	$ 10,353	9.90 %	$ 9,410	9.00 %

Restrictions on Cash and Amounts Due from Banks

Banks are generally required by regulatory agencies to maintain legal cash reserves based on the level of certain customer deposits. There was no required reserve balance at December 31, 2023 or 2022.

Restrictions on Dividends, Loans and Advances

Federal and state banking regulations place certain restrictions on the amount of loans or advances that can be extended to the Corporation by the Bank and dividends that can be paid to the Corporation by the Bank. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of the Bank, and loans or advances are limited to 10% of the Bank's capital stock and surplus on a secured basis. In addition, dividends paid by the Bank to the Corporation would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

12. CONTINGENCIES

Litigation

The Corporation is party to litigation arising during the normal course of business. In the opinion of management, based on consultation with legal counsel, the resolution of such litigation is not expected to have material effect on the consolidated financial statements.

Environmental Issues

As a result of acquiring real estate from foreclosure proceedings, the Corporation is subject to potential claims and possible legal proceedings involving environmental matters. No such claims have been asserted as of December 31, 2023.

13. EMPLOYEE BENEFIT PLANS

The Bank sponsors a profit sharing plan qualified under Section 401(k) of the Internal Revenue Code. Substantially all full-time employees of the Bank are covered under the Plan. Contributions to the Plan are discretionary, and amounted to $30,000 in both 2023 and 2022.

14. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-Cash Investing Activities

Collateral reposed on real estate loans having a carrying value in the amount of $78,499 on the date of transfer was transferred to foreclosed assets in 2023. There were no such transfers in 2022.

Other Cash Flow Information

Cash paid for interest and income taxes amounted to the following during the years ended December 31:

	2023	2022
Interest	$ 182,911	$ 144,367
Income taxes	$ 117,126	$ 208,876

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Corporation's primary revenue streams accounted for under ASC 606 relate to service charges on deposit accounts. The Bank earns fees from its deposit customers for transaction-based fees, account maintenance, and overdraft services. Transaction-based fees, including these for services such as ATM fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Bank fulfills the customer's request. Account maintenance fees, which primarily relate to monthly account maintenance, are earned over the course of the month, which represents the period over which the Bank satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are deducted from the customer's account balance.

As it relates to other real estate owned for which the Bank finances the sale of property to the buyer, the Bank would assess whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction is probable. Once these criteria are met, the other real estate asset would be derecognized and the gain or loss on sale would be recorded.

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