Neffs Bancorp, Inc.

Financial Statements and
Selected Financial Data

December 31, 2022 and 2021

DIRECTORS of the CORPORATION and BANK

Andrew R. Gildner	Robert B. Heintzelman
John J. Remaley	Greg J. Rentschler
Duane A. Schleicher	Kevin A. Schmidt
John F. Sharkey, Jr.	Dean H. Snyder

OFFICERS of the CORPORATION

Robert B. Heintzelman
President

Kevin A. Schmidt
Vice President

David C. Matulevich
Secretary/Treasurer

OFFICERS of the BANK

Robert B. Heintzelman
Chairman of the Board

Kevin A. Schmidt
President and
Chief Executive Officer

Marianne C. Eisenhauer
Vice President Commercial
Lending/Credit
Administration/
Chief Commercial Lending
and Credit Officer

Greta D. Mast
Vice President Commercial
Lending

David C. Matulevich
Vice President Administration/
Chief Operations Officer/
Chief Financial Officer

Ronald K. Miller
Vice President Retail Lending/
Chief Retail Lending Officer

Colleen A. Worysz
Vice President Customer Service
Relations

To Our Valued Shareholders:

On behalf of the Board of Directors of Neffs Bancorp, Inc., I am pleased to present the 2022 Annual Report giving you a synopsis of your investment while reflecting on the performance of our company.

Under the current administration, inflationary concerns continued to abound as the federal government adopted policies for targeted interest rates. This was realized as we witnessed interest rates rise to levels not seen in over 10 years. These rate challenges were recognized by Neffs Bancorp, Inc. and the subsidiary, The Neffs National Bank. They had material effects on the current and potential loan and deposit customers as well as our corresponding financial results. While retail mortgage volume slowed as mortgage rates rose, we were able to realize continued growth in our commercial loan and indirect vehicle loan portfolios. Investment purchases were curtailed as competition for deposits intensified and deposit growth was used to fund our loan portfolio volume. While the quality of our investment portfolio remained high, the increased rates affected the unrealized gains of these securities is reflected as shown in the report.

During 2022, we also witnessed local branch closings and consolidations by several large banking institutions. Our banking locations, dedicated staff, customer service and strong compliment of financial products and services, allowed us to capitalize on this opportunity-which continues today. Our new customers immediately recognized the benefits of our independent community bank.

Your Board of Directors is focused on measured and methodical growth, safety, and soundness of our institution. We are proud to report record assets of $468,211,000. This was spurred by loan growth of $28,802,000 or 14% to record total loans of $237,334,000. This increase helped us realize a 12% increase in net income to $4,528,000. Our shareholder's equity remains strong at $67,634,000.

A banking milestone of the subsidiary was achieved in 2023, as we celebrate the 100th anniversary of The Neffs National Bank, rarely seen in today's environment and a testament to the continued cooperation and interaction with our shareholders and community. We will be having a number of special events and promotions designed to celebrate this milestone and look forward to your support and participation.

I also want to take a moment to recognize John J. Remaley in his retirement from the Board of Directors after 70 years of total service to Neffs Bancorp, Inc. and The Neffs National Bank. During his tenure, John served in many capacities including President and Chief Executive Officer of Neffs Bancorp, Inc. since 1986 and Chairman of the Board of The Neffs National Bank since 2009. Upon retirement from both positions in 2021, he was named Chairman of the Board Emeritus of The Neffs National Bank and President Emeritus of Neffs Bancorp, Inc. We thank him for his past and continued dedication as our good-will ambassador for our company.

We look forward to your support as a shareholder and customer of the bank and ask that you continue to promote your relationship with Neffs Bancorp, Inc. and the subsidiary, The Neffs National Bank.

Respectfully yours,

Robert B. Heintzelman

Robert B. Heintzelman
President

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Independent Auditors' Report

To the Board of Directors and Stockholders of
Neffs Bancorp, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Neffs Bancorp, Inc. and its Subsidiary (the Corporation), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive (loss) income, 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 Corporation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Baker Tilly US, LLP

Allentown, Pennsylvania
March 8, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars In Thousands, Except Share and Per Share Data)	December 31 2022	December 31 2021
ASSETS		
Cash and cash equivalents	**$ 6,883**	$ 8,585
Interest bearing deposits with banks	**2,584**	21,940
Securities available for sale, at fair value	**68,049**	81,056
Securities held to maturity, fair value 2022: $114,785; 2021: $140,379	**144,683**	137,515
Loans receivable, net of allowance for loan losses 2022: $2,246; 2021: $2,240	**235,088**	206,292
Premises and equipment, net	**4,462**	4,341
Restricted investments in bank stocks	**1,312**	531
Other assets	**5,150**	2,494
Total Assets	**$468,211**	$462,754
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	**$ 86,006**	$ 77,249
Interest bearing	**285,563**	300,762
Total Deposits	**371,569**	378,011
Short-term borrowings	**23,875**	3,000
Long-term borrowings	**2,500**	4,500
Other liabilities	**2,633**	2,546
Total Liabilities	**400,577**	388,057
Stockholders' equity:		
Common stock, $1 par value; authorized 2,500,000 shares; 2022: issued 187,919 shares; outstanding shares 156,099; 2021: issued 187,919 shares; outstanding shares 158,106	**188**	188
Serial preferred stock, $1 par value; authorized 1,000,000 shares; authorized 500,000 Preferred Series A shares; issued 7,516 shares; 2022: outstanding shares 5,904; liquidation preference $1,536,280; 2021: outstanding shares 6,003; liquidation preference $1,562,041	**8**	8
Paid-in capital	**412**	369
Retained earnings	**86,446**	83,257
Accumulated other comprehensive loss	**(9,594)**	(377)
Treasury stock (common), at cost, 2022 31,820 shares; 2021 29,813 shares	**(9,298)**	(8,265)
Treasury stock (Preferred Series A), at cost, 2022 1,612 shares; 2021 1,513 shares	**(528)**	(483)
Total Stockholders' Equity	**67,634**	74,697
Total Liabilities and Stockholders' Equity	**$468,211**	$462,754

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2022	2021
(Dollars In Thousands, Except Share and Per Share Data)		
INTEREST INCOME		
Interest and fees on loans	**$ 8,734**	$ 8,857
Interest and dividends on investments:		
Taxable	**3,341**	2,278
Exempt from federal income taxes	**2,129**	2,124
Interest on federal funds sold and other	**55**	21
Total Interest Income	**14,259**	13,280
INTEREST EXPENSE		
Deposits	**1,599**	1,908
Borrowings	**316**	238
Total Interest Expense	**1,915**	2,146
Net Interest Income	**12,344**	11,134
PROVISION FOR LOAN LOSSES	**-**	-
Net Interest Income after Provision for Loan Losses	**12,344**	11,134
OTHER INCOME		
Impairment accretion on securities	**32**	32
Portion of accretion recognized in other comprehensive income (loss) (before tax)	**(32)**	(32)
Net impairment losses	**-**	-
Service charges on deposit accounts	**90**	65
Other service charges and fees	**161**	149
Gain on sale of other real estate owned	**90**	-
Other income	**46**	30
Total Other Income	**387**	244
OTHER EXPENSES		
Salaries and employee benefits	**4,232**	3,819
Occupancy	**464**	422
Furniture and equipment	**606**	512
Pennsylvania shares tax	**662**	600
FDIC expense	**117**	109
Other expenses	**1,553**	1,414
Total Other Expenses	**7,634**	6,876
Income before Income Taxes	**5,097**	4,502
INCOME TAX EXPENSE (BENEFIT)		
Current	**482**	475
Deferred	**87**	(9)
Total Income Tax Expense	**569**	466
Net Income	**4,528**	4,036
Preferred Stock Dividend	**(49)**	(49)
Income Available to Common Shareholders	**$ 4,479**	$ 3,987
EARNINGS PER SHARE, BASIC	**$ 28.56**	$ 25.16
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**156,810**	158,473

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Dollars in Thousands)	Years Ended December 31 2022	2021
Net Income	**$4,528**	**$4,036**
Other Comprehensive (Loss) Income		
Unrealized holding losses on securities available for sale, net of tax benefit: 2022 $2,458; 2021 $456	**(9,242)**	**(1,720)**
Unrealized holding gains on securities other-than-temporarily impaired held to maturity, net of tax expense: 2022 $7; 2021 $7	**25**	**25**
Total other comprehensive loss	**(9,217)**	**(1,695)**
Total Comprehensive (Loss) Income	**$(4,689)**	**$2,341**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Years Ended December 31, 2022 and 2021							
	Common Stock	Preferred Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Treasury Stock	Preferred Treasury Stock	Total Stockholders' Equity
	(Dollars in Thousands, Except per Share Data)							
BALANCE - DECEMBER 31, 2020	$188	$8	$234	$80,553	$1,318	$(7,977)	$(451)	$73,873
Net income	-	-	-	4,036	-	-	-	4,036
Other comprehensive loss	-	-	-	-	(1,695)	-	-	(1,695)
Common stock cash dividend, $8.10 per share	-	-	-	(1,283)	-	-	-	(1,283)
Preferred stock cash dividend, $8.10 per share	-	-	-	(49)	-	-	-	(49)
Purchase of common treasury stock (703 shares)	-	-	-	-	-	(376)	-	(376)
Purchase of Series A Preferred treasury stock (50 shares)	-	-	-	-	-	-	(32)	(32)
Sale of common treasury stock (443 shares)	-	-	135	-	-	88	-	223
BALANCE - DECEMBER 31, 2021	**$188**	**$8**	**$369**	**$83,257**	**$(377)**	**$(8,265)**	**$(483)**	**$74,697**
Net income	**-**	**-**	**-**	**4,528**	**-**	**-**	**-**	**4,528**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(9,217)**	**-**	**-**	**(9,217)**
Common stock cash dividend, $8.25 per share	**-**	**-**	**-**	**(1,290)**	**-**	**-**	**-**	**(1,290)**
Preferred stock cash dividend, $8.25 per share	**-**	**-**	**-**	**(49)**	**-**	**-**	**-**	**(49)**
Purchase of common treasury stock (2,225 shares)	**-**	**-**	**-**	**-**	**-**	**(1,090)**	**-**	**(1,090)**
Purchase of Series A Preferred treasury stock (99 shares)	**-**	**-**	**-**	**-**	**-**	**-**	**(45)**	**(45)**
Sale of common treasury stock (218 shares)	**-**	**-**	**43**	**-**	**-**	**57**	**-**	**100**
BALANCE - DECEMBER 31, 2022	**$188**	**$8**	**$412**	**$86,446**	**$(9,594)**	**$(9,298)**	**$(528)**	**$67,634**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	**2021**
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 4,528**	$ 4,036
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**393**	318
Net amortization of securities	**696**	1,450
Deferred income tax expense (benefit)	**87**	(9)
Gain on sale of other real estate owned	**(90)**	-
Decrease (increase) in assets:		
Accrued interest receivable	**(216)**	(86)
Other assets	**(77)**	127
Operating lease payments	**67**	67
Increase (decrease) in liabilities:		
Accrued interest payable	**154**	(192)
Other liabilities	**(67)**	(41)
Net Cash Provided by Operating Activities	**5,475**	5,670
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in interest bearing deposits with banks	**19,356**	(14,280)
Purchases of securities available for sale	**(11,056)**	(33,823)
Purchases of securities held to maturity	**(12,167)**	(46,557)
Proceeds from maturities/calls and principal repayments of securities available for sale	**11,877**	32,125
Proceeds from maturities/calls of securities held to maturity	**4,822**	9,890
Net (increase) decrease in restricted investments in bank stocks	**(781)**	102
Net increase in loans	**(28,881)**	(2,941)
Proceeds from sale of other real estate owned	**175**	-
Purchases of premises and equipment	**(581)**	(278)
Net Cash Used in Investing Activities	**(17,236)**	(55,762)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in deposits	**(6,442)**	55,525
Increase in short term borrowing	**20,875**	-
Repayments of short-term borrowings	**-**	(2,500)
Repayments of long-term borrowings	**(2,000)**	-
Dividends paid	**(1,339)**	(1,332)
Purchase of common and Series A Preferred treasury stock	**(1,135)**	(408)
Sale of treasury stock	**100**	223
Net Cash Provided by Financing Activities	**10,059**	51,508
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,702)**	1,416
CASH AND CASH EQUIVALENTS - BEGINNING	**8,585**	7,169
CASH AND CASH EQUIVALENTS - ENDING	**$ 6,883**	$ 8,585
SUPPLEMENTARY CASH FLOWS INFORMATION		
Interest paid	**$ 1,761**	$ 2,156
Income taxes paid	**$ 590**	$ 495
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING ACTIVITIES		
Other real estate acquired in settlement of loans	**$ 85**	$ -

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Neffs Bancorp, Inc. and its wholly-owned subsidiary, The Neffs National Bank (the "Bank"), (collectively the "Corporation"). All material intercompany transactions have been eliminated.

Subsequent Events

The Corporation has evaluated subsequent events for potential recognition and/or disclosure through March 8, 2023, the date these consolidated financial statements were available to be issued.

Nature of Operations

The Bank operates from two locations in Lehigh County and Northampton County, Pennsylvania. The Bank provides a full range of financial services to individuals, small businesses and corporate customers. The primary source of revenue is interest and fees earned from providing residential mortgages, consumer loans and commercial loans to customers located within the Lehigh Valley of Pennsylvania. The Bank's primary deposits are checking accounts, savings accounts and certificates of deposit. As a national bank, the Bank is subject to regulation by the Office of the Comptroller of Currency and the Federal Deposit Insurance Corporation. The Corporation is also subject to regulations of the Federal Reserve Bank.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes in the near term relate to the evaluation of other than temporary impairment losses, the determination of the allowance for loan losses, the valuation of other real estate owned, and deferred tax assets.

Significant Concentrations of Credit Risk

Most of the Corporation's activities are with customers located within the Lehigh Valley of Pennsylvania. Note 4 discusses the types of securities that the Corporation invests. Note 5 discusses the types of lending that the Corporation engages. The Corporation does not have any significant concentrations to any one industry or customer. Although the Corporation has a diversified loan portfolio, exposure to credit loss can be adversely impacted by downturns in local economic and employment conditions.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Corporation has defined cash and cash equivalents as cash on hand and amounts due from banks, all of which mature within ninety days.

Securities

Securities classified as held to maturity are those debt securities the Corporation has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs or changes in general economic conditions. These securities are carried at cost adjusted for the amortization of premium and accretion of discount, computed by the interest method over the terms of the securities except for other-than-temporarily impaired securities.

Securities classified as available for sale are those debt securities that the Corporation intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Corporation's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in other comprehensive income (loss), net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date.

Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In determining whether an impairment is other than temporary, the Corporation considers a number of factors, including, but not limited to, the length of time and extent to which the market value has been less than cost, recent events specific to the issuer, including investment downgrades by rating agencies and economic conditions of its industry, and the Corporation's intent to sell or the likelihood it will be required to sell the security before a sufficient period of time to allow for a recovery in market value or maturity. Among the factors that are considered in determining the Corporation's intent and ability is a review of its capital adequacy, interest rate risk position and liquidity.

The Corporation also considers the issuer's financial condition, capital strength and near-term prospects. In addition, for debt securities and perpetual preferred securities that are treated as debt securities for the purpose of other-than-temporary analysis, the Corporation considers the cause of the price decline (general level of interest rates and industry- and issuer-specific factors), current ability to make future payments in a timely manner and the issuer's ability to service debt.

There were no impairment charges recognized in earnings in 2022 or 2021 on other-than-temporarily impaired securities.

Restricted Investments in Bank Stocks

Restricted stocks include primarily Federal Home Loan Bank ("FHLB") stock, which is carried at cost. Federal law requires a member institution of the FHLB system to hold stock of its district FHLB according to a predetermined formula. Restricted stocks include FHLB, Atlantic Community Bankers Bank, Federal Reserve Bank, and Independent Community Bankers of America of $1,280,000, $10,000, $21,000 and $1,000, respectively, at December 31, 2022 and $498,000, $10,000, $21,000 and $2,000, respectively, at December 31, 2021. Both cash and stock dividends are reported as income.

Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. Management believes no impairment charge was necessary related to these investments during 2022 or 2021.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan losses. Interest income is accrued on the unpaid principal balance.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due for commercial loans or 120 days past due for consumer loans or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Allowance for Loan Losses

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

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The allowance for loan losses is reviewed at least quarterly and includes a portfolio analysis and a review of various qualitative/quantitative factors.

Qualitative/quantitative factors include the following:

- historical loan loss experience,
- recent trends in losses,
- changes in lending policies and procedures including underwriting standards and collection, charge-off, and recovery practices,
- changes in national and local economic and business conditions including condition of various market segments,
- changes in nature and volume of the portfolio,
- experience, ability, and depth of lending management and staff,
- trends in the volume and severity of past due and classified loans and volume of non-accrual loans, troubled debt restructuring, and other loan modifications,
- changes in the quality of the Bank's loan review system,
- the existence and effect of any large credits and concentrations of credit and changes in the level of such concentrations,
- the effect of external factors, such as competition and legal and regulatory requirements, on the level of estimated credit losses in the portfolio, and
- trends in values of collateral and lending standards relating to various types of collateral.

This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

Commercial loans are continuously reviewed and have the following internal credit classifications. Loans are classified as Pass when there is no material financial or collateral weaknesses and they are performing according to terms. Loans classified as other assets especially mentioned ("OAEM")/Special Mention have potential financial weaknesses, minor or no collateral weaknesses, and minor delinquencies. Substandard loans have material financial/collateral weaknesses and/or substantial delinquencies.

For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the net realizable value of the collateral if the loan is collateral dependent.

For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property. Commercial real estate loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions.

For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging, equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. In underwriting commercial and industrial loans, an analysis of the borrower's character, capacity to repay the loan, the adequacy of the borrower's capital and collateral as well as an evaluation of conditions affecting the borrower is performed. Analysis of the borrower's past, present and future cash flows is also an important aspect of the Corporation's analysis. Commercial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the type of collateral securing the loans.

Large groups of homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual residential and consumer loans for impairment disclosures, unless such loans are subject of a restructuring agreement.

Residential mortgage loans are originated primarily within the Corporation's market area. The Corporation offers fixed-rate mortgage loans with terms up to a maximum of 30 years for both permanent structures and those under construction. The Corporation's residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas. The majority of the Corporation's residential mortgage loans originate with a loan-to-value of 80% or less. In underwriting residential real estate loans, the Corporation evaluates both the borrower's ability to make monthly payments and the value of the property securing the loan. The ability to repay is determined by the borrower's employment history, current financial conditions, and credit background. Properties securing real estate loans made by the Corporation are appraised by independent appraisers. The Corporation generally requires borrowers to obtain an attorney's title opinion or title insurance, as well as fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Corporation has not engaged in subprime residential mortgage originations.

The Corporation originates home equity lines of credit primarily within the Corporation's market area or with customers primarily from the market area. In underwriting home equity lines of credit, a thorough analysis of the borrower's willingness and financial ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower's employment history, current financial conditions, and credit background. The analysis is based on the customer's ability to repay and on the collateral or security. Home equity lines of credit generally present a lower level of risk than non-real estate consumer loans because they are secured by the borrower's primary residence.

The Corporation offers a variety of secured and unsecured consumer loans, including vehicle and loans secured by savings deposits as well as other types of consumer loans. Consumer loan terms vary according to the type and value of collateral and creditworthiness of the borrower. In underwriting consumer loans, a thorough analysis of the borrower's willingness and financial ability to repay the loan as agreed is performed. The ability to repay shall be determined by the borrower's employment history, current financial conditions, and credit background. Consumer loans may entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation.

In addition, Federal regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio, management believes the current level of the allowance for loan losses is adequate.

Other Real Estate Owned

Other real estate owned is comprised of property acquired through a foreclosure proceeding or acceptance of a deed in lieu of foreclosure and loans classified as in-substance foreclosure. Foreclosed assets initially are recorded at the lower of cost or fair value, net of estimated selling costs, at the date of foreclosure establishing a new cost basis. Any write downs at this time are recorded through the allowance for loan losses. After foreclosure, valuations are periodically performed by management based on current fair value net of estimated selling costs.

Troubled Debt Restructurings

Loans whose terms are modified are classified as troubled debt restructurings if the Corporation grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring may include extending the maturity date of the loan, reducing the interest rate on the loan to a rate which is below market for those borrowers, a combination of rate adjustments and maturity extensions, or by other means including covenant modifications, forbearances or other concessions. Generally, interest is not accrued on loans that were on non-accrual status prior to the troubled debt restructuring until they have performed in accordance with the modified terms for a period of at least six months. Interest is accrued on troubled debt restructurings which were performing in accordance with their terms prior to the restructure and continue to perform in accordance with their modified terms. Management evaluates the allowance for loan losses with respect to troubled debt restructurings based on the present value of expected future cash flows or the loan's observable market price.

Transfers of Financial Assets

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

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed on the straight-line method over the estimated useful lives of the premises and equipment. Charges for maintenance and repairs are expensed as incurred.

Advertising Costs

The Corporation follows the policy of charging the costs of advertising to expense as incurred. Total advertising expense for the years ended December 31, 2022 and 2021 was $138,000 and $111,000, respectively.

Income Taxes

Income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expenses reflect taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The Corporation files a consolidated federal income tax return with the Bank.

The Corporation follows the Financial Accounting Standards Board ("FASB") guidance on accounting for uncertainty in income taxes. A tax position is recognized as a benefit at the largest amount that is more-likely-than-not to be sustained in a tax examination based solely on its merits. An uncertain tax position will not be recognized if it has a less than 50% likelihood of being sustained. Under the threshold guidelines, the Corporation believes no significant uncertain tax positions exist, either individually or in the aggregate, that would result in recognition of a liability for unrecognized tax benefits as of December 31, 2022 and 2021.

Earnings per Share

Earnings per share is based on the weighted average shares of common stock outstanding during each year. The Corporation currently maintains a simple capital structure, thus there are no dilutive effects on earnings per share.

Self-Insurance

The Corporation is party to an agreement with its health insurance provider to supply coverage to its employees under a self-insurance arrangement. Under this arrangement, the Corporation is billed monthly by the provider to pay claims. To limit exposure under this arrangement, the Corporation obtained stop-loss coverage with a specific annual deductible of $40,000 per covered participant and reimbursement of claims are unlimited per covered participant over a lifetime. The stop-loss coverage also provides reimbursement up to $1,000,000 if total claims in the aggregate for the Corporation exceed approximately $508,000 during a policy year.

Employee Benefit Plan

The Bank has a non-contributory defined contribution pension plan covering all full-time employees having at least one month of service. Contribution amounts are determined annually by the Bank and are charged to current operating expense. The expense amounted to $123,000 and $133,000 for 2022 and 2021, respectively.

Comprehensive Gain (Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the statement of financial condition, such items, along with net income, are components of comprehensive income and are reflected in the Consolidated Statements of Comprehensive Income.

The components of accumulated other comprehensive loss, net of related tax effects, at December 31, 2022 and 2021 are as follows:

	2022	2021
Unrealized holding losses on securities available for sale, net of tax	$(9,366)	$(124)
Unrealized losses on securities other-than-temporarily impaired held to maturity, net of tax	(228)	(253)
	$(9,594)	$(377)

Treasury Stock

The acquisition of treasury stock is recorded under the cost method. At the date of subsequent reissue, the treasury stock is reduced by the cost of such stock on the first-in first-out basis with any excess proceeds being credited to paid-in capital. When treasury stock is retired the par value of shares is charged to common stock, the original paid-in capital is charged to that account and the excess of the cost of the treasury stock is charged to retained earnings.

Newly Issued not yet Effective Accounting Standards

During June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") No. 2016-13, Measurement of Credit Losses (Topic 326) on Financial Instruments. The FASB issued Topic 326 to replace the incurred loss model for loans and other financial assets with an expected credit loss ("CECL") model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables and held-to maturity debit securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in certain leases recognized by a lessor. In addition, the amendments in Topic 326 require credit losses on available-for-sale to be presented as a valuation allowance rather than as a direct write-down on. The standard will be effective for fiscal years beginning after December 15, 2022. The adoption of this standard is not expected to have a material effect on the Corporation's operating results or financial condition. A cumulative-effect adjustment will be recognized in retained earnings as of January 1, 2023.

During March 2022, the FASB issued ASU No. 2022-02, Financial Instruments - Credit Losses (Topic 326) - Troubled Debt Restructurings and Vintage Disclosures. This update eliminates the recognition and measurement guidance for troubled debt restructurings (TDRs) by creditors in Accounting Standards Codification (ASC) 310-40. This update also enhances disclosure requirements for certain loan restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognitions and measurement guidance for TDRs, an entity will apply the loan refinancing and restructuring guidance to determine whether a modification or other form of restructuring results in a new loan or a continuation of an existing loan. The effective date for the amendments in this update are the same as ASU No. 2016-13. The adoption of this standard is not expected to have a material effect on the Corporation's operating results or financial condition.

NOTE 2 - REVENUE RECOGNITION

The Corporation generally fully satisfies its performance obligation on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying Accounting Standard Codification (ASC) 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers. The main types of revenue contracts included in non-interest income within the consolidated statements of income are as follows:

- **Deposits related fees and service charges**- Service charges and fees on deposits which are included as liabilities in the consolidated statements of financial condition consist of transaction-based fees, account maintenance fees, and overdraft services fees for various retail and business checking customers. Transaction based fees, which includes services such as automated teller machines (ATM) fees, Automated Clearing House (ACH) fees, stop payment charges and statement rendering fees which are recognized at the time transaction is executed as that is the point in time the Corporation fulfills the customer’s request. All deposit liabilities are considered to have one-day terms and therefore related fees are recognized as non-interest income at the time when the services are provided to the customer. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn directly from the customer’s account balance.

- **Interchange Income** - The Corporation earns interchange fees from credit/debit cardholder transactions conducted through Visa payment network. Interchange fees from cardholder transaction represent a percentage of the underlying transaction value and are recognized monthly, concurrently with the transaction processing services provided to the cardholder.

- **Gains/Losses on Sale of Other Real Estate Owned (OREO) -** The Corporation records a gain or loss from the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of OREO to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO assets are derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Corporation adjusts the transaction prices and related gain (loss) on sale if a significant financing component is present.

NOTE 3 - CASH AND CASH EQUIVALENTS

Regulations of the Board of Governors of the Federal Reserve System impose uniform reserve requirements on all depository institutions with transaction accounts (checking accounts, NOW accounts, etc.). Reserves are maintained in the form of vault cash or an interest bearing balance held with the Federal Reserve Bank. The Bank also, from time to time, maintains deposits with the Federal Reserve Bank and other banks for various services such as check clearing. Effective, March 26, 2020, the Board of Governors of the Federal Reserve System reduced the reserve requirements to zero percent.

NOTE 4 - SECURITIES

The amortized cost and fair values of securities are as follows:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
SECURITIES AVAILABLE FOR SALE:				
Mortgage-backed securities (Government agencies- residential)	$79,906	$ 5	$(11,862)	$68,049
SECURITIES HELD TO MATURITY:				
Obligations of U.S. Government agencies	$36,896	$ 5	$(9,557)	$27,344
Obligations of states and political subdivisions	105,774	116	(20,648)	85,242
Collateralized debt obligations	926	554	(220)	1,260
Mortgage-backed securities (Government agencies- residential)	1,087	3	(151)	939
	$144,683	$678	$(30,576)	$114,785

	December 31, 2021			
SECURITIES AVAILABLE FOR SALE:				
Mortgage-backed securities (Government agencies- residential)	$81,213	$1,016	$(1,173)	$81,056
SECURITIES HELD TO MATURITY:				
Obligations of U.S. Government agencies	$30,424	$ 190	$(510)	$30,104
Obligations of states and political subdivisions	104,951	3,645	(827)	107,769
Collateralized debt obligations	922	544	(190)	1,276
Mortgage-backed securities (Government agencies- residential)	1,218	21	(9)	1,230
	$137,515	$4,400	$(1,536)	$140,379

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

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)			
Due in one year or less	$ -	$ -	$ 350	$ 323
Due after one year through five years	-	-	3,089	3,103
Due after five years through ten years	-	-	8,740	8,036
Due after ten years	-	-	131,417	102,384
	-	-	143,596	113,846
Mortgage-backed securities	79,906	68,049	1,087	939
	$79,906	$68,049	$144,683	$114,785

There were no sales of securities during 2022 and 2021.

Securities with an amortized cost and fair value of approximately $14,838,000 and $12,099,000 at December 31, 2022 and $13,335,000 and $15,027,000 at December 31, 2021 were pledged to secure public deposits and for other purposes required or permitted by law.

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

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
DECEMBER 31, 2022:						
Securities Available for Sale:						
Mortgage-backed securities	$29,889	$(3,301)	$37,880	$ (8,561)	$67,769	$(11,862)
Securities Held to Maturity:						
Obligations of U.S. Government agencies	13,099	(4,020)	14,043	(5,537)	27,142	(9,557)
Obligations of states and political subdivisions	58,627	(10,507)	20,997	(10,141)	79,624	(20,648)
Collateralized debt obligations	-	-	660	(220)	660	(220)
Mortgage-backed securities	60	(2)	783	(149)	843	(151)
Total Temporarily Impaired Securities	$101,675	$(17,830)	$74,363	$(24,608)	$176,038	$(42,438)

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
DECEMBER 31, 2021:						
Securities Available for Sale:						
Mortgage-backed securities	$41,525	$(873)	$10,036	$ (300)	$51,561	$(1,173)
Securities Held to Maturity:						
Obligations of U.S. Government agencies	19,067	(510)	-	-	19,067	(510)
Obligations of states and political subdivisions	23,380	(552)	7,014	(275)	30,394	(827)
Collateralized debt obligations	-	-	687	(190)	687	(190)
Mortgage-backed securities	1,018	(9)	-	-	1,018	(9)
Total Temporarily Impaired Securities	$84,990	$(1,944)	$17,737	$(765)	$102,727	$(2,709)

The Corporation had 577 and 146 securities in an unrealized loss position at December 31, 2022 and 2021, respectively. The decline in fair value is due to interest rate and market fluctuations. There were no other-than-temporary impairment charges in 2022 or 2021. See Note 1 for further discussion on management's other-than-temporary impairment analysis. As the Corporation does not intend to sell nor is it expected to be required to sell other such investments until maturity or market price recovery, no other securities were deemed to be other-than-temporarily impaired.

NOTE 5 - LOANS

The composition of the Corporation's loan portfolio at December 31, 2022 and 2021 is as follows:

	2022	2021
	(In Thousands)	
Commercial real estate	$ 72,061	$ 63,679
Commercial non-real estate	26,935	17,035
Residential real estate	107,023	101,980
Real estate construction	1,841	432
Home equity	13,392	11,779
Other consumer	16,082	13,627
Total loans	237,334	208,532
Allowance for loan losses	(2,246)	(2,240)
Total loans, net of allowance for loan losses	$235,088	$206,292

NOTE 6 - ALLOWANCE FOR LOAN LOSSES

Transactions in the allowance for loan losses are summarized as follows:

	2022	2021
	(In Thousands)	
Balance, beginning	$2,240	$2,258
Provision	-	-
Recoveries credited to allowance	7	5
Losses charged to allowance	(1)	(23)
Balance, ending	$2,246	$2,240

The following summarizes the allowance for loan losses and recorded investment in classes of loans as of and for year ended December 31, 2022:

	Commercial Real Estate	Commercial Non-Real Estate	Residential Real Estate	Real Estate Construction	Home Equity	Other Consumer	Unallocated	Total
					(In Thousands)			
Allowance beginning balance	$705	$162	$1,057	$3	$109	$138	$66	$2,240
Losses charged to allowance	-	-	-	-	-	(1)	-	(1)
Recoveries credited to allowance	-	-	7	-	-	-	-	7
Provision	(9)	94	(68)	11	2	5	(35)	-
Allowance ending balance	$696	$256	$996	$14	$111	$142	$31	$2,246
Ending balance: individually evaluated for impairment	$-	$-	$35	$-	$-	$-	$-	$35
Ending balance: collectively evaluated for impairment	$696	$256	$961	$14	$111	$142	$31	$2,211
Loans								
Ending balance	$72,061	$26,935	$107,023	$1,841	$13,392	$16,082	$-	$237,334
Ending balance: individually evaluated for impairment	$244	$-	$364	$-	$-	$-	$-	$608
Ending balance: collectively evaluated for impairment	$71,817	$26,935	$106,659	$1,841	$13,392	$16,082	$-	$236,726

The following summarizes the allowance for loan losses and recorded investment in classes of loans as of and for year ended December 31, 2021:

	Commercial Real Estate	Commercial Non-Real Estate	Residential Real Estate	Real Estate Construction	Home Equity	Other Consumer	Unallocated	Total
						(In Thousands)		
Allowance beginning balance	$875	$220	$929	$5	$107	$122	$-	$2,258
Losses charged to allowance	-	-	-	-	(15)	(8)	-	(23)
Recoveries credited to allowance	-	-	5	-	-	-	-	5
Provision	(170)	(58)	123	(2)	17	24	66	-
Allowance ending balance	$705	$162	$1,057	$3	$109	$138	$66	$2,240
Ending balance: individually evaluated for impairment	$-	$-	$45	$-	$-	$-	$-	$45
Ending balance: collectively evaluated for impairment	$705	$162	$1,012	$3	$109	$138	$66	$2,195
Loans								
Ending balance	$63,679	$17,035	$101,980	$432	$11,779	$13,627	$-	$208,532
Ending balance: individually evaluated for impairment	$4,189	$-	$838	$-	$43	$-	$-	$5,070
Ending balance: collectively evaluated for impairment	$59,490	$17,035	$101,142	$432	$11,736	$13,627	$-	$203,462

The following summarizes commercial credit risk profile by internally assigned grade at December 31, 2022 and 2021:

	2022		2021	
	Commercial Real Estate	Commercial Non-Real Estate	Commercial Real Estate	Commercial Non-Real Estate
	(In Thousands)			
Pass	$69,228	$26,935	$59,659	$17,035
OAEM/Special Mention	2,827	-	111	-
Substandard	6	-	3,909	-
Non-Accrual	-	-	-	-
Total	$72,061	$26,935	$63,679	$17,035

The following summarizes consumer credit risk profile based on payment activity at December 31, 2022 and 2021:

	2022			
	Residential Real Estate	Real Estate Construction	Home Equity	Other Consumer
	(In Thousands)			
Performing	$106,659	$1,841	$13,392	$16,082
Nonperforming	364	-	-	-
Total	$107,023	$1,841	$13,392	$16,082

	2021			
	Residential Real Estate	Real Estate Construction	Home Equity	Other Consumer
	(In Thousands)			
Performing	$101,142	$432	$11,736	$13,627
Nonperforming	838	-	43	-
Total	$101,980	$432	$11,779	$13,627

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

	2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(In Thousands)				
With no related allowance recorded					
Commercial real estate	$244	$244	$ -	$253	$16
Residential real estate	58	58	-	70	-
With related allowance recorded					
Residential real estate	306	306	35	316	14
Total					
Commercial real estate	$244	$244	$ -	$253	$16
Residential real estate	364	364	35	386	14
	$608	$608	$35	$639	$30

	2021				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(In Thousands)				
With no related allowance recorded					
Commercial real estate	$4,189	$4,189	$ -	$4,241	$190
Residential real estate	511	511	-	542	9
Home equity	43	43	-	48	8
With related allowance recorded					
Residential real estate	327	327	45	337	12
Total					
Commercial real estate	$4,189	$4,189	$-	$4,241	$190
Residential real estate	838	838	45	879	21
Home equity	43	43	-	48	8
	$5,070	$5,070	$45	$5,168	$219

Age analysis of past due loans and non-accrual loans by class of the loan portfolio as of December 31, 2022 and 2021 is as follows:

	2022							
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Total Loans Receivable	90 Days and Over and Accruing	Non-Accrual
	(In Thousands)							
Commercial real estate	$103	$112	$-	$215	$71,846	$72,061	$ -	$-
Commercial non-real estate	24	-	-	24	26,911	26,935	-	-
Residential real estate	1,283	396	-	1,679	105,344	107,023	-	57
Real estate construction	-	-	-	-	1,841	1,841	-	-
Home equity	190	-	-	190	13,202	13,392	-	-
Other consumer	244	7	-	251	15,831	16,082	-	-
Total	$1,844	$515	$-	$2,359	$234,975	$237,334	$-	$57

	2021							
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Total Loans Receivable	90 Days and Over and Accruing	Non-Accrual
	(In Thousands)							
Commercial real estate	$241	$-	$-	$241	$63,438	$63,679	$ -	$-
Commercial non-real estate	1	-	-	1	17,034	17,035	-	-
Residential real estate	537	138	427	1,102	100,878	101,980	-	500
Real estate construction	-	-	-	-	432	432	-	-
Home equity	178	38	16	232	11,547	11,779	-	43
Other consumer	279	42	-	321	13,306	13,627	-	-
Total	$1,236	$218	$443	$1,897	$206,635	$208,532	$-	$543

NOTE 7 - PREMISES AND EQUIPMENT

The following summarizes premises and equipment at December 31, 2022 and 2021:

	Estimated Useful Lives	2022	2021
		(In Thousands)	
Premises	5-39 years	$6,060	$5,867
Furniture, fixtures and equipment	5-10 years	4,672	4,351
		10,732	10,218
Accumulated depreciation		(6,583)	(6,190)
		4,149	4,028
Land		313	313
		$4,462	$4,341

NOTE 8 – OTHER REAL ESTATE OWNED

Other real estate owned activity was as follows for the years ended December 31, 2022 and 2021:

	2022	2021
	(In Thousands)	
Beginning balance	$-	$-
Acquired real estate owned	85	-
Sales of real estate owned	(85)	-
End of year	$-	$-

There was no real estate owned at December 31, 2022 and 2021. At December 31, 2022, there were no recorded investment of commercial real estate, residential real estate and home equity loans secured by residential real estate properties for which formal foreclosure proceedings in process. There was $443,000 at December 31, 2021.

Consolidated statements of income activity related to other real estate owned for the years ended December 31, 2022 and 2021 include:

	2022	2021
	(In Thousands)	
Gain on sale of other real estate owned	$90	$-
Operating expenses (included in other expenses)	$52	$68

NOTE 9 - INTEREST BEARING DEPOSITS

Interest bearing deposits include certificates of deposit issued in denominations of $100,000 or greater which amounted to $45,891,000 and $48,192,000 at December 31, 2022 and 2021, respectively.

Time deposits that exceed the FDIC Insurance limit of $250,000 at December 31, 2022 and 2021 were $10,100,000 and $14,510,000, respectively.

Interest bearing deposits at December 31, 2022 and 2021 are further detailed as follows:

	2022	2021
	(In Thousands)	
Savings accounts	$ 151,711	$ 160,638
NOW accounts	17,326	18,134
Certificates and other time deposits	116,526	121,990
	$285,563	$300,762

Time deposits at December 31, 2022 had the following scheduled maturities (in thousands):

Years Ending December 31:	
2023	$ 41,244
2024	46,004
2025	12,552
2026	8,264
2027	8,462
Total	$116,526

NOTE 10 – BORROWINGS AND BORROWING CAPACITY

The Bank has a line of credit commitment available from Atlantic Community Bankers Bank for borrowings up to $10,000,000 in federal funds. Borrowings on this line are repaid on a daily basis. There were no borrowings under this line at December 31, 2022 and 2021.

The Bank has maximum borrowing capacity with the Federal Home Loan Bank ("FHLB") of approximately $125,464,000. Borrowings under this line were $26,375,000 at December 31, 2022 and $7,500,000 at December 31, 2021. Advances from the FHLB are secured by qualifying assets of the Bank.

At December 31, 2022 and 2021, the Corporation had the following borrowings outstanding from the FHLB:

Loan Type	Maturity Date	Interest Rate at December 31, 2022	2022 Principal Outstanding	2021 Principal Outstanding
Fixed Term	June 6, 2022	3.005%	-	3,000,000
Fixed Term	January 31, 2023	4.501%	8,667,000	-
Fixed Term	March 6, 2023	2.880%	2,000,000	2,000,000
Fixed Term	May 1, 2023	4.912%	8,000,000	-
Fixed Term	November 5, 2024	1.913%	2,500,000	2,500,000
Variable LOC	N/A	4.447%	5,208,000	-
			$26,375,000	$7,500,000

NOTE 11 - INCOME TAXES

The components of the net deferred tax asset at December 31, 2022 and 2021 are as follows:

	2022	2021
	(In Thousands)	
Losses on impaired security	$98	$105
Unrealized loss on securities	2,490	33
Allowance for loan losses	472	471
Accrued benefits	32	29
Lease liability	391	403
Losses on impaired premises and equipment	112	112
Total Deferred Tax Assets	3,595	1,153
Securities accretion	(77)	(65)
Depreciation	(215)	(134)
Right of use asset	(386)	(400)
Total Deferred Tax Liabilities	(678)	(599)
Net Deferred Tax Asset (included in other assets)	$2,917	$554

The income tax provision for financial reporting purposes differs from the amount computed by applying the statutory income tax rate to income before income taxes. The differences for the years ended December 31, 2022 and 2021 are as follows:

	2022		2021	
	Amount	% of Pretax Income	Amount	% of Pretax Income
	(Dollars in Thousands)			
Tax at statutory rate	$1,070	21 %	$945	21 %
Increase (decrease) resulting from:				
Tax-exempt interest income	(513)	(10)	(501)	(11)
TEFRA interest expense disallowance	21	-	22	-
Other	(9)	-	-	-
	$569	11 %	$466	10 %

The Corporation is subject to income taxes in the U.S. and the state of Pennsylvania. Tax regulations are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply.

NOTE 12 – STOCKHOLDERS' EQUITY

The Corporation is authorized to issue 2,500,000 shares of common stock and 1,000,000 shares of serial preferred stock, par value of $1.00 per share, of which 500,000 shares of Series A preferred stock was authorized in August 2011. The Series A preferred stock liquidation value is $260.21 per share and is non-cumulative with respect to dividends. The Series A preferred stock ranks senior to the common stock and all classes and series of equity securities of the Corporation as to dividend rights, rights of liquidation, and dissolution or winding up of the Corporation. Holders of the Series A preferred stock are generally entitled to vote upon any merger or similar transaction involving the Corporation in which the holders of common stock are entitled to vote and are otherwise entitled to vote as required by law. The Series A preferred stock is entitled to a preference in the distribution of dividends and liquidation rights, callable any time after the fifth anniversary following issuance, automatically convert into shares of the Corporation's common stock immediately prior to the closing of a change in control, and provides antidilution adjustments when the outstanding shares of common stock are increased or decreased. Series A preferred stock does not have any preemptive or preferential rights.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Bank entered into a lease agreement for a branch office in Walnutport, Pennsylvania in October 2019. The terms provide for lease payments to begin in April 2020 for 29 years and 11 months. The Bank opened the branch for operation in April 2020. The Corporation had a right of use asset recorded in premises and equipment of $1,837,000 at December 31, 2022 and $1,904,000 at December 31, 2021 on the consolidated balance sheets. This was offset by lease liabilities recorded in other liabilities of $1,862,000 and $1,919,000 at the same periods.

Rental payments are $5,000 per month for the first five years with escalating payments of 7 percent every five years until maturity.

NOTE 14 - RELATED PARTY TRANSACTIONS

Some of the Corporation's or the Bank's directors, principal officers, principal shareholders and their related interests had transactions with the Bank in the ordinary course of business. All transactions were made on substantially the same terms, including collateral and interest rates, as those prevailing at the time for comparable transactions with persons not related. In the opinion of management, these transactions do not involve more than normal risk of collectability or present other unfavorable features. Deposits of related parties totaled $2,957,000 and $3,448,000 at December 31, 2022 and 2021, respectively. It is anticipated that similar transactions will be made in the future. The following is an analysis of loans to these related parties during 2022 and 2021:

	2022	2021
	(In Thousands)	
Balances, January 1	$1,498	$1,597
New Directors/Executive Officers	235	260
Advances	1,480	791
Repayments	(1,176)	(1,150)
Balances, December 31	$2,037	$1,498

NOTE 15 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The Corporation is a party to 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 and letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition. The contract or notional amounts of these instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit written is represented by the contract or notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The following table identifies the contract or notional amount of those instruments at December 31, 2022 and 2021:

	2022	2021
	(In Thousands)	
Commitments to grant loans	$7,593	$8,376
Unfunded commitments under lines of credit	29,514	25,973
Letters of credit	878	1,010
	$37,985	$35,359

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

Outstanding letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Corporation requires collateral supporting these letters of credit as deemed necessary. The maximum undiscounted exposure related to these commitments at December 31, 2022 and 2021 was $878,000 and $1.0 million, respectively. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of December 31, 2022 and 2021 for guarantees under standby letters of credit issued is not material.

NOTE 16 - DIVIDEND RESTRICTIONS

The amount of funds available to a parent from its subsidiary bank is limited for all national banks by restrictions imposed by the Comptroller of the Currency. A national bank is required to obtain the approval of the Comptroller of the Currency if the total of all dividends declared in any calendar year exceeds the Bank’s net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. Under this formula, the Bank can declare dividends at December 31, 2022 of approximately $4,642,000 plus an additional amount equal to the Bank’s net profits for 2022, up to the date of any such dividend declaration.

NOTE 17 - CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. 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 consolidated financial statements. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2022 that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 2022, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since those notifications that management believes have changed those categories.

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 January 1, 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 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 CBLR 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. Under the interim final rules, the community bank leverage ratio minimum requirement is 8 percent as of December 31, 2020, 8.5 percent for calendar year 2021, and 9 percent 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, 2020 the Bank was defined as a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

The Bank's actual capital ratios as of December 31, 2022 and 2021 are as follows:

	2022			
	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
Tier 1 capital (to average assets):	$76,838	16.64%	≥$36,935	≥9.00

	2021			
	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
Tier 1 capital (to average assets):	$74,734	16.10%	≥$39,244	≥8.50

The Federal Reserve Board approved a final rule in February 2006 that expands the definition of a small bank holding company ("BHC") under the Board's Small Bank Holding Company Policy Statement and the Board's risk-based and leverage capital guidelines for bank holding companies by raising the small BHC asset size threshold from $150 million to $500 million and amended the related qualitative criteria for determining eligibility as a small BHC for the purposes of the policy statement and the capital guidelines. Based on the ruling, Neffs Bancorp, Inc. meets the eligibility criteria of a small BHC and is exempt from regulatory capital requirements administered by the federal banking agencies.

NOTE 18 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Management uses its best judgment in estimating the fair value of the Corporation's financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Corporation could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective year-ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC Topic 820 – Fair Value Measurement, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in some instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

	December 31, 2022			
	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	(In Thousands)			
Mortgage-backed securities available for sale	$ 68,049	$ -	$ 68,049	$ -
	December 31, 2021			
Mortgage-backed securities available for sale	$ 81,056	$ -	$ 81,056	$ -

For assets measured at fair value on a non-recurring basis, the fair value measurements by level within the fair value hierarchy used are as follows:

	December 31, 2022			
	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 46	$ -	$ -	$ 46
Impaired loans	271	-	-	271

	Fair Value	Valuation Technique	Unobservable Input	Range
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 46	Income valuation	Collateral credit quality	4.1%
Impaired loans	271	Appraisal of collateral(1)(2)	Collateral discounts(2)	20-30%

(1) Fair value is generally determined through independent appraisals of the underlying collateral.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.

	December 31, 2021			
	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 44	$ -	$ -	$ 44
Impaired loans	282	-	-	282

	Fair Value	Valuation Technique	Unobservable Input	Range
	(In Thousands)			
Impaired trust preferred securities held to maturity	$ 44	Income valuation	Collateral credit quality	4.1%
Impaired loans	282	Appraisal of collateral(1)(2)	Collateral discounts(2)	20-30%

(1) Fair value is generally determined through independent appraisals of the underlying collateral.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses.

The Corporation's adoption of ASC Topic 820 applies only to its financial instruments required to be reported at fair value. The Corporation does not have non-financial assets and non-financial liabilities for which adoption would apply in accordance with ASC Topic 820.

The following methods and assumptions were used by the Corporation in estimating financial instrument fair values:

Cash and Cash Equivalents and Interest Bearing Deposits with Banks (Carried at Cost)

The statement of financial condition carrying amounts for cash and cash equivalents and interest bearing deposits with banks approximate the estimated fair values of such assets.

Securities

Level 1 fair values of unimpaired securities held to maturity (carried at cost) and securities available for sale are generally determined by quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Mortgage-backed securities were valued using Level 2 inputs where quoted process are available and observable but not necessarily quotes on identical securities traded in active markets on a daily basis.

At December 31, 2022 the Corporation owned two collateralized debt obligation securities, classified as securities held to maturity, totaling $926,000 book value and $1,260,000 fair value that are backed by trust preferred securities issued by banks, thrifts, and insurance companies ("TRUP CDOs"). The Corporation analyzed the cash flow characteristics of these securities and determined that one security was other-than-temporarily impaired. The market for these securities at December 31, 2022 is not active and markets for similar securities are also not active. The inactivity was evidenced first by a significant widening of the bid-ask spread in the brokered markets in which TRUP CDOs trade and then by a significant decrease in the volume of trades relative to historical levels. The new issue market is also inactive as no new TRUP CDOs have been issued since 2007. There are currently very few market participants who are willing and or able to transact for these securities.

Loans Receivable (Carried at Cost)

Fair values of variable rate loans subject to frequent repricing and which entail no significant credit risk are based on the carrying amounts. The estimated fair values of other loans are estimated by discounting the future cash flows using interest rates currently offered for loans with similar terms to borrowers of similar credit quality along with additional exit rate factors in accordance with ASC 2016-01.

Impaired Loans (Generally Carried at Fair Value)

Impaired loans are considered impaired under the guidance of the loan impairment subsection of the Receivables Topic, ASC Section 310-10-35, under which the Corporation has measured impairment generally based on the fair value of the loan's collateral. Fair value consists of the loan balance less its valuation allowance and is generally determined based on independent third-party appraisals of the collateral or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values based upon the lowest level of input that is significant to the fair value measurements.

Other Real Estate Owned

Other real estate owned consists of properties acquired as a result of deeds in lieu of foreclosure, foreclosure or through other means related to collateral on Corporation loans. Costs relating to the development or improvement of assets are capitalized, and costs relating to holding the property are charged to expense. The Corporation had no other real estate owned at December 31, 2022 and 2021.

Restricted Investments in Bank Stocks (Carried at Cost)

The carrying amount of restricted investments in bank stocks approximates fair value, and considers the limited marketability of such securities.

Accrued Interest Receivable (Carried at Cost)

The carrying amount of accrued interest is considered a reasonable estimate of fair value.

Deposit Liabilities (Carried at Cost)

For deposits which are payable on demand, the carrying amount is a reasonable estimate of fair value. Fair values of fixed rate time deposits are estimated by discounting the future cash flows using national interest rates and a schedule of aggregate expected maturities.

Accrued Interest Payable (Carried at Cost)
The carrying amount of accrued interest approximates its fair value.

Short-term and Long-term Borrowings (Carried at Cost)
The fair value of these borrowings are estimated using discounted cash flow analysis, based on quoted prices for new advances with similar credit risk characteristics, terms and remaining maturity.

Off-Balance Sheet Instruments (Disclosed at Cost)
The fair value of commitments to extend credit and for outstanding letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account market interest rates, the remaining terms and present credit worthiness of the counterparties.

The estimated fair values of the Corporation's financial instruments at December 31, 2022 and 2021 are as follows:

	December 31, 2022				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and short-term investments	$ 9,467	$ 9,467	$ 9,467	$ -	$ -
Securities available for sale	68,049	68,049	-	68,049	-
Securities held to maturity	144,683	114,785	-	114,739	46
Loans, net	235,088	199,241	-	-	199,241
Accrued interest receivable	1,827	1,827	-	1,827	-
Restricted stock	1,312	1,312	-	1,312	-
Financial liabilities:					
Non-interest bearing deposits	86,006	86,006	86,006	-	-
Interest bearing deposits	285,563	285,030	-	285,030	-
Accrued interest payable	498	498	-	498	-
Borrowings	26,375	26,375	-	26,375	-

	December 31, 2021				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
	(In Thousands)				
Financial assets:					
Cash and short-term investments	$ 30,525	$ 30,525	$ 30,525	$ -	$ -
Securities available for sale	81,056	81,056	-	81,056	-
Securities held to maturity	137,515	140,379	-	140,335	44
Loans, net	206,292	211,992	-	-	211,992
Accrued interest receivable	1,611	1,611	-	1,611	-
Restricted stock	531	531	-	531	-
Financial liabilities:					
Non-interest bearing deposits	77,249	77,249	77,249	-	-
Interest bearing deposits	300,762	302,713	-	302,713	-
Accrued interest payable	343	343	-	343	-
Borrowings	7,500	7,500	-	7,500	-

NOTE 19 - CONDENSED FINANCIAL INFORMATION OF NEFFS BANCORP, INC. (PARENT ONLY)

STATEMENT OF FINANCIAL CONDITION

	December 31,	
	2022	2021
	(In Thousands)	
ASSETS		
Cash	$ 90	$ 29
Investment in subsidiary	67,243	74,357
Premises and equipment	220	226
Other assets	136	140
Total Assets	$67,689	$74,752
LIABILITY AND STOCKHOLDERS' EQUITY		
Liability, accounts payable	$ 55	$ 55
Stockholders' equity	67,634	74,697
Total Liability and Stockholders' Equity	$67,689	$74,752

STATEMENT OF INCOME

	Years Ended December 31, 2022	2021
	(In Thousands)	
Dividends from subsidiary	$2,500	$1,600
Rental income	17	17
Expenses	(127)	(146)
Income before Income Taxes and Equity in Undistributed Earnings of Subsidiary	2,390	1,471
Income tax benefit	35	27
	2,425	1,498
Equity in undistributed earnings of subsidiary	2,103	2,538
Net income	4,528	4,036
Preferred stock dividend	(49)	(49)
Net income available to common shareholders	$4,479	$3,987

STATEMENT OF CASH FLOWS

	Years Ended December 31, 2022	2021
	(In Thousands)	
Cash Flows from Operating Activities		
Net income	$4,528	$4,036
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6	6
Equity in undistributed earnings of subsidiary	(2,103)	(2,538)
Impairment of premises and equipment	-	-
(Increase) decrease in other assets	4	(14)
Increase in accounts payable	-	25
Net Cash Provided by Operating Activities	2,435	1,515
Cash Flows Used in Investing Activities		
Purchase of premises and equipment	-	-
Net Cash Used in Investing Activities	-	-
Cash Flows Used in Financing Activities		
Dividends paid	(1,339)	(1,332)
Purchase of treasury stock	(1,135)	(408)
Sale of treasury stock	100	223
Net Cash Used in Financing Activities	(2,374)	(1,517)
Net increase (decrease) in Cash	61	(2)
Cash - Beginning	29	31
Cash - Ending	$ 90	$ 29

SELECTED FINANCIAL DATA (UNAUDITED)

The following financial information is not covered by the auditor's report and must be read in conjunction with the consolidated financial statements and related notes.

	At or For the Year Ended December 31,				
	2022	2021	2020	2019	2018
Interest Income	(Dollars in Thousands, Except Per Share Data)				
Interest and fees on loans	$8,734	$8,857	$8,517	$8,016	$7,587
Interest and dividends on securities	5,470	4,402	4,692	5,735	5,489
Interest on federal funds sold and other	55	21	21	56	34
Total interest income	14,259	13,280	13,230	13,807	13,110
Interest Expense					
Deposits	1,599	1,908	2,726	3,253	2,725
Borrowings	316	238	248	184	184
Total interest expense	1,915	2,146	2,974	3,437	2,909
Net interest income	12,344	11,134	10,256	10,370	10,201
Provision for loan losses	-	-	214	-	179
Net interest income after provision for loan losses	12,344	11,134	10,042	10,370	10,022
Other income	387	244	170	1,007	724
Other expenses	7,634	6,876	6,276	5,948	5,654
Income before income taxes	5,097	4,502	3,936	5,429	5,092
Income Tax Expense	569	466	346	665	601
Net income	$4,528	$4,036	$3,590	$4,764	$4,491
Per Share Data					
Basic earnings per common share	$28.56	$25.16	$22.35	$29.74	$27.94
Book value	$421.51	$462.56	$456.51	$435.52	$405.92
Dividends declared	$8.25	$8.10	$8.00	$8.00	$7.75
At End of Period					
Total assets	$468,211	$462,754	$409,134	$376,142	$370,827
Securities	212,732	218,571	183,799	182,546	177,995
Total loans, gross	237,334	208,532	205,609	187,117	179,449
Allowance for loan losses	2,246	2,240	2,258	2,044	2,043
Deposits	371,569	378,011	322,486	294,439	295,679
Stockholders' equity	$67,634	$74,697	$73,873	$70,637	$66,029
Common shares outstanding	156,099	158,106	158,366	158,514	158,476
Series A Preferred shares outstanding	5,904	6,003	6,053	6,153	6,375
Key Ratios					
Return on average assets	0.97%	0.93%	0.92%	1.28%	1.25%
Return on average equity	6.36%	5.43%	4.97%	6.97%	6.95%
Net loans to deposit ratio	63.27%	54.57%	63.06%	62.86%	60.00%
Dividend payout ratio (dividends declared divided by net income)	29.58%	33.01%	36.66%	27.67%	28.52%
Equity to asset ratio (average equity divided by average total assets)	15.29%	17.04%	18.45%	18.30%	17.96%