MAIN STREET FINANCIAL SERVICES CORP.
AND SUBSIDIARY

WHEELING, WEST VIRGINIA

AUDIT REPORT

DECEMBER 31, 2023

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
DECEMBER 31, 2023

SNODGRASS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Main Street Financial Services Corp. and Subsidiaries
Wheeling, West Virginia

Opinion

We have audited the accompanying consolidated financial statements of Main Street Financial Services Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial condition as of December 31, 2023 and 2022; the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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S.R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

S. R. Snodgrass, P.C. d/b/a S.R. Snodgrass, A.C. in West Virginia

Wheeling, West Virginia
April 5, 2024

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents:		
Cash and amounts due from banks	$ 1,508,161	$ 3,040,454
Interest-bearing deposits with banks	20,698,079	30,081,520
Total cash and cash equivalents	22,206,240	33,121,974
Investment securities:		
Securities available-for-sale, at fair value	53,532,696	52,196,476
Securities held-to-maturity, at amortized cost (fair value of $66,662,726 and $78,272,654), net of allowance for credit losses of $28K	76,592,714	89,507,776
Total investment securities	130,125,410	141,704,252
Loans	428,081,403	408,506,664
Allowance for credit losses	(5,813,838)	(6,489,621)
Net loans	422,267,565	402,017,043
Premises and equipment, net	5,588,833	5,963,003
Accrued interest receivable	2,822,939	2,244,217
Bank-owned life insurance	10,190,776	9,931,762
Other real estate owned	1	85,422
Deferred tax asset	3,830,593	3,689,081
Federal Home Loan Bank stock	2,263,600	995,400
Other assets	5,564,411	4,032,903
TOTAL ASSETS	$ 604,860,368	$ 603,785,057
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 130,922,945	$ 133,987,837
Interest-bearing	346,114,620	384,208,572
Total deposits	477,037,565	518,196,409
Repurchase agreements	27,901,240	9,838,946
Borrowings	35,593,000	19,593,000
Advances by borrowers for taxes and insurance	2,121,909	1,619,795
Accrued interest payable	948,194	305,784
Allowance for unfunded commitments	219,080	-
Other liabilities	7,147,433	6,126,962
TOTAL LIABILITIES	550,968,421	555,680,896
SHAREHOLDERS' EQUITY		
Common stock at $1 par value; 5,000,000 shares authorized, 3,476,000 shares issued	1,738,000	1,738,000
Additional paid-in capital	8,783,235	8,772,785
Retained earnings	48,033,905	43,742,770
Accumulated other comprehensive income	(4,080,517)	(5,566,718)
Treasury stock – 63,269	(582,676)	(582,676)
TOTAL SHAREHOLDERS' EQUITY	53,891,947	48,104,161
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 604,860,368	$ 603,785,057

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

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
INTEREST AND DIVIDEND INCOME		
Loans, including fees	$ 23,713,839	$ 19,458,211
Debt securities:		
Taxable	1,996,897	2,396,704
Dividends and other	1,239,782	40,598
TOTAL INTEREST AND DIVIDEND INCOME	26,950,518	21,895,513
INTEREST EXPENSE		
Deposits and repurchase agreements	5,081,016	2,259,765
Other borrowings	1,926,586	451,615
TOTAL INTEREST EXPENSE	7,007,602	2,711,380
NET INTEREST INCOME	19,942,916	19,184,133
PROVISION FOR CREDIT LOSSES	100,000	1,000,000
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	19,842,916	18,184,133
NONINTEREST INCOME		
Service charges	185,170	160,937
Bank-owned life insurance earnings	259,014	565,387
Other income	369,760	162,256
TOTAL NONINTEREST INCOME	813,944	888,580
NONINTEREST EXPENSE		
Salaries and employee benefits	6,793,735	7,243,338
Net occupancy expense	1,295,644	1,299,178
Data processing	1,186,102	1,100,318
Federal Deposit Insurance Corporation insurance	427,955	312,103
Loss on Sale of Loans	1,286,107	-
Other operating expenses	2,384,595	2,003,210
TOTAL NONINTEREST EXPENSE	13,374,138	11,958,147
INCOME BEFORE INCOME TAX EXPENSE	7,282,722	7,114,566
INCOME TAX EXPENSE	1,601,188	1,550,255
NET INCOME	$ 5,681,534	$ 5,564,311
WEIGHTED AVERAGE SHARES OUTSTANDING	3,412,731	3,412,731
EARNINGS PER SHARE – BASIC	$ 1.66	$ 1.63
EARNINGS PER SHARE – DILUTED	$ 1.64	$ 1.61

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

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET INCOME	$ 5,681,534	$ 5,564,311
OTHER COMPREHENSIVE GAIN (LOSS), NET OF TAX		
Unrealized gain (loss) on securities available-for-sale	1,881,267	(5,942,885)
Deferred tax effect	(395,066)	1,254,414
Net other comprehensive income(loss)	1,486,201	(4,688,471)
COMPREHENSIVE INCOME	$ 7,167,735	$ 875,840

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

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
BALANCES AT DECEMBER 31, 2021	$ 1,738,000	$ 8,758,010	$ 39,916,459	$ (878,247)	$ (582,676)	48,951,546
Dividends declared at $0.50 per share	-	-	(1,738,000)	-	-	(1,738,000)
Stock-based compensation expense	-	14,775	-	-	-	14,775
Net income	-	-	5,564,311	-	-	5,564,311
Other comprehensive loss, net	-	-	-	(4,688,471)	-	(4,688,471)
BALANCES AT DECEMBER 31, 2022	1,738,000	8,772,785	43,742,770	(5,566,718)	(582,676)	48,104,161
Dividends declared at $0.40 per share	-	-	(1,390,399)	-	-	(1,390,399)
Stock-based compensation expense	-	10,450	-	-	-	10,450
Net income	-	-	5,681,534	-	-	5,681,534
Other comprehensive income, net	-	-	-	1,486,201	-	1,486,201
BALANCES AT DECEMBER 31, 2023	$ 1,738,000	$ 8,783,235	$ 48,033,905	$ (4,080,517)	$ (582,676)	$ 53,891,947

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

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 5,681,534	$ 5,564,311
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans sold	(6,898,603)	-
Proceeds from sale of loans	5,612,496	-
Loss on sale of loans	1,286,107	-
Provision for credit losses	100,000	1,000,000
Depreciation	369,236	388,668
Stock-based compensation expense	10,450	14,775
Loss on sale of other real estate owned	16,429	14,481
Earnings on life insurance	(259,014)	(565,387)
Net change in:		
Accrued interest receivable	(578,722)	(2,869)
Accrued interest payable	642,410	(18,440)
Deferred tax asset	(535,703)	302,429
Other assets/liabilities, net	215,451	(2,067,274)
Net cash provided by operating activities	5,662,071	4,630,694
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Maturities and calls	-	7,800,000
Principal collected on mortgage-backed securities	545,047	351,009
Activity in held-to-maturity securities:		
Purchases	-	(38,573,435)
Maturities and calls	10,105,000	-
Principal collected on mortgage-backed securities	2,782,062	2,043,245
Purchases of Federal Home Loan Bank stock	(1,268,200)	127,800
Proceeds from life insurance policy pay out	-	677,289
Net increase in loans, net of charge-offs	(20,627,391)	(5,624,592)
Purchase of other real estate owned	-	(99,903)
Proceeds from sale of other real estate owned	68,992	-
Purchases of premises and equipment	(198,480)	(1,324,150)
Net cash used in investing activities	(8,592,970)	(34,622,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,390,399)	(1,738,000)
Proceeds from Federal Home Loan Bank borrowings	16,000,000	-
Principal paid on Federal Home Loan Bank borrowings	-	(2,600,000)
Net change in deposits	(41,158,844)	(1,292,602)
Net change in repurchase agreements	18,062,294	(123,054)
Net change in advances by borrowers for taxes and insurance	502,114	(276,843)
Net cash used for financing activities	(7,984,835)	(6,030,499)
CHANGE IN CASH AND CASH EQUIVALENTS	(10,915,734)	(36,022,542)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,121,974	69,144,516
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,206,240	$ 33,121,974
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	$ 6,365,192	$ 2,729,820
Cash paid during the year for income taxes	$ 1,077,000	$ 1,400,000

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

MAIN STREET FINANCIAL SERVICES CORP. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
Main Street Financial Services Corp. (the "Company") is a West Virginia corporation. The Company is a financial services holding company whose principal activities are the ownership and management of its wholly owned subsidiary, Main Street Bank Corp. (the "Bank"). The Bank operates as a community-oriented bank with its main office in Wheeling, West Virginia, and Branch offices in the Elm Grove section of Wheeling, Wellsburg, and Moundsville, West Virginia. In November 2021, the Bank also opened up a Branch in Toronto, Ohio. Products include consumer, residential, and installment loans and deposit services, along with small business commercial banking for customers who are located primarily in the West Virginia Northern Panhandle and surrounding areas. The Bank operates as a West Virginia state chartered commercial bank and provides full banking services.

Basis of Consolidation
The consolidated financial statements include the accounts of Main Street Financial Services Corp., its wholly owned subsidiary, Main Street Bank Corp., and the Bank's wholly owned subsidiaries, Main Street Tax Credit #1, LLC and Main Street Tax Credit #2, LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates
The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for credit losses.

Investment Securities
The Company classifies investment securities at purchase as either held-to-maturity or available-for-sale. Debt securities that are acquired with the positive intent and ability to hold to maturity are carried at amortized cost. Unrealized holding gains and losses for available-for-sale securities are reported as a separate component of shareholders' equity, net of tax, until realized. Equity securities are carried at fair value. Effective January 1, 2019, changes in the fair value of equity securities are reported in net income. Realized security gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when they are earned.

Allowance for Credit Losses - Available for Sale Securities – After Adoption of ASU 2016-13

The Bank measures expected credit losses on available-for-sale debt securities when the Bank does not intend to sell, or when it is not 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 are met, the security's amortized cost basis is written down to fair value through income. If needed, the allowance for credit losses on available-for-sale debt securities would be included within Investment securities available-for-sale on the consolidated balance sheet.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses - Held-to-Maturity Securities – After Adoption of ASU 2016-13

The Company measures expected credit losses on held-to-maturity debt securities, which are comprised of subordinated debt securities. Accrued interest receivable on held-to-maturity debt securities totaled $283,000 at December 31, 2023, and is included within accrued interest and other assets on the Consolidated Balance Sheet. This amount is excluded from the estimate of expected credit losses. Held-to-maturity debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When held-to-maturity debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

The entire amount is excluded from the estimate of expected credit losses.

All investment securities, regardless of classification, are monitored and tested for impairment. When credit loss occurs, the investment is written down to the current fair market value, with the write-down being reflected as a realized loss.

Premiums and discounts on securities are recognized in interest income, utilizing the level yield method over the period to maturity.

Investment securities' fair values are based on observed market prices. Certain investment securities do not have observed bid prices, and their fair value is based on instruments with similar risk elements.

Federal Home Loan Bank Stock

The Bank is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock, based on the level of borrowings and other factors, and may invest in additional amounts. Stock in the FHLB of Pittsburgh is carried at cost and is periodically evaluated for impairment based upon the ultimate recovery of the par value. Dividends are reported as income.

Loans

Loans receivable are stated at their unpaid principal balance, net of the allowance for credit losses (ACL). Interest on loans is credited to income as it is earned and is accrued only if it is considered to be collectible. An allowance for uncollected interest on mortgage loans is provided for all accrued interest on loans which are delinquent 90 days or more, resulting in the interest previously accrued on these loans being reversed from income, and, thereafter, interest is recognized only to the extent of the payments that are received. Loans are returned to accrual status when they are less than 90 days delinquent and when, in management's judgment, collection is probable.

Loans are considered past due based on contractual terms. Charge-offs consist of the amounts that are determined to be uncollectible on unsecured loans that are 90 days past due and on secured loans that are 120 days past due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (ACL) – loans - after adoption of ASU 2016-13

Disclosures of the allowance for credit losses(ACL) for the year ended December 31, 2023 are presented in accordance with ASU 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments".* Refer to Summary of Significant Accounting Policies, *"Adoption of New Accounting Standards"*.

The ACL is a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans (pooled segments) that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans. The ACL is measured on a pooled segment basis when similar risk characteristics exist. The Company has identified the following portfolio segments and measures the ACL using the following methods:

Historical credit loss experience is the basis for the estimation of expected credit losses. The Company applies historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. For periods beyond our reasonable and supportable forecast, we revert to historical loss rates utilizing our historical loss rate of record (currently 7 year). The qualitative adjustments for current conditions are based upon the following:

- Changes in Policies / Procedures
- Changes in Economic Conditions
- Changes in nature and volume of portfolio
- Changes in management and staff
- Changes in volume and severity of problem credits
- Changes in loan review quality
- Changes in collateral value
- Changes and effect of concentrations
- Other external factors (competition, legal, regulatory)

The ACL for individually evaluated loans begins with the use of normal credit review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and therefore, should be individually assessed. We evaluate all loans that meet the following criteria: 1) when it is determined that foreclosure is probable, 2) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the operation or sale of the collateral, 3) when it is determined by management that a loan does not share similar risk characteristics with other loans.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of the collateral when the loan is collateral dependent. Our individual loan evaluations consist primarily cash flow dependent and the fair value of collateral method. Collateral values are discounted to consider disposition costs when appropriate.

Allowance for Loan Losses – Prior to adoption of ASU 2016-13
The allowance for loan losses represents the amount which management estimates is adequate to provide for the probable losses that are inherent in its loan portfolio as of the consolidated balance sheets date. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance, and all recoveries are credited to it. The ALL is established through a provision for loan losses, which is charged to operations. The provision for loan losses is based upon management's quarterly review of the loan portfolio. The purpose of the review is to assess loan quality, identify impaired loans, analyze delinquencies, ascertain loan growth, evaluate potential charge-offs and recoveries, and assess general economic conditions in the markets served.

The allowance is calculated by applying loss factors to outstanding loans, by type, excluding loans for which a specific allowance has been determined. Loss factors are based on management's consideration of the nature of the portfolio segments, changes in the mix and volume of the loan portfolio, historical loan loss experience, and general economic conditions. In addition, management considers industry standards and trends, with respect to non-performing loans, and its knowledge and experience with specific lending segments.

Impaired loans are commercial and commercial real estate loans for which it is probable that the Bank will not be able to collect all amounts that are due, according to the contractual terms of the loan agreement. The Bank individually evaluates these loans for impairment and does not aggregate loans by major risk classifications. The definition of "impaired loans" is not the same as the definition of "nonaccrual loans," although the two categories overlap. The Bank may choose to place a loan on nonaccrual status due to payment delinquency or uncertain collectability, while not classifying the loan as impaired, if the loan is not a commercial or commercial real estate loan. Factors that are considered by management in determining impairment include payment status and collateral value. The amount of impairment for these types of loans is determined by the difference between the present value of the expected cash flows related to the loan, using the original interest rate and its recorded value, or, as a practical expedient in the case of collateral dependent loans, is determined by the difference between the fair value of the collateral and the recorded amount of the loans. When foreclosure is probable, impairment is measured based on the fair value of the collateral.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses on Off-Balance-Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance-sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Loans Modified with Financial Difficulty

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a troubled debt restructuring. Management strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring as noted above for impaired loans. As these credit losses are individually evaluated, they are excluded from pooled portfolios when calculating the allowance for loan losses and a separate allocation within the allowance for credit losses is provided. Management continually evaluates loans that are troubled debt restructurings, including payment history under the modified loan terms, the borrower's ability to continue to repay the loan based on continued evaluation of their operating results, and cash flows from operations

Concentration of Credit Risk
Most of the Company's business activity is with customers who are located in Ohio, Brooke, and Marshall Counties in West Virginia, and in Belmont County, Ohio. Accordingly, the Company's exposure to credit risk is significantly affected by changes in the economy in this four-county region.

The Company carries certain assets with other financial institutions which are subject to credit risk by the amount in which such assets exceed Federal Deposit Insurance Corporation (FDIC) limits. Management monitors the financial stability of correspondent banks and considers the amounts that are advanced in excess of FDIC insurance limits to present no significant additional risk to the Company.

Loan Origination Fees
Loan origination fees and certain direct loan origination costs are deferred, and the net amounts are amortized, as an adjustment of the related loan's yield. Deferral and amortization of these amounts are over the estimated contractual lives of the related loans.

Premises and Equipment
Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged against income as they are incurred. Costs of major additions and improvements are capitalized.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (i) the assets have been isolated from the Company, (ii) 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 (iii) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Other Real Estate Owned

Real estate properties that are acquired through, or in lieu of, loan foreclosure are initially recorded at fair value, less estimated selling cost, at the date of foreclosure. Any write-downs that are based on the asset's fair value at the date of acquisition are charged to the ALL. After foreclosure, these assets are carried at the lower of their new cost basis or fair value, less cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs that is related to the development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value, less cost to sell.

Marketing and Advertising Costs

Non-direct response marketing and advertising costs are expensed as they are incurred. Such costs amounted to $566,340 and $579,271 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The Company's income tax expense consists of a current and a deferred component. Current income tax expense reflects the taxes that are to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or the excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and the tax bases of assets and liabilities, and the enacted changes in tax rates and laws are recognized during the period in which they occur.

The deferred income tax expense results from the changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination

The term "more likely than not" means a likelihood of more than 50 percent; the terms "examined" and "upon examination" also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of the tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

The Company follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 – *Accounting for Income Taxes*, related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information that are available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of the evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company recognizes interest and penalties on income taxes as a component of income tax expense. During the years ended December 31, 2023 and 2022, the Company recognized no interest and penalties. Based on management's analysis, the Company did not have any uncertain tax positions as of December 31, 2023 and 2022. The Company files income tax returns in the U.S. federal jurisdiction and in the State of West Virginia. There are currently no income tax examinations underway for these jurisdictions.

Consolidated Statements of Cash Flows
The Company considers all cash, demand accounts due from depository institutions, interest-bearing deposits with other banks with an initial maturity of less than 90 days, and federal funds sold to be cash equivalents for purposes of the consolidated statements of cash flows.

Endorsement Split-Dollar Life Insurance Arrangements
The Company accounts for certain endorsement split-dollar life insurance arrangements by recognizing both the cash surrender value of the insurance asset, as well as the liability for the death benefit that is provided to the employee. As of December 31, 2023 and 2022, $287,666 and $276,140 respectively, were recorded as liability under the split-dollar life insurance arrangement, and $11,526, and $13,160, respectively, were charged to expense.

Earnings per Share
The Company provides dual presentation of basic and diluted earnings per share. Basic earnings per share are calculated utilizing net income as reported in the numerator and the average shares outstanding in the denominator. The computation of diluted earnings per share differs in that the dilutive effects of any stock options are adjusted in the denominator.

Basic weighted-average common shares outstanding totaled 3,412,731 for the years ended December 31, 2023 and 2022, respectively. Diluted weighted-average common shares outstanding totaled 3,473,861 and 3,464,991 for the years ended December 31, 2023 and 2022 respectively. The diluted weighted-average common shares outstanding are solely the result of stock options.

Treasury Stock
The Company accounts for treasury stock on the cost basis.

Reclassifications
Certain items in prior consolidated financial statements have been reclassified to conform to the current presentation. Such reclassifications did not affect the net income or the shareholders' equity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncements Adopted in 2023

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and subsequent related updates. This ASU replaces the incurred loss methodology for recognizing credit losses and requires businesses and other organizations to measure the current expected credit losses (CECL) on financial assets measured at amortized cost, including loans and held-to-maturity securities, net investments in leases, off-balance-sheet credit exposures such as unfunded commitments, and other financial instruments. In addition, ASC 326 requires credit losses on available-for-sale debt securities to be presented as an allowance rather than as a write-down when management does not intend to sell or believes that is it more likely than not they will be required to sell. This guidance became effective on January 1, 2023, for the Company. The results reported for periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards.

The Company adopted this guidance, and subsequent related updates, using the modified retrospective approach for all financial assets measured at amortized cost, including loans and held-to-maturity debt securities, available-for-sale debt securities, and unfunded commitments.

The Company adopted the provisions of ASC 326 related to presenting other-than-temporary impairment on available-for-sale debt securities prior to January 1, 2023, using the prospective transition approach, though no such charges had been recorded on the securities held by the Company as of the date of adoption.

On January 1, 2023, the Company did not record a cumulative effect adjustment to retained earnings because the overall impact of the adoption was insignificant to the recorded balance of the allowance for credit losses.

On January 1, 2023, the Company did not record a cumulative effect adjustment to retained earnings because the overall impact of the adoption was insignificant to the recorded balance of the allowance for credit losses. During the year ended December 31, 2023, the Company adopted ASU 2022-02 on a modified retrospective basis. ASU 2022-02 eliminates the TDR accounting model and requires that the Company evaluate, based on the accounting for loan modifications, whether the borrower is experiencing financial difficulty and the modification results in a more-than-insignificant direct change in the contractual cash flows and represents a new loan or a continuation of an existing loan. This change requires all loan modifications to be accounted for under the general loan modification guidance in ASC 310-20, *Receivables – Nonrefundable Fees and Other Costs*, and subjects entities to new disclosure requirements on loan modifications to borrowers experiencing financial difficulty. Upon adoption of CECL, the TDRs were evaluated and included in the loan segment pools if the loans shared similar risk characteristics to other loans in the pool or remained with individually evaluated loans for which the ACL was measured using the collateral-dependent or discounted cash flow method.

NOTE 2 – INVESTMENT SECURITIES

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

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. agency securities	$ 57,500,000	$ -	$ (5,019,625)	$ 52,480,375
Mortgage-backed securities	1,197,908	131	(145,718)	1,052,321
Other available-for-sale securities	-	-	-	-
Total available-for-sale	58,697,908	131	(5,165,343)	53,532,696
Securities held-to-maturity:				
U.S. agency securities	50,216,841	-	(8,561,907)	41,654,934
Mortgage-backed securities	15,406,453	153	(1,034,827)	14,371,779
Municipal securities	10,904,420	-	(361.397)	10,543,023
Corporate note	93,000	-	-	93,000
Total held-to-maturity	76,620,714	153	(9,958,131)	66,662,736
Total	$ 135,318,622	$ 284	$ (15,123,474)	$ 120,195,432

There is no allowance for credit losses for AFS securities as of December 31, 2023. As of December 31, 2023, there was 28,000 recorded for credit losses on HTM securities.

NOTE 2 – INVESTMENT SECURITIES (Continued)

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available-for-sale:				
U.S. agency securities	$ 57,500,000	$ -	$ (6,888,334)	$ 50,611,666
Mortgage-backed securities	1,342,958	195	(158,343)	1,184,810
Other available-for-sale securities	400,000	-	-	400,000
Total available-for-sale	59,242,958	195	(7,046,677)	52,196,476
Securities held-to-maturity:				
U.S. agency securities	60,165,596	-	(9,626,212)	50,539,384
Mortgage-backed securities	17,934,173	135	(1,148,925)	16,785,383
Municipal securities	11,315,007	-	(460,418)	10,854,589
Corporate note	93,000	-	-	93,000
Total held-to-maturity	89,507,776	135	(11,235,555)	78,272,356
Total	$ 148,750,734	$ 330	$ (18,282,232)	$ 130,468,832

The amortized cost and estimated fair values of securities, by contractual maturity, are as follows:

	December 31, 2023			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing in:				
One year or less	$ 10,000,062	$ 9,614,312	$ 12,152,170	$ 11,823,041
After 1 year through 5 years	37,000,000	34,213,665	3,009,355	2,822,158
After 5 years through 10 years	10,513,908	8,666,201	25,736,602	22,279,570
After 10 years	1,183,938	1,038,518	35,722,587	29,737,967
Total	$ 58,697,908	$ 53,532,696	$ 76,620,714	$ 66,662,736

NOTE 2 – INVESTMENT SECURITIES (Continued)

	December 31, 2022			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing in:				
One year or less	$ 400,000	$ 400,000	$ 10,090,546	$ 9,926,820
After 1 year through 5 years	42,001,260	38,156,989	15,173,471	14,317,312
After 5 years through 10 years	15,513,755	12,469,441	27,159,858	23,169,998
After 10 years	1,327,943	1,170,046	37,083,901	30,858,226
Total	$ 59,242,958	$ 52,196,476	$ 89,507,776	$ 78,272,356

Expected maturities will differ from contractual maturities since borrowers may have the right to call or prepay obligations without call or prepayment penalties.

Investment securities with a carrying value of $45,512,000 and $42,150,000 were pledged as of December 31, 2023 and 2022, respectively, to secure repurchase agreements and public funds.

The following tables show the gross unrealized losses and fair values of securities available-for-sale, aggregated by the investment category and length of time that the individual securities have been in a continuous unrealized loss position:

	2023					
	Less than 12 Months		12 Months or Greater		Total	
	Fair value	Unrealized Loss	Fair value	Unrealized Loss	Fair value	Unrealized Loss
US Agency Bonds	$ 9,614,250	(385,750)	$ 42,866,125	(4,633,875)	$ 52,480,375	(5,019,625)
Mortgage-backed securities	-	-	1,062,020	(145,718)	1,062,020	(145,718)
Totals	$ 9,614,250	(385,750)	$ 43,928,145	(4,779,593)	$ 53,542,395	(5,165,343)

As of December 31, 2023, the investment securities portfolio contains unrealized losses on 57 securities that are issued by government sponsored enterprises. The Company has concluded that the unrealized losses on debt securities in the tables above result from changes in the market rates of interest and are not credit related.

NOTE 2 – INVESTMENT SECURITIES (Continued)

The Company does not believe that any of the securities presented above are impaired. All debt securities are of investment grade quality, are backed by the full faith and credit of the U.S. government, and are paying principal and interest according to the contractual terms. The Company has no intention of selling any of the securities, and it is not likely that it will be required to sell loss position securities prior to the recovery of their cost.

The amount in the two schedules below are in thousands (000)

	Beginning Balance	Impact of adopting ASC 326	Charge-offs	Recoveries	Provisions (Reductions)	Ending Balance
U.S. government agency securities	-	$ -	$ -	$ -	$ -	$ -
State and municipal securities	$ -	$ -	$ -	$ -	$ 28	$ 28
Mortgage-backed securities	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ 28	$ 28

As of December 31, 2023, all HTM securities had a credit rating of pass or were fully backed by the government. There are no nonperforming HTM Securities as of December 31, 2023.

NOTE 3 – LOANS RECEIVABLE

Loans as of December 31, are summarized as follows:

	2023	2022
Construction, land development, and other land loans	$ 3,620,000	$ 5,473,000
Secured by 1-4 family residential properties	229,429,000	221,768,000
Secured by multi-family residential properties	18,566,000	18,346,000
Secured by non-farm non-residential properties	104,167,000	92,898,000
Commercial and industrial loans	53,030,000	51,555,000
Other loans	18,745,532	17,923,225
Total	427,557,532	407,963,225
Allowance for credit losses	(5,813,838)	(6,489,621)
Prepaid loan costs	523,871	543,439
Net loans	$ 422,267,565	$ 402,017,043

The Company's primary business activity is with customers who are located within its local trade area. Residential, commercial, and personal loans are granted. The Company also selectively funds loans that have been originated outside of its trade area, provided that such loans meet its credit policy guidelines. Although the Company has a diversified loan portfolio as of December 31, 2023 and 2022, loans outstanding to individuals and businesses are dependent upon the local economic conditions in its immediate trade area.

The segments of the Bank's loan portfolio are disaggregated to a level that allows management to monitor risk and performance. The residential real estate loan segment is further disaggregated into two classes: amortizing term loans, which are primarily first liens, and home equity lines of credit, which are generally second liens. The commercial real estate (CRE) loan segment is further disaggregated into two classes. Non-owner occupied CRE loans, which include loans that are secured by non-owner occupied non-farm non-residential properties, generally have a greater risk profile than all other CRE loans, which include loans that are secured by multi-family structures and owner-occupied commercial structures. The commercial and other loans segment consists of loans that are made for the purpose of financing the activities of commercial customers. The consumer loan segment consists primarily of installment loans.

For purposes of monitoring risk and performance, the Bank's loan portfolio is disaggregated based on loan purpose rather than underlying collateral. For the remainder of the loans receivables notes and tables, the portfolio is disaggregated based on loan purpose in the following categories: the commercial segment contains all loans granted for a commercial purpose, including loans secured by 1-4 family residential properties; the residential segment consists of noncommercial amortizing term loans secured by 1-4 family residential properties, which are primarily first liens; the home equity segment consists of noncommercial lines of credit secured by 1-4 family residential properties, which are generally second liens; the installment section consists of all noncommercial loans that are not primarily secured by 1-4 family residential properties.

NOTE 3 – LOANS RECEIVABLE (Continued)

The following tables present impaired loans, by class, segregated by loans for which a specific allowance was required and those for which a specific allowance was not necessary, as of December 31, 2022:

(Expressed in Thousands)		
Average investment in impaired loans:		
Commercial	$	14,460
Residential		3,542
Home Equity		96
Installment		559
Interest recognized on impaired loans:		
Commercial	$	1,031
Residential		227
Home Equity		1
Installment		26

	(Expressed in Thousands) December 31, 2022				
	Unpaid Principal Balance	Recorded Investment with No Allowance	Recorded Investment with Allowance	Total Recorded Investment	Related Allowance
Commercial	$ 15,180	$ 6,313	$ 8,867	$ 15,180	$ 2,528
Residential	3,953	3,705	248	3,953	112
Home Equity	22	22	-	22	-
Installment	459	270	189	459	47
Total	$ 19,614	$ 10,310	$ 9,304	$ 19,614	$ 2,687

NOTE 3 – LOANS RECEIVABLE (Continued)

The following table shows the amortized cost basis at the end of the reporting period of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of concession granted at the year ended December 31, 2023, expressed in thousands:

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

	Interest Rate Reduction			
		Amortized Cost Basis at December 31, 2023	% of Total Class of Financing Receivable	
Commercial	S	177	<0.1	%
Residential		-	-	
Home equity		-	-	
Installment		-	-	
Total	S	177		

	Term Extension			
		Amortized Cost Basis at December 31, 2023	% of Total Class of Financing Receivable	
Commercial	S	159	<0.1	%
Residential		-	-	
Home equity				
Installment		11	<0.1	
Total	S	170		

NOTE 3 – LOANS RECEIVABLE (Continued)

Items in the above schedule were expressed in thousands (000)

Interest Rate Reduction

Loan Type	Financial Effect
Commercial	Reduced weighted-average contractual interest rate from 8.4% to 7.0%

Term Extension

Loan Type	Financial Effect
Commercial	Provided payment deferrals to borrowers with deferred payments were added to the end of the timer of the loans.
Installment	Added a weighted average 3.4 years to the life of loans, which reduced monthly payments for the borrower

There are no loans modified to borrowers experiencing financial difficulty that subsequently defaulted or are non performing.

Three TDR occurred during 2022. In 2022, no commercial loans that had been recognized as a TDR defaulted.

Management uses a nine-point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first five categories are considered not criticized, and are aggregated as “Pass” rated. The criticized rating categories that are utilized by management generally follow bank regulatory definitions. The Special Mention category includes assets that are currently protected, but are potentially weak, resulting in an undue and unwarranted credit risk, but not to the point of justifying a Substandard classification. Loans that are in the Substandard category have well-defined weaknesses that jeopardize the liquidation of the debt and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. Any portion of a loan that has been charged off is placed in the Loss category.

NOTE 3 – LOANS RECEIVABLE (Continued)

The following tables present the classes of the loan portfolio, summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard, Doubtful, and Loss within the internal risk rating system, as of December 31, 2023 and 2022. Included in the Pass category are loans that have not been individually reviewed and graded on an annual basis.

	Term Loans Amortized Costs Basis by Origination Year				Revolving Loans Amortized Cost Basis	
December 31, 2023	2023	2022	2021	Prior		Total
Commercial						
Risk Rating						
Pass	$ 46,761	$ 40,816	$ 31,453	$ 84,436	$ 15,653	$ 219,119
Special Mention	563	1,156	1,712	3,116	674	7,221
Substandard	31	81	1,483	11,039	387	13,021
Doubtful	-	-	816	888	59	1,763
Total	$ 47,355	$ 42,053	$ 35,464	$ 99,479	$ 16,773	$ 241,124
Commercial						
Current period gross charge-offs	$ -	$ -	$ -	$ 216	$ 1	$ 217

(Expressed in Thousands)
December 31, 2022

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Commercial	$ 203,587	$ 12,660	$ 15,165	$ 574	$ -	$ 231,986
Residential	136,566	-	3,956	131	-	140,653
Home Equity	16,155	55	179	-	-	16,389
Installment	17,963	-	972	-	-	18,935
Total	$ 374,271	$ 12,715	$ 20,272	$ 705	$ -	$ 407,963

NOTE 3 – LOANS RECEIVABLE (Continued)

December 31, 2023	Term Loans Amortized Costs Basis by Origination Year 2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Total
Residential						
Payment Performance						
Performing	$ 21,019	$ 23,280	$ 34,987	$ 68,448	$ -	$ 147,734
Nonperforming	-	107	63	2,395	-	2,565
Total	$ 21,019	$ 23,387	$ 35,050	$ 70,843	$ -	$ 150,299
Residential						
Current period gross charge-offs	$ -	$ -	$ -	$ 230	$ -	$ 230
Home equity						
Payment Performance						
Performing	$ -	$ -	$ -	$ -	$ 15,926	$ 15,926
Nonperforming	-	-	-	-	627	627
Total	$ -	$ -	$ -	$ -	$ 16,553	$ 16,553
Home equity						
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -
Installment						
Payment Performance						
Performing	$ 7,880	$ 5,317	$ 2,424	$ 2,719	$ 845	$ 19,185
Nonperforming	79	90	151	77	-	397
Total	$ 7,959	$ 5,407	$ 2,575	$ 2,796	$ 845	$ 19,582
Installment						
Current period gross charge-offs	$ 19	$ 37	$ 10	$ 101	$ -	$ 167
Total						
Payment Performance						
Performing	$ 28,899	$ 28,597	$ 37,411	$ 71,167	$ 16,771	$ 182,845
Nonperforming	79	197	214	2,472	627	3,589
Total	$ 28,978	$ 28,794	$ 37,625	$ 73,639	$ 17,398	$ 186,434
Total						
Current period gross charge-offs	$ 19	$ 37	$ 10	$ 331	$ -	$ 397

NOTE 3 – LOANS RECEIVABLE (Continued)

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio, as determined by the length of time a recorded payment is past due. The following tables present the classes of the loan portfolio, summarized by the aging categories of performing loans and nonaccrual loans, as of December 31, 2023 and 2022:

(Expressed in Thousands)
December 31, 2023

	Current	30-89 Days Past Due	90+ Days Past Due	Total Past Due	Total Loans	90 or More Past Due and Accruing
Commercial	$ 235,047	$ 3,898	$ 2,179	$ 6,077	$ 241,124	$ -
Residential	147,734	1,893	672	2,565	150,299	-
Home Equity	15,998	60	495	555	16,553	-
Installment	19,139	347	96	443	19,582	-
Total	$ 417,918	$ 6,198	$ 3,442	$ 11,529	$ 427,558	$ -

(Expressed in Thousands)
December 31, 2022

	Current	30-89 Days Past Due	Nonaccrual	Total Past Due	Total Loans	90 or More Past Due and Accruing
Commercial	$ 223,365	$ 2,916	$ 5,705	$ 8,621	$ 231,986	$ -
Residential	137,166	483	3,004	3,487	140,653	-
Home Equity	15,988	263	138	401	16,389	-
Installment	18,073	253	609	862	18,935	-
Total	$ 394,592	$ 3,915	$ 9,456	$ 13,371	$ 407,963	$ -

NOTE 3 – LOANS RECEIVABLE (Continued)

(Expressed in Thousands)
December 31, 2023

	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
Commercial	$ 1,817	$ 1,778	$ 3,595	$ -	$ 3,595
Residential	1,528	302	1,830	-	1,830
Home equity	421	169	590	-	590
Installment	-	270	270	-	270
Total	$ 3,766	$ 2,519	$ 6,285	$ -	$ 6,285

The following is an analysis of the loan activity to directors, executive officers, significant shareholders, and their affiliates:

	December 31, 2023	December 31, 2022
Balance, beginning of period	$ 13,177,410	$ 14,158,289
New loans during the period	4,897,015	521,700
Repayments during the period	(5,055,237)	(1,502,579)
Balance, end of period	$ 13,019,188	$ 13,177,410

NOTE 4 – ALLOWANCE FOR CREDIT LOSSES

An allowance for credit losses is maintained to absorb losses from the loan portfolio. The ACL is based on management's continuing evaluation of the risk characteristics and credit quality of the loan portfolio, the assessment of current economic conditions, the diversification and size of the portfolio, the adequacy of collateral, past and anticipated loss experience, and the amount of non-performing loans.

Loans that are collectively evaluated for impairment are analyzed with general allowances being made, as appropriate. For general allowances, historical loss trends are used in the estimation of losses in the current portfolio. These historical loss amounts are modified by other qualitative factors.

The classes that are described above provide the starting point for the ALL analysis. Management tracks the historical net charge-off activity for each class. A historical charge-off factor is calculated for each class using a 4-year average.

NOTE 4 – ALLOWANCE FOR CREDIT LOSSES (Continued)

"Pass" rated credits are segregated from "Criticized" credits for the application of qualitative factors. Management has identified a number of qualitative factors which it uses to supplement the historical charge-off factor since these factors are likely to cause the estimated credit losses that are associated with the existing loan pools to differ from the historical loss experience. The factors that are evaluated quarterly and are updated using information obtained from internal, regulatory, and governmental sources are as follows: national and local economic trends and conditions; levels of, and trends in, delinquency rates and nonaccrual loans; trends in volumes and terms of loans; effects of changes in lending policies; experience, ability, and depth of lending staff; value of underlying collateral; and concentrations of credit from a loan type, industry, and/or geographic standpoint.

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the ACL. When information confirms all or part of the specific loans to be uncollectible, these amounts are promptly charged off against the ACL.

The following tables summarize the primary segments of the ACL, segregated into the amount that is required for loans that are individually evaluated for impairment and the amount that is required for loans that are collectively evaluated for impairment, as of December 31, 2023 and 2022. Activity in the allowance is presented for the 12 months ended December 31, 2023 and 2022, as follows:

	December 31, 2023				
	Commercial	Residential	Home Equity	Installmet	Total
Beginning Balance	$ 4,726	$ 1,271	$ 149	$ 344	$ 6,490
Impact of adopting ASC 326	-	-	-	-	-
Additions/(Deductions) charged to operating expense	(549)	282	12	108	(147)
Recoveries	39	-	-	46	85
Loans charged off	(217)	(230)	-	(167)	(614)
Ending Balance	$ 3,999	$ 1,323	$ 161	$ 331	$ 5,814

NOTE 4 – ALLOWANCE FOR CREDIT LOSSES (Continued)

	December 31, 2022				
(Expressed in Thousands)	Commercial	Residential	Home Equity	Installment	Total
Balance, beginning of year	$ 4,409	$ 1,315	$ 158	$ 351	$ 6,233
Additions charged to operating expenses	812	(69)	38	219	1,000
Recoveries	100	25	-	40	165
Total	5,321	1,271	196	610	7,398
Loans charged off	(595)	-	(47)	(266)	(908)
Balance, end of year	$ 4,726	$ 1,271	$ 149	$ 344	$ 6,490
Allowance:					
Individually evaluated for impairment	$ 2,528	$ 112	$ -	$ 47	$ 2,687
Collectively evaluated for impairment	$ 2,198	$ 1,159	$ 149	$ 297	$ 3,803
Loans:					
Individually evaluated for impairment	$ 15,180	$ 3,953	$ 22	$ 459	$ 19,614
Collectively evaluated for impairment	$ 216,806	$ 136,700	$ 16,367	$ 18,476	$ 388,349

NOTE 5 – PREMISES AND EQUIPMENT

A summary of premises and equipment as of December 31, follows:

	2023	2022
Land	$ 284,716	$ 284,716
Building	1,971,240	1,971,240
Leasehold improvements	2,785,207	2,785,207
Furniture and equipment	2,474,904	3,100,002
Total	7,516,067	8,141,165
Accumulated depreciation	(4,146,694)	(4,601,036)
Capital lease asset	2,219,460	2,422,874
Premises and equipment, net	$ 5,588,833	$ 5,963,003

Depreciation expense related to premises and equipment was $369,236 and $388,668 for the years ended December 31, 2023 and 2022, respectively.

NOTE 6 – DEPOSITS

Deposit account balances as of December 31, were comprised of the following:

	2023	2022
Noninterest-bearing	$ 130,922,945	$ 133,987,837
Interest-bearing demand	29,085,173	19,262,612
Money market	15,771,407	46,977,762
Savings accounts	123,972,475	167,861,840
Certificates of deposit	177,285,565	150,106,358
Total	$ 477,037,565	$ 518,196,409

The aggregate amounts of certificates of deposit, as of December 31, 2023, that meet or exceed $250,000 were approximately $60,449,091.

As of December 31, 2023, the scheduled maturity of certificates of deposit is as follows:

2024	$ 137,970,317
2025	28,268,852
2026	6,627,038
2027	3,237,041
2028	1,182,317
Total	$ 177,285,565

NOTE 7 – BORROWINGS

The Bank has credit facilities through the FHLB of Pittsburgh and the First Horizon National Corporation (FHN). The FHN borrowings are to be secured in full by collateral acceptable to, and in safekeeping of, the FHN. The FHLB borrowings are secured by a blanket lien by the FHLB on certain residential mortgage loans or securities with a fair value that is at least equal to the outstanding loan balances.

The Bank had advances outstanding from the FHLB in the amount of $32,500,000 and $16,500,000 as of December 31, 2023 and 2022, respectively.

NOTE 7 – BORROWINGS (Continued)

The following is a schedule of outstanding borrowings from the FHLB as of December 31:

Date Issued	2023	2022	Maturity Date	Rate	Type
12/28/23	5,000,000	-	01/04/24	5.64%	Fixed
05/02/23	10,000,000	-	11/04/24	4.85%	Fixed
06/07/19	-	5,000,000	06/07/23	2.12%	Fixed
01/29/19	5,000,000	5,000,000	01/29/24	2.93%	Fixed
05/07/19	2,500,000	2,500,000	05/07/24	2.56%	Fixed
11/07/23	10,000,000	-	01/10/24	5.65%	Fixed
Total	$ 32,500,000	$ 16,500,000			

In April 2005, the Company established a subsidiary trust, Main Street (WV) Statutory Trust I (the "Trust"), in which the Company owns 100 percent of the common equity. The Trust issued preferred securities to outside investors and used the proceeds from the issuance to purchase from the Company junior subordinated debentures in the amount of $3,093,000. The Company's junior subordinated debentures are the sole asset of the Trust. The $3,093,000 of mandatorily redeemable preferred securities that are issued by the Trust are includible for regulatory purposes as a component of the Company's Tier 1 capital. These Trust-preferred securities must be redeemed upon the maturity of the debentures.

The Company's junior subordinated debentures are due June 15, 2035, with interest payments due March 15, June 15, September 15, and December 15 of each year. Interest is payable at a rate based on the 3-month CME Term SOFR, plus 2.05 percent. As of December 31, 2023, the rate was 7.70 percent. The Company has the right to redeem the debentures at par, in whole or in part, but in all cases, in a principal amount with integral multiples of $1 million, on any interest payment date. The original balance of $3,093,000 remained outstanding as of December 31, 2023 and 2022. Interest expense in the amount of $221,001 and $109,197 was recorded on these borrowings for the years ended December 31, 2023 and 2022, respectively.

Contractual repayments of borrowed funds for the next 5 years as of December 31, 2023, are $32,500,000 in 2024, and $3,093,000 beyond 5 years.

Borrowings are comprised of the following as of December 31:

	2023	2022
FHLB borrowings	$ 32,500,000	$ 16,500,000
Junior subordinated debt	3,093,000	3,093,000
Total	$ 35,593,000	$ 19,593,000

Repurchase agreements are secured short-term borrowings from Bank customers. The Company pledges investment securities to secure these borrowings. Obligations under repurchase agreements were $27,901,240 and $9,838,946 as of December 31, 2023 and 2022, respectively.

NOTE 8 – INCOME TAXES

The following temporary differences gave rise to the deferred tax asset as of December 31:

	2023	2022
Deferred tax assets:		
Deferred loan fees	$ 240	$ 233
Allowance for loan losses	1,503,108	1,362,820
Unearned interest recognition	68,194	25,644
Deferred compensation	920,147	755,717
Stock-based compensation	57,585	46,567
Tax credits	331,066	247,401
Unrealized loss on available-for-sale securities	978,147	1,372,318
Total deferred tax assets	3,858,487	3,810,700
Deferred tax liabilities:		
Depreciation	27,894	121,619
Total deferred tax liabilities	27,894	121,619
Net deferred tax assets	$ 3,830,593	$ 3,689,081

Income tax expense for the years ended December 31, 2023 and 2022, is comprised of the following components:

	2023	2022
Current	$ 2,136,871	$ 1,266,037
Deferred	(535,703)	284,218
Total income tax expense	$ 1,601,188	$ 1,550,255

A reconciliation between the reported income tax expense and the amounts that are computed by applying the federal statutory rate of 24.8 percent to income before income taxes follows:

	2023	2022
Tax at federal statutory rate	$ 1,462,342	$ 1,494,059
State income tax, net of federal benefit	319,188	275,738
	1,781,530	1,769,797
Increase (decrease) in taxes:		
Bank-owned life insurance	(54,393)	(118,731)
Other	(125,949)	(100,811)
Total income tax expense	$ 1,601,188	$ 1,550,255

NOTE 9 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the ordinary course of business, the Company has outstanding commitments, such as commitments to extend credit, which are not included in the accompanying consolidated financial statements. The Company's exposure to credit loss, in the event of non-performance by the other party to the financial instruments for commitments to extend credit, is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

Financial instruments whose contractual amount represents credit risk as of December 31, are as follows:

	2023	2022
Home equity lines of credit and residential construction loans	$ 21,806,000	$ 21,938,000
Commercial real estate, lines of credit, and construction loans	44,268,000	46,356,000
Letters of credit	944,000	907,000
Other unused commitments	271,000	240,000
Total	$ 67,289,000	$ 69,441,000

Commitments to extend credit are agreements to lend to a customer, provided that 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 Company evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Company upon extension of credit, are based on management's credit evaluation. The collateral that is held varies, but may include accounts receivable, inventory, premises and equipment, and income-producing commercial properties.

NOTE 10 – EMPLOYEE BENEFIT PLANS

The Company sponsors a 401(k) Profit Sharing Plan (the "Plan"). Employees over the age of 21 are eligible to participate in the Plan upon completing 12 months of service. Participants may make contributions of up to 20 percent of their compensation. The Company makes discretionary matching contributions which are equal to a percentage of the participant's contribution. The matching contributions are determined annually by the Company. Expenses related to the Company match were $282,903 and $286,293 for the years ended December 31, 2023 and 2022, respectively.

The Bank has supplemental retirement agreements with its executive officers and directors under which the Bank has agreed to provide additional retirement benefits. During 2014, the Company adopted a retention plan to provide additional deferred benefits for the Bank's President. The Bank has recognized expense in the amount of $103,325 and $108,308 for the years ended December 31, 2023 and 2022, respectively, for the accrual of benefits that are payable under these agreements. Coincident with the adoption of the supplemental retirement agreements, the Bank purchased life insurance policies on the executive officers, as well as some directors, and other employees. The Bank is the beneficiary of the policies. The Bank recognized income of $259,014 and $565,387 during 2023 and 2022, respectively, based on the growth in the value of the policies.

NOTE 10 – EMPLOYEE BENEFIT PLANS (Continued)

As of December 31, 2023 and 2022, $1,089,419 and $1,080,256, respectively, were recorded as a liability under these contracts, and $270,176 and $226,959, respectively, were recognized as a related deferred tax asset. The life insurance policies had an aggregate cash surrender value of $10,190,776 and $9,931,762 as of December 31, 2023 and 2022, respectively.

The Bank established a Directors' Deferred Plan to allow eligible directors to defer all or a portion of their fees. Deferrals may be invested in Company stock twice each year, on June 30 and December 31. The individual is immediately 100 percent vested in their deferral and Bank contributions. Deferred compensation is to be paid to the individual or beneficiary upon the end of the individual's term of office. As of December 31, 2023 and 2022, directors' deferred compensation payable was $2,233,187 and $2,241,756, respectively, and $578,630 and $470,769 were recognized as a related deferred tax asset.

In connection with the establishment of the Directors' Deferral Plan, the Bank entered into a Trust Agreement with a corporate trustee in order to establish a trust fund (the "Rabbi Trust"). Each director's account within the Rabbi Trust will be credited with their deferred fees and earnings or losses that are attributable to the account. The Trust established under the agreement is a grantor trust. Part of the Trust assets are invested in shares of the Company. These shares are treated as treasury stock, in accordance with FASB ASC 810-10-45-5.

NOTE 11 – STOCK-BASED COMPENSATION

The Board of Directors approved a stock option plan during 2014 and designated 70,000 shares available for options, as adjusted for the two-for-one stock split occurring during 2016. All of the options were granted in 2015. No options were granted, exercised, or forfeited during 2023 or 2022. The options vest at 10,000 per year in years 2020 through 2026. The expiration date for the exercise of all of the options is January 1, 2026. The exercise price for all options is $8. The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option pricing model. Compensation cost charged against income was $10,450 in 2023, and $14,775 in 2022.

NOTE 12 – REGULATORY MATTERS

Banks and bank holding companies are subject to regulatory capital requirements that are administered by federal banking agencies. Capital adequacy guidelines and, additionally, for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items that are calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available-for-sale securities is included in computing the regulatory capital. As of December 31, 2023, management believes that the Company and the Bank meet all capital adequacy requirements to which they are subject.

NOTE 12 – REGULATORY MATTERS (Continued)

Prompt corrective action regulations provide the following five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required in order to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of the years ended December 31, 2023 and 2022, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events subsequent to this notification that management believes have changed the institution's category.

During 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 January 1, 2020, and was elected by the Bank as of December 31, 2020.

In April 2020, the federal banking regulatory agencies modified the original Community Bank Leverage Ratio (CBLR) framework and provided that, as of the second quarter 2020, a banking organization with a leverage ratio of 8 percent or greater and that meets the other existing qualifying criteria may elect to use the community bank leverage ratio framework. The modified rule also states that the community bank leverage ratio requirement will be greater than 8 percent for the second through fourth quarters of calendar year 2020, greater than 8.5 percent for calendar year 2021, and greater than 9 percent thereafter. The transition rule also maintains a two-quarter grace period for a qualifying community banking organization whose leverage ratio falls no more than 100 basis points below the applicable community bank leverage ratio requirement.

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

NOTE 12 – REGULATORY MATTERS (Continued)

Actual and required capital amounts and ratios are presented below as of year-end:

As of December 31, 2023 (Expressed in Thousands)	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital (to Risk-Weighted Assets)	$ 61,395	10.3%	$ 29,927	5.0%

As of December 31, 2022 (Expressed in Thousands)	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital (to Risk-Weighted Assets)	$ 57,104	9.6%	$ 29,685	5.0%

The Company is also subject to regulation by the Federal Reserve Bank of Cleveland. Capital ratios of the Company do not differ significantly from those of the Bank.

NOTE 13 – LEASES

The Company enters into leases in the normal course of business, primarily for branch operations. The Company's leases have terms that are greater than 12 months, which may include renewal or termination options. The Company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain that the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original terms of 12 months or less on the Company's consolidated balance sheets.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date, based on the estimated present value of lease payments over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate that is implicit in the lease is not known. The Bank's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

NOTE 13 – LEASES (Continued)

A right-of-use asset in the amount of $2,219,460 was recorded on the consolidated balance sheets in 2023, as well as a lease obligation for the same amount recorded in other liabilities. Future undiscounted lease payments for finance and operating leases with initial terms of one year or more as of December 31, 2023, are as follows:

(Expressed in Thousands)

Less than 1 year	$ 337
1 to 3 years	699
3 to 5 years	709
Greater than 5 years	1,063
Total	2,808
Less imputed interest	(589)
Net lease liabilities	$ 2,219

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of December 31, 2023:

Weighted-average remaining lease term – operating leases (years)	8.0
Weighted-average discount rate – operating leases	5.5%

NOTE 14 – LIMITATIONS ON DIVIDENDS

West Virginia State Law precludes the Bank from paying dividends without the prior approval of the Commissioner of Banking, if such dividends exceed the total of the Bank's retained net profits, as defined for the year, combined with its retained net profits of the previous 2 years. Under this formula, the Bank can declare dividends in 2024 without the approval of the Commissioner of Banking of approximately $8.0 million, plus an additional amount equal to the Bank's net profit for 2023, up to the date of any such dividend declaration, subject to minimum regulatory capital requirements. The Bank is the primary source of funds to pay dividends to the shareholders of Main Street Financial Services Corp.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company is required to disclose estimated fair values for its financial instruments. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale, at one time, the Company's entire holdings of a particular financial instrument. Also, it is the Company's general practice and intention to hold most of its financial instruments to maturity and not to engage in trading or sales activities. Since no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions can significantly affect these estimates.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Estimated fair values have been determined by the Company, using historical data and an estimation methodology that is suitable for each category of financial instruments. The estimated fair value of the Company's investment securities is described in Note 1. The Company's fair value estimates, methods, and assumptions are set forth below for the Company's other financial instruments.

As certain assets and liabilities, such as deferred tax assets, premises and equipment, and many other operational elements of the Company, are not considered financial instruments, but have value, this estimated fair value of financial instruments would not represent the full market value of the Company.

The following methods and assumptions were used in estimating the fair values of financial instruments, as disclosed herein:

The estimated fair values of the Company's financial instruments are as follows:

(Expressed in Thousands)	December 31, 2023				
	Carrying Amount	Estimated Fair Value	Level I	Level II	Level III
Financial Assets:					
Securities held-to-maturity	76,621	66,663	-	66,663	-
Loans, net	422,020	401,983	-	-	401,983
Financial Liabilities:					
Deposits	477,038	475,241	299,751	-	175,490
Borrowings	35,593	35,557	-	-	35,557

(Expressed in Thousands)	December 31, 2022				
	Carrying Amount	Estimated Fair Value	Level I	Level II	Level III
Financial Assets:					
Securities held-to-maturity	89,508	78,272	-	78,272	-
Loans, net	402,017	397,354	-	-	397,354
Financial Liabilities:					
Deposits	518,196	513,896	368,091	-	145,085
Borrowings	19,593	19,222	-	-	19,222

For cash and cash equivalents, securities available-for-sale, accrued interest receivable, cash surrender value of life insurance, Federal Home Loan Bank stock, accrued interest payable, repurchase agreements, and advances by borrowers for taxes and insurance, the carrying value is a reasonable estimate of fair value.

NOTE 16 – FAIR VALUE MEASUREMENTS

Accounting standards require that the Bank adopts fair value measurements for financial assets and liabilities. This enhanced guidance for using fair value to measure assets and liabilities applies whenever other standards require or permit assets or liabilities to be measured at fair value. This guidance does not expand the use of fair value in any new circumstances.

Accounting standards establish a hierarchal disclosure framework that is associated with the level of pricing observability that is utilized in measuring assets and liabilities at fair value. The three broad levels that are defined by these standards are as follows:

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

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

Level III: Assets or liabilities that have little or no pricing observability, as of the reported date. These items do not have two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

The following tables present the assets that are reported on the consolidated financial statements at their fair values as of December 31, 2023 and 2022, by level within the fair value hierarchy. As required by accounting standards, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Bank classified investments in securities available-for-sale as Level II instruments and valued them using a combination of available market color for similar securities and prepayment/default projections, based on historical statistics.

	As of December 31, 2023			
(Expressed in Thousands)	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Securities available-for-sale	$ -	$ 53,533	$ -	$ 53,533
Assets measured on a non-recurring basis:				
Collateral dependent loans	-	-	190	190
Other real estate owned	-	-	-	-

NOTE 15 – FAIR VALUE MEASUREMENTS (Continued)

	As of December 31, 2022			
(Expressed in Thousands)	Level I	Level II	Level III	Total
Assets measured on a recurring basis:				
Securities available-for-sale	$ -	$ 52,196	$ -	$ 52,196
Assets measured on a non-recurring basis:				
Impaired loans	-	-	19,614	19,614
Other real estate owned	-	-	85	85

For Level III assets that are measured at fair value on a recurring or non-recurring basis as of December 31, 2023 and 2022, the significant observable inputs that are used in the fair value measurements are as follows (dollars in thousands):

	Fair Value at December 31, 2023	Fair Value at December 31, 2022	Valuation Technique	Significant Unobservable Inputs	Significant Unobservable Input Value
Collateral dependent	$ 190	$ 19,614	(1)	N/A	N/A
Other real estate owned	-	85	(2)	N/A	N/A

(1) Fair value is determined either by the discounted present value of future estimated cash flows or the appraised value of the loan collateral, if the loan is determined to be collateral dependent.

(2) Fair value is generally determined through appraisals of the underlying collateral by qualified independent appraisers. The appraisals generally include various Level III inputs, which are not identifiable.

NOTE 17 – SUBSEQUENT EVENTS

The Company has assessed events occurring subsequent to December 31, 2023, through April 5, 2024, for potential recognition and disclosure in the consolidated financial statements. On March 15, 2024, Wayne Savings Bancshares, Inc. the holding company of Wayne Savings Community Bank and Main Street Financial Services Corp., the holding company of Main Street Bank Corp., jointly announced approval has been received from Regulatory Authorities for the merger of Wayne with and into Main Street followed by the merger of Main Street Bank Corp. with and into Wayne Savings Community Bank.