

REFINITIV

DELTA REPORT

10-K

RMBI - RICHMOND MUTUAL BANCORPOR
10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

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TOTAL DELTAS	2905
CHANGES	651
DELETIONS	1071
ADDITIONS	1183

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2022** **December 31, 2023**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER **Commission File Number: 001-38956**

Richmond Mutual Bancorporation, Inc.

(Exact **Name name** of **Registrant registrant** as **Specified specified** in its **Charter** **charter**)

Maryland

36-4926041

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

31 North 9th Street, Richmond, Indiana

47374

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(765) 962-2581**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	RMBI	The NASDAQ Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act: **None**

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," **accelerated** **accelerated** filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐ ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of **June 30, 2022** **June 30, 2023**, the last business day of the registrant's most recently completed second fiscal quarter, was approximately **\$157.5 million** **\$120.3 million**. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the registrant that such person is an affiliate of the registrant.)

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: As of **March 29, 2023** **March 29, 2024**, there were **11,699,378** **11,115,887** shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

PART III of Form 10-K – Portions of the Registrant's Proxy Statement for its **2023** **2024** Annual Meeting of Shareholders. The **2023** **2024** Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

RICHMOND MUTUAL BANCORPORATION, INC.
FORM 10-K
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PART I**Item 1. Business**

The disclosures set forth in this item are qualified by Item 1A. Risk Factors and the section captioned "Cautionary Note Regarding Forward-Looking Statements" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this report and other cautionary statements set forth elsewhere in this report.

Overview

Richmond Mutual Bancorporation, Inc., a Maryland corporation, which is sometimes referred to in this document as "Richmond Mutual Bancorporation-Maryland," was formed in February 2019 to serve as a new stock holding company for First Bank Richmond upon completion of the reorganization of First Bank Richmond from the mutual to stock holding company form of organization. The reorganization was completed on July 1, 2019. Prior to completion of the reorganization, First Bank Richmond was a wholly owned

subsidiary of Richmond Mutual Bancorporation, Inc., a Delaware stock corporation, which is sometimes referred to in this document as "Richmond Mutual Bancorporation-Delaware," and Richmond Mutual Bancorporation-Delaware was a wholly owned subsidiary of First Mutual of Richmond, Inc., a Delaware non-stock mutual holding company (the "MHC"). On July 1, 2019, upon the completion of the reorganization, Richmond Mutual Bancorporation-Delaware and the MHC ceased to exist, and First Bank Richmond became a wholly owned subsidiary of Richmond Mutual Bancorporation-Maryland. In certain circumstances, where appropriate, the terms "Richmond Mutual Bancorporation," "the Company," "we," "us" and "our" refer collectively to (i) Richmond Mutual Bancorporation-Delaware and First Bank Richmond with respect to discussions in this document involving matters occurring prior to completion of the reorganization and (ii) Richmond Mutual Bancorporation-Maryland and First Bank Richmond with respect to discussions in this document involving matters to occur post-reorganization, in each case unless the context indicates another meaning.

On February 6, 2019, the Board of Directors of the MHC, the parent mutual holding company of Richmond Mutual Bancorporation-Delaware, adopted a Plan of Reorganization and Stock Offering (the "Plan"). The Plan was approved by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") and by the Indiana Department of Financial Institutions (the "IDFI"), as well as the voting members of the MHC at a special meeting of members held on June 19, 2019. Pursuant to the Plan, upon completion of the transaction, the MHC would convert from a mutual holding company to the stock holding company corporate structure, the MHC and Richmond Mutual Bancorporation-Delaware would cease to exist, and First Bank Richmond would become a wholly owned subsidiary Richmond Mutual Bancorporation-Maryland. The transaction was completed on July 1, 2019. In connection with the related stock offering, which was also completed on July 1, 2019, Richmond Mutual Bancorporation-Maryland sold 13,026,625 shares of common stock at \$10.00 per share, for gross offering proceeds of approximately \$130.3 million in its subscription offering and contributed 500,000 shares and \$1.25 million to a newly formed charitable foundation, the First Bank Richmond, Inc. Community Foundation (the "Foundation").

Richmond Mutual Bancorporation-Maryland is regulated by the Federal Reserve Board. Our corporate office is located at 31 North 9th Street, Richmond, Indiana, and our telephone number is (765) 962-2581.

First Bank Richmond is an Indiana state-chartered commercial bank headquartered in Richmond, Indiana. The bank was originally established in 1887 as an Indiana state-chartered mutual savings and loan association and in 1935 converted to a federal mutual savings and loan association, operating under the name First Federal Savings and Loan Association of Richmond. In 1993, the bank converted to a state-chartered mutual savings bank and changed its name to First Bank Richmond, S.B. In 1998, the bank, in connection with its non-stock mutual holding company reorganization, converted to a national bank charter operating as First Bank Richmond, National Association. In July 2007, Richmond Mutual Bancorporation-Delaware, the bank's then current holding company, acquired Mutual Federal Savings Bank headquartered in Sidney, Ohio. Mutual Federal Savings Bank was operated independently as a separately chartered, wholly owned subsidiary of Richmond Mutual Bancorporation-Delaware until 2016 when it was combined with the bank through an internal merger transaction that consolidated both banks into a single, more efficient commercial bank charter. In 2017, the bank converted to an Indiana state-chartered commercial bank and changed its name to First Bank Richmond. The former Mutual Federal Savings Bank continues to operate in Ohio under the name Mutual Federal, a division of First Bank Richmond.

First Bank Richmond provides full banking services through its seven full- and one limited-service offices located in Cambridge City (1), Centerville (1), Richmond (5) and Shelbyville (1), Indiana, its five full-service offices located in Piqua (2), Sidney (2) and Troy (1), Ohio, and its loan production office in Columbus, Ohio. Administrative, trust and wealth management services are conducted through First Bank Richmond's Corporate Office/Financial Center located in Richmond, Indiana. As an Indiana-chartered commercial bank, First Bank Richmond is subject to regulation by the IDFI and the FDIC.

Our principal business consists of attracting deposits from the general public, as well as brokered deposits, and investing those funds primarily in loans secured by commercial and multi-family real estate, first mortgages on owner-occupied, one- to four-family residences, a variety of consumer loans, direct financing leases and commercial and industrial loans. We also obtain funds by utilizing Federal Home Loan Bank ("FHLB") advances. Funds not invested in loans generally are invested in investment securities, including mortgage-backed and mortgage-related securities and agency and municipal bonds.

First Bank Richmond generates commercial, mortgage and consumer loans and leases and receives deposits from customers located primarily in Wayne and Shelby Counties, in Indiana and Shelby, Miami and Franklin (no deposits) Counties, in Ohio. We sometimes refer to these counties as our primary market area. First Bank Richmond's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. Our leasing operation consists of direct investments in equipment that we lease (referred to as direct finance leases) to small businesses located throughout the United States. Our lease portfolio consists of various kinds of equipment, generally technology-related, such as computer systems, medical equipment and general manufacturing, industrial, construction and transportation equipment. We seek leasing transactions where we believe the equipment leased is integral to the lessee's business. We also provide trust and wealth management services, including serving as executor and trustee under wills and deeds and as guardian and custodian of employee benefits, and manage private investment accounts for individuals and institutions. Total wealth management assets under management and administration were **\$138.8 million** **\$170.4 million** at **December 31, 2022** **December 31, 2023**.

Our results of operations are primarily dependent on net interest income. Net interest income is the difference between interest income, which is the income that is earned on loans and investments, and interest expense, which is the interest that is paid on deposits and borrowings. Other significant sources of pre-tax income are service charges (mostly from service charges on deposit accounts and loan servicing fees), and fees from sale of residential mortgage loans originated for sale in the secondary market. We also recognize income from the sale of investment securities.

First Insurance Management, Inc., a Nevada corporation, was formed in 2022 as a pooled captive insurance company subsidiary of the Company. The purpose of this company is to provide additional property and casualty insurance coverage to the Company and its subsidiaries and reinsurance to **16** other third party insurance captives for which insurance may not be currently available or economically feasible in today's insurance marketplace.

FB Richmond Holdings, Inc., a Nevada corporation, was formed in 2020 as a subsidiary of First Bank Richmond. FB Richmond Holdings holds substantially all of the Bank's investment portfolio. As of **December 31, 2022** **December 31, 2023**, the market value of securities held was **\$290.6 million** **\$287.1 million**.

FB Richmond Properties, Inc., a Delaware corporation, was formed in 2020 as a subsidiary of FB Richmond Holdings, Inc. FB Richmond Properties holds certain residential mortgages and commercial real estate loans. As of **December 31, 2022** **December 31, 2023**, FB Richmond Properties held approximately **\$101.8 million** **\$106.1 million** in residential mortgages and commercial real estate loans.

At **December 31, 2022** **December 31, 2023**, on a consolidated basis, we had **\$1.3 billion** **\$1.5 billion** in assets, **\$961.7 million** **\$1.1 billion** in loans and leases, net of allowance, **\$1.0 billion** in deposits and **\$133.0 million** **\$134.9 million** in stockholders' equity. At **December 31, 2022** **December 31, 2023**, First Bank Richmond's total risk-based

capital ratio was 14.3% 14.1%, exceeding the 10.0% requirement for a well-capitalized institution. For the year ended December 31, 2022 December 31, 2023, we reported net income of \$13.0 million \$9.5 million, compared to net income of \$11.1 million \$13.0 million for the year ended December 31, 2021 December 31, 2022.

Market Area

Our primary market area includes Wayne and Shelby counties in Indiana and Shelby, Miami, and Franklin counties in Ohio. We conduct our business through 12 full service and one limited-service banking offices, with seven full-service and one limited-service offices located in Indiana and five offices situated in Ohio. Our main full-service banking office and four other branch offices are located in Richmond (Wayne County), Indiana. We operate two other offices in Wayne County in the towns of Cambridge City and Centerville, and one office in Shelbyville (Shelby County), Indiana, which is situated approximately 25 miles southeast of Indianapolis. Through Mutual Federal, a division of First Bank Richmond, we operate two offices in Sidney (Shelby County), Ohio, and two offices in Piqua and one office in Troy, Ohio (Miami County). We also operate a loan production office in Columbus (Franklin County), Ohio that focuses on commercial and multi-family real estate lending. Administrative, trust and wealth management services are provided at our Corporate Office/Financial Center located in Richmond, Indiana.

Indiana. Wayne County had an estimated population in 2022 2023 of 66,500 66,300 with a median household income of approximately \$50,100. \$49,000. The unemployment rate in December 2022 2023 was 2.5% 2.9% in Wayne County, as compared to the national

and state unemployment rates of 3.3% 3.5% and 2.4% 2.9%, respectively. The top employers in Wayne County include Reid Health, Richmond Community Schools, Belden Wire & Cable, Sugar Creek Brandworthy Food Solutions, Richmond State Hospital, and Primex Plastics Corporation. First Bank Richmond operates seven banking offices in Wayne County, including five in Richmond, which is the largest city in Wayne County.

Richmond is a city in east central Indiana and the county seat of Wayne County. Richmond represents our largest deposit concentration and branch office presence. Richmond had an estimated population of 35,900 35,600 in 2022 2023 with a median household income of approximately \$41,600. \$46,400. It is favorably located with excellent highway access and has over 6.0 million 7.7 million people within a 100-mile radius. Manufacturing is Health care and social services are the primary source sources of employment, followed by health care manufacturing and food service. The city is home to a regional hospital, Reid Health, as well as five higher educational institutions: Earlham College, Bethany Theological Seminary, Indiana University East, Purdue Polytechnic University-Richmond, and Ivy Tech Community College.

Within Wayne County, we also operate branches in Cambridge City and Centerville, which were initially opened in 1958 and 1959, respectively. Cambridge City is located in the western part of Wayne County approximately 15 miles west of Richmond, and had an estimated population of 1,500 with a median household income of approximately \$42,000 \$46,700 in 2022 2023. The workforce in this community is primarily composed of factory health care and social service workers and employees in the agricultural manufacturing sector. Centerville had an estimated population of 2,700 2,800 with a median household income of approximately \$47,600 \$51,100 in 2022 2023. It is a residential suburb to Richmond and home to many antique stores. While Wayne County experienced a 5.0% decline in population from 2010 to 2020, the population in Centerville increased by 3.6% during this period. The population growth in Centerville resulted in part from the influx of professionals and the appeal of its school system.

Shelbyville, where we operate one branch, is the county seat of Shelby County, Indiana. Shelby County had an estimated population in 2022 2023 of 44,800 44,900 with a median household income of approximately \$64,100. \$66,400. Shelbyville, which had an estimated population of 19,700 with a median household income of \$56,000, \$55,900, is located in central Indiana and within the Indianapolis metropolitan area. Manufacturing, health care, and retail trade social services are the largest employment sectors in Shelby County. The unemployment rate in Shelby County was 2.3% in December 2023 compared to 1.9% in December 2022 compared to 1.3% in December 2021, 2022.

Ohio. We operate two offices in Sidney (Shelby County), Ohio, and two offices in Piqua and one office in Troy (Miami County), Ohio. We also operate a loan production office in Columbus, Ohio (Franklin County) that focuses on commercial and multi-family real estate lending.

Sidney is the largest city and the county seat of Shelby County, Ohio. Sidney is located approximately 35 miles north of Dayton, Ohio and 75 miles west of Columbus, Ohio. Sidney had an estimated population in 2022 2023 of 20,600 20,400 with a median household income of approximately \$56,300. \$63,900. Manufacturing is the dominant industry among the employee workforce in Shelby County. Leading manufacturing employers in Shelby County include Honda of America Manufacturing, Emerson Climate Technologies, Airstream, Plastipak Packaging, and Wilson Health. The unemployment rate in Shelby County was 2.9% in both December 2022 compared to 2.8% in December 2021, 2023 and 2022.

Miami County is located in west central Ohio and is part of the Dayton metropolitan area. Miami County had an estimated population in 2022 2023 of 109,300 110,200 with a median household income of approximately \$64,300. \$71,500. Within Miami County, we have offices in Troy, which is the county seat and most populous city, and Piqua. Troy is located 19 miles north of Dayton, while Piqua is located 27 miles north of Dayton. Troy had an estimated population in 2022 2023 of 26,100 26,500 with a median household income of approximately \$65,600. \$69,700, while Piqua had a population of 20,400 with a median household income of approximately \$50,000. \$55,400. Manufacturing is the leading industry employment sector in Miami County, followed by retail trade and health care and social services, services as well as retail trade. The largest employers in Miami County include Upper Valley Medical Center, Clopay Building Products, F&P America, UTC Aerospace Systems, Meijer Distribution Center, ConAgra Foods, American Honda, and Hobart Brothers. The unemployment rate in Miami County was 2.8% in December 2023 compared to 3.2% in December 2022 compared to 3.0% in December 2021, 2022.

Columbus, Ohio, where we operate our loan production office, is the state capital of and most populous city in Ohio. Columbus ranked as the 13th 14th most populous city in the United States with an estimated population in 2022 2023 of 907,300 908,400 and a median household income of approximately \$58,600. \$61,700. Columbus is the county seat of Franklin County, which along with nine other counties comprises the Columbus metropolitan area. The city has a diverse economy based on education, government, insurance, banking, defense, aviation, food, clothing, logistics, steel, energy, medical research, health care, hospitality, retail, and technology. Columbus is home to The Ohio State University, one of the largest universities in the nation.

The Columbus metropolitan area had an estimated population of 2.2 million and ranked as the 32nd 32nd most populous metropolitan area in the United States and the second most populous metropolitan area in Ohio, just behind the Cincinnati metropolitan area and slightly ahead of the Cleveland metropolitan area. The unemployment rate in December 2022 2023 was 3.1% 2.7%

for the entire Columbus metropolitan area and 2.7% for Franklin County, compared to 3.1% for the entire Columbus metropolitan area and 3.1% for Franklin County compared to 2.9% for the entire Columbus metropolitan area and 3.0% for Franklin County in December 2021 2022.

Lending Activities

We offer a full range of lending products, including multi-family and commercial real estate loans (including owner and nonowner-occupied real estate loans), commercial and industrial loans (including equipment loans and working capital lines of credit), construction and development loans, residential real estate loans, including home equity loans and lines of credit, and consumer loans. We also engage in lease financing, which consists of direct financing leases and is used by our commercial customers to finance purchases of equipment. We offer consumer loans, predominantly as an accommodation to our customers, secured by personal assets such as automobiles or recreational vehicles. Some consumer loans are unsecured, such as small installment loans and certain lines of credit. Lending activities originate from the relationships and efforts of our bankers.

Loan Approval Procedures and Authority. Pursuant to Indiana law, the aggregate amount of loans that First Bank Richmond is permitted to make to any one borrower, or a group of related borrowers, is generally limited to 15% of First Bank Richmond's unimpaired capital and surplus. An additional amount may be loaned, up to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. At December 31, 2022 December 31, 2023, based on the 15% limitation, First Bank Richmond's loans-to-one-borrower limit was approximately \$24.7 million \$26.2 million. As of December 31, 2022 December 31, 2023, First Bank Richmond was in compliance with the loans-to-one-borrower limitations. At December 31, 2022 December 31, 2023, our largest lending relationship with one borrower was for \$17.3 million \$19.0 million consisting of four three commercial real estate loans secured by properties in the Columbus, Dayton, Ohio area. All of these loans were performing in accordance with their repayment terms at December 31, 2022 December 31, 2023.

Our lending is subject to written underwriting standards and origination procedures set forth in First Bank Richmond's loan policy. Decisions on loan applications are made on the basis of detailed information submitted by the prospective borrower, credit histories that we obtain, and property valuations (consistent with our appraisal policy) prepared by outside independent licensed appraisers approved by our board of directors as well as internal evaluations, where permitted by regulations. The loan information is primarily designed to determine the borrower's ability to repay the requested loan, and the more significant items are verified through use of credit reports, bank statements and tax returns. Loans containing a policy exception have the exception noted in the credit file accompanied by a statement as to the reason for granting the exception. Exceptions must be approved in accordance with First Bank Richmond's loan policy. All loan approval amounts are based on the aggregate debt, including total commitments outstanding and the proposed loan to the individual borrower and any related entity.

First Bank Richmond's board of directors has the responsibility for approving, on an annual basis, specific lending authority for individual officers, combinations of officers, or loan committees.

Loan Maturity and Repricing. The following tables set forth certain information at December 31, 2022 December 31, 2023 regarding the dollar amount of loans maturing in our portfolio based on their contractual terms to maturity, but does not include scheduled payments or potential prepayments. Loans with scheduled maturities are reported in the maturity category in which the loan is due. Loans that have adjustable rates are shown as amortizing to final maturity rather than when the interest rates are next subject to change. Loan balances do not include undisbursed loan proceeds, unearned discounts, unearned income and allowance for loan credit losses on loans and lease losses, leases.

Due in 1 Year or Less													Due in 1 Year or Less		Due After 1 Year Through 5 Years		Due After 1 Year Through 5 Years	
													Weighted Average Yield		Weighted Average Yield		Weighted Average Yield	
</																		

Leases	Leases	5,499	6.6	122,687	6.9	5,283	6.6	—	—	133,469	6.9
Consumer	Consumer	546	4.0	11,493	5.3	8,972	4.9	37	3.7	21,048	5.1
Total loans and leases	Total loans and leases	\$ 123,337		\$273,796		\$292,809		\$285,058		\$975,000	

Total loans and leases

Total loans and leases

Amount
due
after
one
year at
fixed
interest
rates:

Amount due after one year at fixed interest rates:

Amount due after one year at variable interest rates:

(Dollars in
thousands)

(Dollars in thousands)

Amount
due
after
one year
at
variable
interest
rates:
(Dollars in thousands)

Commercial mortgage	Commercial mortgage	\$ 43,949	\$228,624
Commercial and industrial	Commercial and industrial	27,455	39,611
Construction and development	Construction and development	29,898	60,414
Multi-family	Multi-family	17,736	100,726
Residential	Residential	82,956	61,406
Home equity lines of credit	Home equity lines of credit	2,706	7,710
Leases	Leases	127,970	—
Consumer	Consumer	20,502	—
Total loans and leases	Total loans and leases	\$ 353,172	\$498,491

Total loans and leases

Total loans and leases

Residential Mortgage Lending. We make one- to four-family residential real estate loans and home equity loans and lines of credit secured by the borrower's primary residence. In addition, we may periodically purchase residential loans, which we refer to as brokered mortgages, primarily during periods of reduced loan demand in our primary market areas and at times to support our Community Reinvestment Act lending activities, although we have not purchased any brokered mortgage loans in the last **eight** **nine** years. Any such purchases are made generally consistent with our underwriting standards for residential mortgage loans. At **December 31, 2022** **December 31, 2023**, **\$157.1 million** **\$173.0 million**, or **16.1%** **15.6%**, of our total loan and lease portfolio was secured by residential real estate, consisting of **\$141.4 million** **\$155.7 million** of one- to four-family residential real estate loans, **\$4.7 million** **\$6.4 million** of home equity loans, and **\$11.0 million** **\$10.9 million** of home equity lines of credit.

We originate both fixed-rate and adjustable-rate one- to four-family residential real estate loans. At **December 31, 2022** **December 31, 2023**, **57.4%** **51.8%** of our one- to four-family residential real estate loans were fixed-rate loans and **42.6%** **48.2%** of such loans were adjustable-rate loans. Most of our loans are underwritten using generally-accepted secondary market underwriting guidelines. We typically sell most of the conforming, fixed-rate one- to four-family loans we originate into the secondary market to Fannie Mae and, to a lesser extent, the FHLB of Indianapolis. Loans that are sold into the secondary market to Fannie Mae or the FHLB of Indianapolis are sold with the servicing retained to maintain the client relationship and to generate non-interest income. The sale of mortgage loans provides a source of non-interest income through the gain on sale, reduces our interest rate risk, provides a stream of servicing income, enhances liquidity and enables us to originate more loans at our current capital level than if we held the loans in our loan portfolio. During the year ended **December 31, 2022** **December 31, 2023**, we originated **\$41.3 million**

\$33.1 million one- to four-family fixed-rate mortgage loans and **\$24.0 million** **\$21.4 million** one- to four-family adjustable-rate mortgage ("ARM") loans, and sold **\$28.1 million** **\$19.6 million** of these loans without recourse to Fannie Mae and the FHLB of Indianapolis. See " - Originations, Sales and Purchases of Loans."

We also, from time to time, make a limited amount of Federal Housing Administration ("FHA") loans, U.S. Department of Veterans Affairs ("VA") loans and U.S. Department of Agriculture ("USDA") loans, all of which we originate for sale on a servicing-released, non-recourse basis in accordance with FHA, VA and USDA guidelines. During the year ended **December 31, 2022**, we did not originate or sell any FHA, VA or USDA loans, compared to \$624,000 of FHA, VA and USDA loans originated and sold during the year ended **December 31, 2021**.

Substantially all of the one- to four-family residential mortgage loans we retain in our portfolio consist of fixed-rate loans that do not satisfy acreage limits, income, credit, conforming loan limits (i.e., jumbo mortgages) or various other requirements imposed by Fannie Mae or are adjustable-rate loans. Some of these loans are also originated to meet the needs of borrowers who cannot otherwise satisfy Fannie Mae credit requirements because of personal and financial reasons (i.e., bankruptcy, length of time employed, etc.), and other aspects which do not conform to Fannie Mae's guidelines. Such borrowers may have higher debt-to-income ratios, or the loans are secured by unique properties in rural markets for which there are no sales of comparable properties to support the value according to secondary market requirements. We may require additional collateral or lower loan-to-value ratios to reduce the risk of these loans. We believe that these loans satisfy the needs of borrowers in our market area. As a result, subject to market conditions, we intend to continue to originate these types of loans. We also retain jumbo loans which exceed the conforming loan limits and therefore are not eligible to be purchased by Fannie Mae. At **December 31, 2022** **December 31, 2023**, **\$46.6 million** **\$50.6 million** or **31.9%** **31.2%** of our one- to four-family loan portfolio consisted of jumbo loans.

We generally underwrite our one- to four-family loans based on the applicant's employment and credit history and the appraised value of the subject property. We generally lend up to 89% of the lesser of the appraised value or purchase price for one- to four-family first mortgage loans and non-owner occupied first mortgage loans. For first mortgage loans with a loan-to-value ratio in excess of 89%, we may require private mortgage insurance or other credit enhancement to help mitigate the risk. Fixed-rate loans secured by one- to four-family residences may have contractual maturities of up to 30 years. All of these loans are fully amortizing, with payments due monthly. Properties securing our one- to four-family loans are typically appraised by independent fee appraisers who are selected in accordance with criteria approved by the Loan Committee. For loans that are less than \$250,000, we may use an automated valuation model, in lieu of an appraisal. We require title insurance policies on all first mortgage real estate loans originated over \$100,000. Homeowners, liability, fire and, if required, flood insurance policies are also required for one-to four-family loans. Our real estate loans generally contain a "due on sale" clause allowing us to declare the unpaid principal balance due and payable upon the sale of the security property.

ARM loans are offered with annual adjustments and life-time rate caps that vary based on the product, generally with a maximum annual rate change of 2.0% and a maximum overall rate change of 6.0%. We generally use the rate on one-year Treasury Bills to re-price our ARM loans. As a consequence of using caps, the interest rates on ARM loans may not be as rate sensitive as our cost of funds. Furthermore, because loan indexes may not respond perfectly to changes in market interest rates, upward adjustments on loans may occur more slowly than increases in our cost of interest-bearing liabilities, especially during periods of rapidly increasing interest rates. Because of these characteristics, future yields on ARM loans may not be sufficient to offset increases in our cost of funds.

ARM loans generally pose different credit risks than fixed-rate loans, primarily because as interest rates rise, the borrower's payment increases, which increases the potential for default. We continue to offer our fully amortizing ARM loans with a fixed interest rate for the first one, three, five or seven years, followed by a periodic adjustable interest rate for the remaining term.

The average balance of our one- to four-family residential loans secured by first mortgages was approximately **\$125,000** **\$134,000** at **December 31, 2022** **December 31, 2023**.

We originate fixed-rate home equity loans and fixed- and variable-rate lines of credit secured either by a first or second lien on the borrower's primary residence. Our home equity loans are fixed rate fully amortizing loans with terms of up to 15 years and are generally originated in amounts, together with the amount of the existing first mortgage, of up to 89% of the appraised value of the subject property. Home equity loans originated with a loan to value ratio in excess of 80% are subject to a higher origination fee and higher interest rate than home equity loans with loan to value ratios of 80% or less. If the home equity loan is for home improvements, the improvements to be made to the property may be considered when calculating the loan to value ratio. If the loan to value ratio on the property is sufficient, regardless of the improvements to be made, the proceeds may be disbursed directly to the borrower. When the appraised value is dependent on the improvements to meet the loan to value requirement, the proceeds are held by us until we receive reasonable assurance that the improvements have been completed. The loan officers, at their discretion, may use a limited appraisal or a recertification of value on these types of loans. At **December 31, 2022** **December 31, 2023**, home equity loans totaled **\$4.7 million** **\$6.4 million**, or **0.5%** **0.6%** of our total loan and lease portfolio.

Home equity lines of credit may be either fixed- or adjustable-rate and are typically originated in amounts, together with the amount of the existing first mortgage, of up to 89% of the appraised value of the subject property. Home equity lines of credit originated with a loan to value ratio in excess of 80% are subject to a higher interest rate than home equity lines of credit with loan to value ratios of 80% or less. Home equity lines of credit with an adjustable rate of interest adjust quarterly and are based on the Wall Street Journal Prime rate, plus a margin. Our fixed rate lines have a five-year draw period and our adjustable-rate lines have a 10-year draw period, during which time the funds may be paid down and redrawn up to the committed amount. Once the draw period has lapsed, the borrower either pays off the loan balance, or a new loan is negotiated. We charge an annual fee on each home equity line of credit and require a monthly payment of 0.9% of the outstanding balance drawn during the period, plus interest. At **December 31, 2022** **December 31, 2023**, home equity lines of credit totaled **\$11.0 million** **\$10.9 million**, or **1.1%** **1.0%** of our total loan and lease portfolio, with adjustable-rate home equity lines of credit totaling **\$7.9 million** **\$7.2 million** and fixed rate home equity lines making up the remaining balance. At **December 31, 2022** **December 31, 2023**, unfunded commitments on home equity lines of credit totaled \$16.8 million.

We do not engage in originating interest only, negative amortization, option adjustable rate or subprime loans and have no established program to originate or purchase these loans. Subprime loans are defined as loans that at the time of loan origination had a FICO credit score of less than 660. Of the \$157.1 million \$173.0 million in one- to four-family loans, including home equity loans and lines of credit, in our portfolio as of December 31, 2022 December 31, 2023, \$12.3 million \$18.2 million, or 7.8% 10.5%, were to borrowers with a credit score under 660.

Multi-family and Commercial Real Estate Lending. We originate commercial real estate loans, including loans secured by multi-family residential properties, office buildings, hotels, industrial properties, retail buildings, medical and professional buildings, restaurants and various other commercial properties located principally in our primary market area. As of December 31, 2022 December 31, 2023, \$423.0 million \$480.4 million or 43.4% of our total loan and lease portfolio was secured by commercial and multi-family real estate, of which \$154.5 million \$179.4 million, or 15.8% 16.2% of our total loan and lease portfolio, was secured by property located in the Columbus, Ohio market. Multi-family loans totaled \$124.9 million \$138.8 million of the \$423.0 million \$480.4 million commercial and multi-family real estate loan portfolio, or 12.8% 12.5% of our total loan and lease portfolio, at December 31, 2022 December 31, 2023. Of the remaining \$298.1 million \$341.6 million of this portfolio, approximately \$140.0 million \$224.8 million was secured by income producing, or non-owner-occupied commercial real estate. We also purchase and participate, from time to time, in multi-family and commercial real estate loans from other financial institutions, which amounts are included in our multi-family and commercial real estate loan portfolios. Such loans are independently underwritten according to our policies. At December 31, 2022 December 31, 2023, our purchased multi-family and commercial real estate loan participations totaled \$40.9 million \$39.2 million, or 9.7% 8.2% of our total multi-family and commercial real estate loan portfolios, of which \$4.4 million involve loans secured by collateral outside of our primary market area.

Multi-family and commercial real estate loans generally are priced at a higher rate of interest than one- to four-family residential loans. Typically, these loans have higher loan balances, are more difficult to evaluate and monitor, and involve a greater degree of risk than one- to four-family residential loans. Often payments on loans secured by commercial or multi-family properties are dependent on the successful operation and management of the property; therefore, repayment of these loans may be affected by adverse conditions in the real estate market or the economy. We generally require and obtain loan guarantees from financially capable parties based upon the review of personal financial statements. If the borrower is a corporation, we generally require and obtain personal guarantees from the corporate principals based upon a review of their personal financial statements and individual credit reports. In addition, the borrower's and guarantor's financial information on such loans is monitored on an ongoing basis by requiring periodic financial statements.

Our commercial and multi-family real estate loans generally have initial terms of 10 to 20 years and amortization terms of up to 25 years, with a balloon payment at the end of the initial term and may be fixed-rate or adjustable-rate loans. Our adjustable-rate multi-family and commercial real estate loans are generally tied to a margin above the prime rate or the applicable treasury rate. The maximum loan-to-value ratio of our multi-family and commercial real estate loans is generally 80% of the lower of cost or appraised value of the property securing the loan. At December 31, 2022 December 31, 2023, 17.4% 21.6% of our multi-family and commercial real estate loans were fixed-rate loans and 82.6% 78.4% were adjustable-rate loans.

We consider a number of factors in originating multi-family and commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including project-level and global cash flows, credit history and management expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service). We generally require a debt service ratio of at least 1.10x. All multi-family and commercial real estate loans in excess of \$500,000 are appraised by outside independent appraisers. We require property and casualty insurance and also require flood insurance if the property is determined to be in a flood zone area.

In addition, we generally require a Phase I Environmental Audit as a condition of making all multi-family and commercial real estate loans in excess of \$1.0 million, which audit is performed by a qualified environmental consulting firm. The Phase I Environmental Audit includes appropriate inquiry into previous ownership and uses of the real estate to satisfactorily comply with the "Innocent Landowner Defense Amendment" to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). The results and recommendations of the audit must be acceptable to us prior to loan closing. For loans less than \$1.0 million but greater than \$150,000, a full Phase I Environmental Audit is not required, although an environmental investigation is typically performed by qualified bank personnel or a third party to determine if a full Phase I Environmental Audit should be done.

At December 31, 2022 December 31, 2023, the average loan size of our outstanding multi-family and commercial real estate loans was \$1.1 million, and the largest of such loans was a \$11.8 million an \$11.5 million loan secured by a first mortgage on a parking garage and apartment building located in the Columbus, Ohio metropolitan area. This loan was performing in accordance with its repayment terms at December 31, 2022 December 31, 2023. We had 44 50 other commercial and multi-family real estate loans with an outstanding balance in excess of \$3.0 million at December 31, 2022 December 31, 2023, all of which were performing in accordance with their repayment terms at December 31, 2022 December 31, 2023. Our largest lending relationship with one borrower at December 31, 2022 December 31, 2023 was for \$26.4 million \$19.0 million consisting of seven three commercial real estate loans secured by six separate hotels, three properties in the Dayton, Ohio area, one in the Columbus, Ohio area and two in the Cincinnati, Ohio area, all with a common guarantor area. All of these loans were performing in accordance with their repayment terms at December 31, 2022 December 31, 2023.

Multi-family and commercial real estate loans entail greater credit risks compared to one- to four-family residential real estate loans because they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the repayment of loans secured by income-producing properties typically depends on the successful operation of the property, as repayment of the loan generally is dependent, in large part, on sufficient income from the property to cover operating expenses and debt service. Changes in economic conditions that are not in the control of the borrower or lender could affect the value of the collateral for the loan or the future cash flow of the property. Additionally, any decline in real estate values may be more pronounced for multi-family and commercial real estate than residential properties. If we foreclose on a commercial or multi-family real estate loan, the marketing and liquidation period to convert the real estate asset to cash can be a lengthy process with substantial holding costs. In addition, vacancies, deferred maintenance, repairs and market stigma can result in prospective buyers expecting sale price concessions to offset their real or perceived economic losses for the time it takes them to return the property to profitability. Depending on the individual circumstances, initial charge-offs and subsequent losses on multi-family and commercial real estate loans can be unpredictable and substantial.

The composition of, and location of the underlying collateral securing, our multi-family and commercial real estate loan portfolio at December 31, 2022 December 31, 2023 was as follows:

Type of Security	Type of Security	Indiana	Ohio	Other	Total	% of Total in Category	Type of Security	Indiana	Ohio	Other	Total
(Dollars in thousands)											
(Dollars in thousands)											
Office buildings	Office buildings	\$ 21,563	\$ 18,294	\$ 62	\$ 39,919	9.4 %	Office buildings	\$22,876	\$ 29,493	\$ —	\$ 52,369
Multi-family/Apartment buildings	Multi-family/Apartment buildings	33,851	90,788	275	124,914	29.5					
Hotels	Hotels	23,044	71,680	—	94,724	22.4					
Industrial buildings	Industrial buildings	55,250	13,204	402	68,856	16.3					
Retail	Retail	13,243	14,991	—	28,234	6.7					
Medical	Medical	5,144	8,534	—	13,678	3.2					
Automotive	Automotive	8,480	377	—	8,857	2.1					
Restaurants	Restaurants	6,500	3,250	—	9,750	2.3					
Campgrounds/Golf Courses/Leisure Activities	Campgrounds/Golf Courses/Leisure Activities	6,644	—	—	6,644	1.6					
Agricultural	Agricultural	3,081	1,695	—	4,776	1.1					
Other	Other	5,804	14,545	2,300	22,649	5.4					
Total ⁽¹⁾	Total ⁽¹⁾	\$182,604	\$237,358	\$3,039	\$423,001	100.0 %	Total ⁽¹⁾	\$229,659	\$ 246,417	\$ 4,314	\$ 480,390

(1) Ohio total includes \$154.5 million \$179.4 million of commercial and multi-family loans secured by property located in the Columbus, Ohio market.

Commercial and Industrial Lending. We make secured and unsecured commercial and industrial loans, including commercial lines of credit, working capital loans, term loans, equipment financing, acquisition, expansion and development loans, letters of credit and other loan products, principally in our primary market area. These loans are made based primarily on historical and projected cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. We take as collateral a lien on general business assets including, among other things, available real estate, accounts receivable, inventory and equipment and generally obtain a personal guaranty of the borrower or principal. Our operating lines of credit typically are limited to a percentage of the value of the assets securing the line. Lines of credit and term loans typically are reviewed annually. As of **December 31, 2022** **December 31, 2023**, we had **\$100.4 million** **\$115.4 million** of commercial and industrial loans, representing **10.3%** **10.4%** of our total loan and lease portfolio, including **\$6.3 million** **\$5.0 million** of unsecured commercial and industrial loans (which includes Paycheck Protection Program ("PPP") loans discussed below). loans.

At December 31, 2022, we had \$944,000 of loans originated under the PPP, a specialized low-interest loan program funded by the U.S. Treasury Department and administered by the Small Business Administration ("SBA"). The Bank, as a qualified SBA lender, was authorized to originate PPP loans. PPP loans have an interest rate of 1.0%, a two- year or five-year loan term to maturity, and principal and interest payments deferred until the lender receives the applicable forgiven amount or ten months after the end of the borrower's loan forgiveness covered period. The SBA guarantees 100% of the PPP loans made to eligible borrowers. The entire principal amount of the borrower's PPP loan, including any accrued interest, is eligible to be reduced by the loan forgiveness amount under the PPP so long as employee and compensation levels of the business are maintained and the loan proceeds are used for other qualifying expenses. The PPP expired on May 31, 2021.

The terms of our commercial and industrial loans, excluding PPP loans vary by purpose and by type of underlying collateral. We typically make equipment loans for a term of five years or less at fixed or adjustable rates, with the loan fully amortized over the term. Terms greater than five years may be appropriate in some circumstances, based upon the useful life of the underlying asset being financed or if some form of credit enhancement, such as an SBA guarantee, is obtained. Loans to support working capital typically have terms not exceeding one year and are usually secured by accounts receivable, inventory and personal guarantees of the principals of the business. The interest rates charged on loans vary with the degree of risk and loan amount and are further subject to competitive pressures, money market rates, the availability of funds and government regulations. For loans secured by accounts receivable and inventory, principal is typically repaid as the assets securing the loan are converted into cash (monitored on a monthly or more frequent basis as determined necessary in the underwriting process), and for loans secured with other types of collateral, principal is typically due at maturity.

In general, commercial and industrial loans may involve increased credit risk and, therefore, typically yield a higher return. The increased risk in commercial and industrial loans derives from the expectation that such loans generally are serviced principally from the operations of the business, and those operations may not be successful. Any interruption or discontinuance of operating cash flows from the business, which may be influenced by events not under the control of the borrower such as economic events and changes in governmental regulations, could materially affect the ability of the borrower to repay the loan. In addition, the collateral securing commercial and industrial loans generally includes moveable property such as equipment and inventory, which may decline in value more rapidly than we anticipate, exposing us to increased credit risk. As a result of these additional complexities, variables and risks, commercial and industrial loans require extensive underwriting and servicing.

At **December 31, 2022** **December 31, 2023**, the average loan size of our outstanding commercial and industrial loans was **\$240,000** **\$239,000**, and our largest outstanding commercial and industrial loan was a capital improvement loan totaling **\$7.1 million** **\$6.4 million** to an equipment holding and leasing company located in Bremen, Ohio secured by a first lien on equipment. This loan was performing in accordance with its repayment terms at **December 31, 2022** **December 31, 2023**. We had **20** **21** other commercial and industrial

loans with an outstanding balance in excess of \$1.0 million at ~~December 31, 2022~~ December 31, 2023, all but ~~one~~ two of which were performing in accordance with their repayment terms at that date.

Construction and Development Lending. We originate loans to finance the construction of commercial real estate projects, such as multi-family housing, industrial, office and retail centers. We also originate residential construction loans to borrowers and builders secured by single-family residences. On a much smaller scale, we may originate loans for the acquisition and development of residential or commercial land into buildable lots. At ~~December 31, 2022~~ December 31, 2023, our construction and development loan portfolio totaled ~~\$139.9 million~~ \$157.8 million, or ~~14.4%~~ 14.3% of our total loan and lease portfolio, consisting of ~~\$127.0 million~~ \$148.5 million in commercial construction loans and ~~\$12.9 million~~ \$9.3 million in residential construction loans. At ~~December 31, 2022~~ December 31, 2023, we had unfunded construction loan commitments totaling ~~\$128.2 million~~ \$102.0 million and ~~\$17.7 million~~ \$2.8 million in commercial and residential construction loans, respectively. We also purchase and participate, from time to time, in construction loans from other financial institutions, which amounts are included in our construction and development loan portfolio. Such loans are independently underwritten according to our policies. At December 31, 2023, our purchased construction and development loan participations totaled \$46.8 million, or 29.6% of our total construction and development loan portfolio, of which \$17.6 million involve loans secured by collateral outside of our primary market area.

Our commercial construction loans are typically made to builders/developers that have an established record of successful project completion and loan repayment. We conduct periodic inspections, either directly or through an agent, prior to approval of periodic draws on these loans based on the percentage of completion. Underwriting guidelines for our commercial construction loans are similar to those described above for our commercial real estate lending. General liability, builder's risk hazard insurance, title insurance, and flood insurance (as applicable, for properties located or to be built in a designated flood hazard area) are also required on all construction and development loans.

Our commercial construction loans have terms that typically range from one to two years depending on factors such as the type and size of the development and the financial strength of the borrower/guarantor. Commercial construction loans are typically structured with an interest only period during the construction phase. Commercial construction loans are underwritten to either mature, or transition to a traditional amortizing loan, at the completion of the construction phase. The loan-to-value ratio on our commercial construction loans, as established by independent appraisal, typically will not exceed 80% of the appraised value on a completed basis or the cost of completion, whichever is less. These loans generally include an interest reserve of 1% to 5% of the loan commitment amount. The average outstanding loan size in our commercial construction loan portfolio was approximately ~~\$2.3 million~~ \$2.6 million at ~~December 31, 2022~~ December 31, 2023.

Commercial construction loans on property built for speculative purposes that has not sold in a period of eighteen months after completion will require re-margining at no more than 89% of current appraised value and monthly amortization based on a 25-year payout. At ~~December 31, 2022~~ December 31, 2023, ~~\$20.8 million~~ \$17.8 million, or ~~16.4%~~ 13.0%, of our total commercial construction loan portfolio consisted of speculative construction loans.

We finance the construction of pre-sold owner occupied, one- to four-family residential properties in our market areas to builders and prospective homeowners. Our residential construction loans are originated primarily on a construction/permanent basis with such loans converting to an amortizing loan following the completion of the construction phase. Our residential construction loans generally provide for the payment of interest only during the construction phase, which is typically up to nine months. We do not make speculative construction loans to a builder for homes that are not pre-sold. The average outstanding residential construction loan balance was approximately ~~\$267,000~~ \$371,000 at ~~December 31, 2022~~ December 31, 2023.

Residential construction loans are made with a maximum loan-to-value ratio of the lower of 80% of the cost or appraised value at completion. Commitments to fund residential construction loans generally are made subject to an appraisal of the property by an independent licensed appraiser. Loan proceeds are disbursed after inspection by a third-party inspector based on the percentage of completion method.

On a more limited basis, we also make land loans to developers, builders and individuals to finance the commercial development of improved lots or unimproved land. In making land loans, we follow underwriting policies and disbursement and monitoring procedures similar to those for commercial construction loans. These land loans also involve additional risks because the loan amount is based on the projected value of the lots after development. We make these loans for up to 65% of the estimated value of raw land and up to 75% of the estimated value of developed land, with a term of up to two years with interest only payments, payable monthly.

Construction loans generally involve greater credit risk than long-term financing on improved, owner occupied real estate. In the event a loan is made on property that is not yet approved for the planned development or improvements, there is a risk that necessary approvals will not be granted or will be delayed. Risk of loss on a construction loan also depends upon the accuracy of the initial estimate of the value of the property at completion of construction compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction cost is inaccurate, we may be required to advance additional funds beyond the amount originally committed in order to protect the value of the property. Moreover, if the estimated value of the completed project is inaccurate, the borrower may hold a property with a value that is insufficient to assure full repayment of the construction loan upon the sale of the property. Construction loans also carry the risk that construction will not be completed on time in accordance with specifications and projected costs. In addition, repayment of these loans can be dependent on the sale or rental of the property to third parties, and the ultimate sale or rental of the property may not occur as anticipated. Other risks may include the fraudulent diversion of construction funds, the filing of mechanics liens by contractors, subcontractors or suppliers, or the contractor's failure to complete the construction of the project.

We seek to address the forgoing risks associated with construction and development lending by developing and adhering to underwriting policies, disbursement procedures and monitoring practices. Specifically, we (i) seek to diversify loans in our market areas, (ii) evaluate and document the creditworthiness of the borrower and the viability of the proposed project, (iii) obtain an appraisal of the property by an independent licensed appraiser, (iv) limit loan-to-value ratios to specified levels, (v) control disbursements on construction loans on the basis of on-site inspections by third party inspectors, and (vi) monitor economic conditions in each market. No assurances, however, can be given that these practices will be successful in mitigating the risks of construction and development lending.

At ~~December 31, 2022~~ December 31, 2023, our largest construction and land development loan had an outstanding balance of ~~\$10.9 million~~ \$11.7 million and was secured by an apartment building a 210,000 square-foot industrial facility located in a Columbus, Ohio, Ohio suburb. At ~~December 31, 2022~~ December 31, 2023, this loan was performing according to its repayment terms. We had ~~15~~ 18 other construction and development loans with an outstanding balance in excess of \$3.0 million at ~~December 31, 2022~~ December 31, 2023, all of which were performing in accordance with their repayment terms at that date except for one \$4.9 million loan that is subject to litigation between the developer and other parties.

Lease Financing. We conduct our leasing operations through First Federal Leasing, a division of First Bank Richmond. Our lease financing operation consists of direct financing leases which are used by commercial customers to finance purchases such as medical, computer and manufacturing equipment, audio/visual equipment, industrial assets,

construction and transportation equipment, and a wide variety of other commercial equipment. We rely solely on brokers and other third-party originators to generate our lease transactions. The nature of our business requires the use of brokers and third-party originators as it focuses on transactions generally ranging between \$2,500 and \$200,000 (with an average size of \$45,000) with terms of 24 to 72 months, with a weighted average term of 41.7 41.1 months as of December 31, 2022 December 31, 2023. Our risk management profile centers on internally rated "A" quality credits. At December 31, 2022 December 31, 2023, our direct finance leasing portfolio totaled \$133.5 million \$156.6 million, or 13.7% 14.2% of our total loan and lease portfolio, with lease contracts located throughout the United States.

At lease inception, we record an asset (net investment) representing the aggregate future minimum lease payments and deferred indirect costs less unearned income. Income is recognized over the life of the lease to approximate a level rate of return on the net investment.

To generate deal flow, we actively work with over 100 brokers and third-party originators across the country, some of which are one person shops and others more established companies, with most of the volume coming from fewer than 25 referral sources. We have operated with this model since we commenced leasing operations in 1989 and have developed procedures to minimize fraud and concentration risk. The leases are processed by us through our lease origination software, which allows brokers to populate the fields with customer information and attach credit documentation, streamlining the data collection process. There is no automated approval process. Each lease application is reviewed by a credit administrator and then sent to a credit underwriter for review and approval. We have procedures in place to check and underwrite all the data we receive from the brokers and third-party originators, including ensuring that the potential lessee is operating from the location given and tracking the performance of each vendor.

The credit decisions for these transactions are based upon an assessment of the overall financial capacity of the applicant and generally require that the applicant have a minimum FICO score of 675. A determination is made as to the applicant's ability to repay in accordance with the proposed terms as well as an overall assessment of the risks involved. In addition to an evaluation of the applicant's financial condition, a determination is made of the probable adequacy of the primary and secondary sources of repayment, such as personal guarantees, to be relied upon in the transaction. Credit agency reports of the applicant's credit history supplement the analysis of the applicant's creditworthiness.

We generally file a UCC-1 financing statement on all of our lease transaction to perfect our interest in the equipment, except in the case of (i) titled equipment, where we would require the title in lieu of the UCC financing statement, (ii) transactions under \$5,000 or (iii) for equipment with very little value, such as computer software. Perfection gives us a claim to the collateral that is superior to someone that obtains a lien through the judicial process subsequent to the perfection of a security interest. The failure to perfect a security interest does not render the security interest unenforceable against the borrower. However, failure to perfect a security interest risks avoidance of the security interest in bankruptcy or subordination to the claims of third parties.

At December 31, 2022 December 31, 2023, approximately \$41.7 million \$52.4 million or 31.2% 33.3% of the aggregate dollar amount of our lease portfolio was concentrated in four states: California at 9.4% 12.7%; New York at 9.3% 8.2%; Florida at 6.3% 6.2% and Arkansas at 6.2%. Our largest leasing relationship at that date was with the State of Arkansas which consisted of more than 3,000 3,300 leases totaling approximately \$7.6 million \$9.5 million in lease receivables, all of which were performing in accordance with the lease terms. Our second largest leasing relationship was with a drilled pile foundation company located in Florida consisting of four three contracts totaling approximately \$1.6 million \$1.3 million in lease receivables, all of which were performing in accordance with the lease terms.

Consumer Lending. We offer a variety of secured and unsecured consumer loans to individuals who reside or work in our market area, including new and used automobile loans, motorcycle loans, boat loans, recreational vehicle loans, mobile home loans and loans secured by certificates of deposit. Most of our consumer loans are made as an accommodation to our existing customers. At December 31, 2022 December 31, 2023, our consumer loan portfolio totaled \$21.0 million \$23.3 million, or 2.2% 2.1% of our total loan and lease portfolio, including \$1.2 million \$1.9 million of unsecured consumer loans.

Consumer loans generally have shorter terms to maturity, which reduces our exposure to changes in interest rates. In addition, management believes that offering consumer loan products helps to expand and create stronger ties to our existing customer base by increasing the number of customer relationships and providing cross-marketing opportunities.

Originations, Sales and Purchases of Loans

Our loan originations are generated by our loan personnel operating at our office locations. While we originate both fixed-rate and adjustable-rate loans, our ability to generate each type of loan depends upon relative borrower demand and the pricing levels as set in the local marketplace by competing banks, thrifts, credit unions, and mortgage banking companies. Our volume of real estate loan originations is influenced significantly by market interest rates, and, accordingly, the volume of our real estate loan originations can vary from period to period. During the year ended December 31, 2022 December 31, 2023, we originated \$236.3 million of fixed rate loans and leases and \$136.6 million of adjustable-rate loans, compared to \$232.1 million of fixed rate loans and leases and \$254.2 million of adjustable-rate loans compared to \$315.1 million of fixed rate loans and leases and \$218.7 million of adjustable-rate loans during the year ended December 31, 2021 December 31, 2022.

The following tables provide information regarding our origination for the periods indicated:

		2022		
		Floating or Fixed Rate Adjustable Rate Total		
		(Dollars in thousands)		
		2023		
		Fixed Rate Floating or Adjustable Rate Total		
		(Dollars in thousands)		
Residential mortgage ⁽¹⁾	Residential mortgage ⁽¹⁾	\$ 41,269	\$ 23,958	\$ 65,227

Home equity lines of credit	Home equity lines of credit	2,740	8,052	10,792
Multi-family and commercial real estate	Multi-family and commercial real estate	23,227	91,510	114,737
Construction and development	Construction and development	66,970	109,734	176,704
Consumer	Consumer	14,564	—	14,564
Commercial and Industrial	Commercial and Industrial	13,052	20,935	33,987
Commercial and industrial				
Leases	Leases	70,293	—	70,293
Total	Total	\$232,115	\$ 254,189	\$486,304

(1) Includes \$2.3 million \$3.0 million of fixed-rate and \$17,000 \$260,000 of adjustable-rate loans secured by second mortgages on residential properties.

		2021		
		Floating or		
		Fixed Rate	Adjustable Rate	Total
		(Dollars in thousands)		
		2022		
		Fixed Rate	Floating or Adjustable Rate	Total
		(Dollars in thousands)		
Residential mortgage ⁽¹⁾	Residential mortgage ⁽¹⁾	\$101,512	\$ 19,860	\$121,372
Home equity lines of credit	Home equity lines of credit	2,529	7,566	10,095
Multi-family and commercial real estate	Multi-family and commercial real estate	39,836	136,416	176,252
Construction and development	Construction and development	29,465	29,439	58,904
Consumer	Consumer	15,121	—	15,121
Commercial and Industrial	Commercial and Industrial	55,857	25,384	81,241
Commercial and industrial				
Leases	Leases	70,733	—	70,733
Total	Total	\$315,053	\$ 218,665	\$533,718

(1) Includes \$1.8 million \$2.3 million of fixed-rate and \$25,000 \$17,000 of adjustable-rate loans secured by second mortgages on residential properties.

As reflected in the tables above, loan and lease originations decreased \$47.4 million \$113.4 million, or 8.9% 23.3%, to \$372.9 million during 2023 compared to \$486.3 million during 2022, compared to \$533.7 million during 2021, primarily due to decreases in in: (i) residential mortgage loans as a result of a slowdown in the refinancing and sales of housing in our area due to rising market interest rates, rates; and (ii) multifamily, and commercial real estate, and construction and development loans also due to increasing interest rates, and commercial and industrial loans as a result of the expiration of the PPP in May 2021. Construction and development loan originations increased year over year in line with management's strategy to expand this portfolio. rates.

We consider our balance sheet as well as market conditions on an ongoing basis in making decisions as to whether to hold residential loans we originate for investment or to sell these loans to investors, choosing the strategy that is most advantageous to us from a profitability and risk management standpoint. We sell the majority of the fixed-rate conforming and eligible jumbo one- to four-family residential real estate loans that we originate, generally on a servicing-retained basis, while retaining some non-eligible fixed-rate and adjustable-rate one- to four-family residential real estate loans in order to manage the duration and time to repricing of our loan portfolio. All FHA, VA and USDA loans we originate are sold on a servicing-released, non-recourse basis in accordance with FHA, VA and USDA guidelines. For the years ended **December 31, 2022** **December 31, 2023** and **2021**, 2022, we sold **\$28.1 million** **\$19.7 million** and **\$76.2 million** **\$28.1 million** of one- to four-family residential real estate loans, respectively. During the year ended **December 31, 2022** **December 31, 2023**, we **did not originate or sell any FHA, VA or USDA loans, compared to \$624,000 originated and sold \$65,000 of FHA, VA and USDA loans, compared to no FHA, VA or USDA loans originated and or sold during the year ended** **December 31, 2021** **December 31, 2022**.

We recognize, at the time of sale, the cash gain or loss on the sale of the loans based on the difference between the net cash proceeds received and the carrying value of the loans sold. Subject to market and economic conditions, management intends to continue this sales activity in future periods to generate gain on sale income.

From time to time, we may purchase loan participations secured by properties within and outside of our primary lending market area in which we are not the lead lender. In these circumstances, we follow our customary loan underwriting and approval policies. At **December 31, 2022** **December 31, 2023**, we had **50** **45** loans totaling **\$69.4 million** **\$93.4 million**, consisting of **\$39.2 million** of multifamily and commercial real estate loans, **\$46.8 million** of construction and development loans, and **\$7.4 million** of other loans in which we were not the lead **lender**. **lender (of which \$22.0 million are for loans secured by collateral located outside of our primary market area)**. All of these participation loans were performing in accordance with their original repayment terms at **December 31, 2022** **December 31, 2023**. We also have sold portions of loans we originate that exceeded our loans-to-one borrower legal lending limit or for risk diversification. Historically, we have not purchased whole loans. Pursuant to our growth strategy, however, we may purchase whole loans in the future.

Delinquencies and Non-Performing Assets

Loans and leases are reviewed on a regular basis. **Management determines that a Past due status is based on contractual terms of the loan. For all loan or lease is impaired or nonperforming when it is probable at least a portion classes, the entire balance of the loan or lease will not be collected in accordance with the original terms is considered past due to a deterioration in the financial condition of the borrower or the value of the underlying collateral if the loan is collateral dependent. When a loan or lease is determined minimum payment contractually required to be impaired, paid is not received by the measurement contractual due date. Nonperforming loans and leases consist of the loan or lease in the allowance for loan loans and lease losses is based leases delinquent past 90 days and still accruing, and all loans and leases that are placed on present value of expected future cash flows, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral. nonaccrual. Nonaccrual loans and leases are loans and leases for which collectability is questionable and, therefore, interest on such loans will no longer be recognized on an accrual basis. All loans and leases that become 90 days or more delinquent are placed on nonaccrual status unless the loan is well secured and in the process of collection.**

When we acquire real estate as a result of foreclosure, the real estate is classified as foreclosed assets or Other Real Estate Owned. Foreclosed assets are recorded at the lower of carrying amount or fair value, less estimated costs to sell. Soon after acquisition, we order a new appraisal, or evaluation when acceptable, to determine the current market value of the property. Any excess of the recorded value of the loan over the market value of the property is charged against the allowance for loan and lease losses, or, if the existing allowance is inadequate, charged to expense, in either case during the applicable period of such determination. After acquisition, all costs incurred in maintaining the property are expensed.

We generally cease accruing interest on our loans and leases when contractual payments of principal or interest have become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan or lease is currently performing. A loan or lease may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan or lease is placed on nonaccrual status, unpaid interest credited to income is reversed. Interest received on nonaccrual loans and leases generally is applied against principal or interest and is recognized on a cash basis. Generally, loans and leases 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.

Nonperforming loans and leases totaled **\$9.1 million** **\$8.0 million**, or **0.72%** of total loans and leases at **December 31, 2023** and **\$9.2 million**, or **0.94%** of total loans and leases at **December 31, 2022** and **\$8.1 million** or **0.95%** of total loans and leases at **December 31, 2021**. The **increase** **decrease** in nonperforming loans was primarily attributable to a **\$1.3 million increase** **\$1.0 million decrease** in commercial and industrial loans, primarily due to **one loan of \$1.3 million** **two loans to the same borrower totaling \$550,000** and secured by **business assets** **real estate**, which were transferred to real estate owned and a second mortgage, past due more than 90 days and still accruing, subsequently sold during 2023. At **December 31, 2022** **December 31, 2023**, our largest nonperforming loan was a \$4.9 million nonaccrual commercial construction and development loan that is subject to litigation between the developer and other parties.

Loans **When we acquire real estate as a result of foreclosure, the real estate is classified as foreclosed assets or Other Real Estate Owned. Foreclosed assets are accounted for as troubled debt restructurings recorded at the lower of carrying amount or fair value, less estimated costs to sell. Soon after acquisition, we order a new appraisal, or evaluation when a borrower is experiencing financial difficulties that lead acceptable, to a restructuring determine the current market value of the property. Any excess of the recorded value of the loan and First Bank Richmond grants a concession to over the borrower that it would not otherwise consider. These concessions include a modification of terms, such as a reduction market value of the stated interest rate property is charged against the allowance for credit losses, or, loan balance, a reduction of accrued interest, an extension of if the maturity date at an interest rate lower than current market rate for a new loan with similar risk, or some combination thereof existing allowance is inadequate, charged to facilitate payment. Troubled debt restructurings are considered impaired loans. No additional loan commitments were outstanding to our troubled debt restructured borrowers at December 31, 2022.**

Loans on nonaccrual status at expense, in either case during the date of modification are initially classified as non-accrual troubled debt restructurings. At December 31, 2022, we had \$428,000 in nonaccrual troubled debt restructurings, none of which were in the process of foreclosure at December 31, 2022. Our policy provides that troubled debt restructured loans are returned to accrual status after a applicable period of satisfactory and reasonable future payment performance under such determination. After acquisition, all costs incurred in maintaining the terms of the restructuring. Satisfactory payment performance is generally no less than six consecutive months of timely payments. At December 31, 2022, we had no loans or leases classified as accruing troubled debt restructurings. property are expensed.

Foreclosed assets consist of property acquired through formal foreclosure, in-substance foreclosure or by deed in lieu of foreclosure, and are recorded at the lower of recorded investment or fair value less estimated costs to sell. Write-downs from recorded investment to fair value, which are required at the time of foreclosure, are charged to the

allowance for **loan credit losses on loans** and **lease losses, leases**. After transfer, adjustments to the carrying value of the properties that result from subsequent declines in value are charged to operations in the period in which the declines occur. We had **\$57,000** **\$136,000** in foreclosed assets at **December 31, 2022** **December 31, 2023**.

The table below sets forth the amounts and categories of our non-performing assets at the dates indicated.

At December 31,		At December 31,	
2023		2023	2022
(Dollars in thousands)		(Dollars in thousands)	
Nonaccrual loans and leases:			
Residential mortgage ⁽¹⁾			
Residential mortgage ⁽¹⁾			
Residential mortgage ⁽¹⁾			
	At December 31,		
	2022 2021		
	(Dollars in thousands)		
Nonaccrual loans and leases:			
Residential mortgage ⁽¹⁾	\$ 113	\$ 119	
Construction and development			
Commercial mortgage	—	128	
Construction and development			
Construction and development	Construction and development	4,900	4,900
Commercial and industrial	Commercial and industrial	961	995
Commercial and industrial			
Commercial and industrial			
Leases	Leases	29	42
Total non-accruing loans and leases ⁽²⁾		6,003	6,184
Total non-accruing loans and leases			
Accruing loans and leases delinquent more than 90 days:	Accruing loans and leases delinquent more than 90 days:		
Accruing loans and leases delinquent more than 90 days:			
Residential mortgage ⁽¹⁾			
Residential mortgage ⁽¹⁾			

Residential mortgage ⁽¹⁾	Residential mortgage ⁽¹⁾	1,825	1,813
Home equity lines of credit	Home equity lines of credit	30	12
Consumer	Consumer	33	22
Consumer			
Consumer			
Commercial and industrial	Commercial and industrial	1,285	—
Leases			
Total accruing loans and leases delinquent more than 90 days	Total accruing loans and leases delinquent more than 90 days	3,173	1,847
Total non-performing loans and leases	Total non-performing loans and leases	9,176	8,031
Foreclosed assets:	Foreclosed assets:		
Foreclosed assets:			
Foreclosed assets:			
Residential mortgage ⁽¹⁾			
Residential mortgage ⁽¹⁾			
Residential mortgage ⁽¹⁾	Residential mortgage ⁽¹⁾	57	27
Total foreclosed assets	Total foreclosed assets	57	27
Total non-performing assets		\$9,233	\$8,058
Troubled debt restructurings (accruing):			
Total foreclosed assets			
Total foreclosed assets			
Total trouble debt restructuring		\$ —	\$ —
Total non-performing assets			
Total non-performing assets			
Total non-performing assets			
Total non-performing loans to total loans	Total non-performing loans to total loans	0.94 %	0.95 %
Total non-performing loans to total loans			

Total non-performing loans to total loans				0.72 %	0.94 %	
Total non-performing assets to total assets	Total non-performing assets to total assets	0.69 %	0.64 %	Total non-performing assets to total assets	0.56 %	0.69 %
Total non-performing assets and troubled debt restructurings (accruing) to total assets						
Total non-performing assets and modified loans (accruing) to total assets						
Total non-performing assets and modified loans (accruing) to total assets				0.56 %	0.69 %	

(1) Includes loans secured by first and second mortgages on residential properties.

(2) Nonaccrual loans and leases include \$428,000 and \$456,000 of troubled debt restructurings for the years ended December 31, 2022 and 2021, respectively.

Classified Assets. Our regulators require that we classify loans and other assets, such as debt and equity securities considered to be of lesser quality, as “substandard,” “doubtful” or “loss.” An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances for loan and lease credit losses in an amount deemed prudent by management and approved by the board of directors. General allowances represent loss allowances that have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as “loss,” it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge off such amount. Our determination as to the classification of our assets and the amount of our valuation allowances is subject to review by our regulators, which may order the establishment of additional general or specific loss allowances.

In accordance with our loan policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations. Loans are listed on the “watch list” initially because of emerging financial weaknesses even though the loan is currently performing as agreed, or if the loan possesses weaknesses although currently performing. If a loan deteriorates in asset quality, the classification is changed to “special mention,” “substandard,”

“substandard,” “doubtful” or “loss” depending on the circumstances and the evaluation. Generally, loans 90 days or more past due are placed on nonaccrual status and classified “substandard.” Management reviews the status of each impaired loan on our watch list on a quarterly basis.

On the basis of this review of our assets, our classified assets at the dates indicated were as follows:

		At December 31,	
		2022	2021
		(In thousands)	
		At December 31,	At December 31,
		2023	2022
		(In thousands)	
Special mention	Special mention	\$ 4,034	\$12,222
Substandard	Substandard	12,710	8,453
Doubtful	Doubtful	29	42
Loss	Loss	—	—

Total classified assets	Total classified assets	\$16,773	\$20,717
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Allowance for **Loan and Lease Credit** Losses

The allowance for **loan and lease credit** losses is maintained at a level which, in management's judgment, is adequate to absorb probable credit losses inherent in the loan and lease portfolio. **This requires significant judgement to estimate credit losses on a collective pool basis where similar risk characteristics exist, as well as for loans evaluated individually.** The amount of the allowance is based on management's evaluation of the collectability of the loan and lease portfolio, including the nature of the portfolio, credit concentrations, **trends in** historical loss experience, **specific impaired and current conditions and reasonable supportable forecasts for the Company's outstanding loan and lease balances.** **Allowances are made on individually analyzed loans and economic conditions.** **Allowances for impaired loans are** generally determined based on collateral values or the present value of estimated cash flows. Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on **impaired individually analyzed** loans, it is reasonably possible that management's estimate of probable credit losses inherent in the loan and lease portfolio and the related allowance may change materially in the near-term. The allowance is increased by a provision for **loan and lease credit** losses, which is charged to expense and reduced by full and partial charge-offs, net of recoveries. **Changes in the allowance relating to impaired loans and leases are charged or credited to the provision for loan and lease losses.** Management's periodic evaluation of the adequacy of the allowance is based on various factors, including, but not limited to, management's ongoing review and grading of loans and leases, facts and issues related to specific loans and leases, historical loan and lease loss and delinquency experience, trends in past due and non-accrual loans and leases, existing risk characteristics of specific loans or loan pools, the fair value of underlying collateral, current economic conditions and other qualitative and quantitative factors which could affect potential credit losses.

As an integral part of their examination process, the IDFI and the FDIC will periodically review our allowance for **loan and lease credit** losses, and as a result of such reviews, we may have to adjust our allowance for **loan and lease credit** losses. However, regulatory agencies are not directly involved in the process for establishing the allowance for **loan and lease credit** losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

Allowance for **Loan and Lease Credit Losses.** The following table sets forth an analysis of our allowance for **loan and lease credit** losses at the dates and for the periods indicated. Average balances of residential loans include loans held for sale.

At and For the Years Ended December 31, 2023				At and For the Years Ended December 31, 2023 2022			
(Dollars in thousands)				(Dollars in thousands)			
At and For the Years Ended December 31, 2022 2021							
(Dollars in thousands)							
Allowance for loan and lease losses to total loans outstanding		1.27 %	1.43 %				
Allowance for loan and lease losses	\$ 12,413	\$ 12,108					
Allowance for credit losses on loans and leases to total loans outstanding							
Allowance for credit losses on loans and leases to total loans outstanding							
Allowance for credit losses on loans and leases to total loans outstanding				1.42 %	1.27 %		
Allowance for credit losses on loans and leases							
Total loans outstanding	Total loans outstanding	\$975,000	\$845,951				
Nonaccrual loans to total loans outstanding	Nonaccrual loans to total loans outstanding	0.62 %	0.73 %	Nonaccrual loans to total loans outstanding	0.57 %	0.62 %	
Nonaccrual loans	Nonaccrual loans	\$ 6,003	\$ 6,184				
Total loans outstanding	Total loans outstanding	\$975,000	\$845,951				
Allowance for loan and lease losses to nonaccrual loans		206.78 %	195.80 %				
Allowance for loan and lease losses	\$ 12,413	\$ 12,108					

Allowance for credit losses on loans and leases to nonaccrual loans				Allowance for credit losses on loans and leases to nonaccrual loans	247.68 %	206.78	%
Allowance for credit losses on loans and leases							
Nonaccrual loans	Nonaccrual loans	\$ 6,003	\$ 6,184				
Net charge-offs/(recoveries) during the period to average loans outstanding:	Net charge-offs/(recoveries) during the period to average loans outstanding:						
Commercial mortgage	Commercial mortgage						
Commercial mortgage	Commercial mortgage	(0.02)%	— %		— %	(0.02)	%
Net recoveries during the period	Net recoveries during the period	\$ (53)	\$ (3)				
Average amount outstanding	Average amount outstanding	\$285,404	\$253,938				
Commercial and industrial	Commercial and industrial	(0.13)%	(0.09)%	Commercial and industrial	(0.02)%	(0.13)	%
Net recoveries during the period	Net recoveries during the period	\$ (130)	\$ (104)				
Average amount outstanding	Average amount outstanding	\$ 98,630	\$117,528				
Construction and development	Construction and development	— %	— %	Construction and development	— %	—	%
Net charge-offs/(recoveries) during the period	Net charge-offs/(recoveries) during the period	\$ —	\$ —				
Average amount outstanding	Average amount outstanding	\$112,058	\$ 63,634				
Multi-family	Multi-family	— %	— %	Multi-family	— %	—	%
Net charge-offs/(recoveries) during the period	Net charge-offs/(recoveries) during the period	\$ —	\$ —				
Average amount outstanding	Average amount outstanding	\$106,813	\$ 81,429				
Residential mortgage	Residential mortgage	(0.01)%	(0.21)%	Residential mortgage	(0.02)%	(0.01)	%
Net recoveries during the period	Net recoveries during the period	\$ (13)	\$ (273)				
Average amount outstanding	Average amount outstanding	\$138,147	\$129,205				
Home equity	Home equity	(0.11)%	— %	Home equity	— %	(0.11)	%

Net recoveries during the period	Net recoveries during the period	\$ (10)	\$ —				
Average amount outstanding	Average amount outstanding	\$ 9,212	\$ 6,488				
Leases	Leases	0.29 %	0.21 %	Leases	0.40 %	0.29 %	
Net charge-offs during the period	Net charge-offs during the period	\$ 371	\$ 257				
Average amount outstanding	Average amount outstanding	\$129,252	\$119,827				
Consumer	Consumer	0.71 %	0.21 %	Consumer	0.71 %	0.71 %	
Net charge-offs during the period	Net charge-offs during the period	\$ 130	\$ 31				
Average amount outstanding	Average amount outstanding	\$ 18,402	\$ 14,637				
Total loans	Total loans	0.03 %	(0.01)%	Total loans	0.06 %	0.03 %	
Net charge-offs/(recoveries) during the period	Net charge-offs/(recoveries) during the period	\$ 295	\$ (92)				
Average amount outstanding	Average amount outstanding	\$897,918	\$786,686				

The increase At January 1, 2023, the Bank adopted the accounting standard referred to as CECL. As a result of the change in our methodology from the incurred loss method to the CECL method, on January 1, 2023 the Company recorded a one-time adjustment from equity into the allowance for loan credit losses on loans and lease losses leases in the amount of \$2.0 million, net of tax. This adjustment increased the allowance from \$12.4 million at December 31, 2022 as compared to December 31, 2021 primarily \$15.1 million at January 1, 2023. At December 31, 2023, the allowance for credit losses on loans and leases totaled \$15.7 million, an increase of \$586,000 from January 1,

2023. This increase was driven by a \$129.0 million \$131.5 million increase in our loan and lease portfolio. The growth in the balance of loans and leases primarily occurred in the construction commercial mortgage and development and commercial mortgage direct financing leases categories, which is in line with management's strategy to expand these portfolios. See "Management's Discussion and Analysis-Financial Analysis of Financial Condition and Results of Operations-Financial Condition at December 31, 2022 December 31, 2023 Compared

to December 31, 2021 December 31, 2022" contained in Part II, Item 7 of this Form 10-K for additional information regarding changes in our loans, leases, and related allowances.

Allocation of Allowance for Loan and Lease Credit Losses. The following table sets forth the allowance for loan credit losses on loans and lease losses leases allocated by category, the total balances by category, and the percent percentage of loans and leases in each category to total loans and leases at the dates indicated. The allowance for loan and lease credit losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories. At the dates indicated, we had no unallocated allowance for loan and lease credit losses.

At December 31,			
2022		2021	
Percent	Percent	Percent	Percent
of	of	of	of
loans	loans	loans	loans
and	and	and	and
leases	leases	leases	leases
in	in	in	in
each	each	each	each
category	category	category	category
to	to	to	to
total	total	total	total
Amount	loans	Amount	loans

(Dollars in thousands)											
At December 31,						At December 31,					
2023						2023					
Amount						Percent of loans and leases in each category to total loans					
(Dollars in thousands)						(Dollars in thousands)					
Allocated at end of period to:	Allocated at end of period to:					Amount	Percent of loans and leases in each category to total loans	Amount	Percent of loans and leases in each category to total loans	Amount	Percent of loans and leases in each category to total loans
Real estate loans:	Real estate loans:										
Real estate loans:	Real estate loans:										
Real estate loans:	Real estate loans:										
Residential mortgage	Residential mortgage										
Residential mortgage	Residential mortgage										
Residential mortgage	Residential mortgage										
Residential mortgage	Residential mortgage	\$ 76	15.0 %	\$ 263	15.9 %	\$ 1,681	10.7	10.7	%	\$ 76	15.0
Home equity lines of credit	Home equity lines of credit	23	1.1	29	0.8						
Multi-family	Multi-family	1,955	12.8	1,875	12.7						
Commercial mortgage	Commercial mortgage	4,776	30.5	4,742	30.9						
Construction and development	Construction and development	2,855	14.4	2,286	11.1						
Total real estate loans	Total real estate loans	9,685	73.8	9,195	71.4						
Consumer loans	Consumer loans	241	2.2	195	1.9						
Consumer loans	Consumer loans										
Consumer loans	Consumer loans										
Commercial business loans and leases:	Commercial business loans and leases:										
Commercial business loans and leases:	Commercial business loans and leases:										
Commercial business loans and leases:	Commercial business loans and leases:										
Commercial and industrial	Commercial and industrial										
Commercial and industrial	Commercial and industrial										
Commercial and industrial	Commercial and industrial										
Commercial and industrial	Commercial and industrial	1,291	10.3	1,639	11.8						
Leases	Leases	1,196	13.7	1,079	15.0						
Total commercial business loans and leases	Total commercial business loans and leases	2,487	24.0	2,718	26.8						
Total loans and leases	Total loans and leases	\$12,413	100.0 %	\$12,108	100.0 %						

Total loans and leases				
Total loans and leases	\$ 15,663	100.0 %	\$ 12,413	100.0 %

Although we believe that we use the best information available to establish the allowance for **loan and lease credit** losses, future adjustments to the allowance may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Because future events affecting borrowers and collateral cannot be predicted with certainty, the existing allowance for **loan and lease credit** losses may not be adequate and management may determine that increases in the allowance are necessary if the quality of any portion of our loan or lease portfolio deteriorates as a result. Any material increase in the allowance for **loan and lease credit** losses may adversely affect our financial condition and results of operations.

For additional information regarding our allowance for **loan and lease credit** losses, see "Note 5: Loans, Leases and Allowance" of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Investment Activities

General. First Bank Richmond has the legal authority to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various government-sponsored enterprises and municipal governments, deposits at the Federal Home Loan Bank of Indianapolis, certificates of deposit of federally insured institutions, investment grade corporate bonds and investment grade marketable equity securities. We also are required to maintain an investment in Federal Home Loan Bank of Indianapolis stock.

The objectives of our investment policy are to provide and maintain liquidity to meet deposit withdrawal and loan funding needs, to help mitigate interest rate and market risk, to diversify our assets, and to maximize the rate of return on invested funds within the context of our interest rate and credit risk objectives. Various factors are considered when making decisions regarding our investment portfolio, including the marketability, maturity and tax consequences of the proposed investment. The maturity structure of investments will be affected by various market conditions, including the current and anticipated slope of the yield curve, the level of interest rates, the trend of new deposit inflows, and the anticipated demand for funds via deposit withdrawals and loan originations and purchases. Our investment securities are usually classified as available-for-sale; however, the purchasing officer has the option, at the time of purchase, to designate individual securities as held-to-maturity, available-for-sale, or trading.

In April 2020, First Bank Richmond created a wholly-owned subsidiary, FB Richmond Holdings, Inc. ("FB Richmond Holdings") to hold a majority of its investment portfolio and take advantage of certain tax benefits. FB Richmond Holdings, a Nevada corporation, holds, services, manages and invests that portion of First Bank Richmond's investment portfolio as may be transferred from time to time by First Bank Richmond to FB Richmond Holdings. FB Richmond Holdings' investment policy, for the most part, mirrors that of First Bank Richmond's investment policy. FB Richmond Holdings has hired a third-party investment advisor to manage its securities portfolio, subject to the oversight of its Board of Directors. The President and Chief Executive Officer and the Chief Financial Officer of the Company serve on the board of directors of FB Richmond Holdings. At **December 31, 2022** **December 31, 2023**, we had, on a consolidated basis, **\$284.9 million** **\$282.7 million** of securities, at fair value, classified as available-for-sale, **\$6.7 million** **\$4.9 million** of securities, at cost, classified as held-to-maturity, and no securities classified as trading. At that date, FB Richmond Holding managed **\$290.6 million** **\$287.1 million** of our total investment portfolio.

We may from time to time invest in "special situation" investments in order to earn profits or to hedge against interest rate risk. These investments may include interest rate swaps and/or interest rate caps. These investments are handled on a case-by-case basis requiring the advice and counsel of the Asset/Liability Committee. The President and/or Chief Financial Officer can act on his own authority for investments under \$400,000. However, once this authority is utilized, it must be reauthorized at the next Asset/Liability Committee meeting. While we have the authority under applicable law to invest in derivative securities, we had no investments in derivative securities at **December 31, 2022** **December 31, 2023**.

We held common stock of the FHLB of Indianapolis in connection with our borrowing activities totaling **\$9.9 million** **\$12.6 million** at **December 31, 2022** **December 31, 2023**. For the year ended **December 31, 2022** **December 31, 2023**, First Bank Richmond received a total of **\$399,000** **\$851,000** in dividends from the FHLB. Our required investment in the stock of the FHLB is based on a predetermined formula, carried at cost and evaluated for impairment. We may be required to purchase additional FHLB stock if we increase borrowings in the future.

Portfolio Maturities and Yields. The following table sets forth the weighted average yields of investment securities at various ranges of maturities, excluding Federal Reserve Bank and FHLB stock, at **December 31, 2022** **December 31, 2023**. Weighted average yields on tax-exempt securities are presented on a tax-equivalent basis using a federal tax rate of approximately 21.0%. Certain mortgage-backed securities have adjustable interest rates and will reprice annually within the various maturity ranges. These repricing schedules are not reflected in the table below. Weighted average yield calculations on investment securities available for sale do not give effect to changes in fair value that are reflected as a component of equity.

At December 31, 2022									
Weighted-Average Yield									
Due in	Due	Due	Due						
1 Year	After 1	After 5	After						
or	Through	Through	10						
Less	5 Years	10 Years	Years						
At December 31, 2023					At December 31, 2023				
Weighted-Average Yield					Weighted-Average Yield				

	Due in 1 Year or Less					Due in 1 Year or Less	Due After 1 Through 5 Years	Due After 5 Through 10 Years	Due After 10 Years
Securities available for sale:	Securities available for sale:								
Securities available for sale:	Securities available for sale:								
U.S. government, SBA pools and federal agency	U.S. government, SBA pools and federal agency								
U.S. government, SBA pools and federal agency	U.S. government, SBA pools and federal agency								
U.S. government, SBA pools and federal agency	U.S. government, SBA pools and federal agency	3.94 %	2.33 %	1.73 %	1.86 %	4.02 %	1.68 %	5.23 %	1.89 %
State and municipal obligations	State and municipal obligations	2.90	2.15	2.25	2.43				
Government sponsored mortgage-backed securities	Government sponsored mortgage-backed securities	—	1.18	1.78	1.64				
Corporate obligations	Corporate obligations	—	—	3.97	4.09				
Total securities available for sale	Total securities available for sale	3.11	2.09	2.37	2.06				
Total securities available for sale	Total securities available for sale								
Securities held to maturity:	Securities held to maturity:								
Securities held to maturity:	Securities held to maturity:								
State and municipal obligations	State and municipal obligations								
State and municipal obligations	State and municipal obligations								
State and municipal obligations	State and municipal obligations	2.79	3.14	4.88	5.05				
Total securities held to maturity	Total securities held to maturity	2.79	3.14	4.88	5.05				
Total securities held to maturity	Total securities held to maturity								
Total investment securities	Total investment securities	3.00 %	2.26 %	2.42 %	2.07 %	3.23 %	2.03 %	2.55 %	2.10 %

For additional information regarding our investment securities, see "Note 4: Investment Securities" of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Sources of Funds

General. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We also use borrowings, primarily FHLB advances, to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk purposes and to manage the cost of funds. In addition, we receive funds from scheduled loan payments, loan and mortgage-backed securities prepayments, maturities and calls of available-for-sale securities, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. We offer deposit accounts to consumers and businesses having a wide range of interest rates and terms. Our deposits consist of savings deposit accounts, money market accounts, NOW and demand accounts and certificates of deposit. We solicit deposits in our market areas as well as online through our website. We also participate in reciprocal deposit services for our customers through the Certificate of Deposit Account Registry Service ("CDARS") and Insured Cash Sweep ("ICS") networks. We primarily rely on competitive pricing policies, marketing and customer service to attract and retain these deposits. We also accept brokered deposits from deposit brokers. At **December 31, 2022** **December 31, 2023**, our brokered deposits totaled **\$268.8 million, or 25.8% of total deposits, with an average interest rate of 3.73% and a 10-month weighted-average maturity, compared to \$257.9 million, or 25.7% of total deposits, with an average interest rate of 1.78% and a 12-month weighted-average maturity compared to \$121.8 million, or 13.5% of total deposits, with an average interest rate of 0.62% and a 27-month weighted-average maturity at December 31, 2021** **December 31, 2022**. Our reliance on brokered deposits may increase our overall cost of funds.

At **December 31, 2022** **December 31, 2023**, our core deposits, which are deposits other than certificates of deposit of \$250,000 or more and brokered deposits, totaled **\$715.3 million, representing 68.7% of total deposits, compared to \$702.9 million, representing 69.9% of total deposits, compared to \$716.4 million, representing 79.6% of total deposits, at December 31, 2021** **December 31, 2022**.

Our largest banking office based on deposits is our main office in Richmond, Indiana, which had total deposits of **\$539.7 million** **\$535.5 million** or **53.7%** **51.4%** of our total deposits at **December 31, 2022** **December 31, 2023**. Approximately **76.5%** **73.9%** (\$769.5 million) of our total deposits were held in our Wayne County, Indiana offices as of **December 31, 2022** **December 31, 2023**, with 88.3% (**\$679.7** **679.5 million**) of those deposits held in our five Richmond, Indiana offices. Overall, **\$810.4 million** **\$816.0 million** or **80.6%** **78.4%** of our total deposits were held in Indiana branches and **\$194.8 million** **\$225.1 million** or **19.4%** **21.6%** were held in Ohio branches as of **December 31, 2022** **December 31, 2023**.

The Federal Reserve Board generally requires all depository institutions to maintain noninterest-bearing reserves at specified levels against their transaction accounts, primarily checking, NOW and Super NOW checking accounts. In **response to the COVID-19 pandemic March 2020**, the Federal Reserve reduced **the reserve requirement ratio requirements to zero percent effective on March 26, 2020**, to support lending to households and businesses. Currently, the Federal Reserve has stated it has no plans to **re-impose reserve requirements**. However, the Federal Reserve may adjust reserve requirement ratios in the future if conditions warrant.

The following table sets forth our total deposit activities for the periods indicated.

Years Ended December		Years Ended December 31,	
31,			
2023		2023	2022
(Dollars in thousands)		(Dollars in thousands)	
Years Ended December			
31,			
2022		2021	
(Dollars in thousands)			
Beginning balance	Beginning balance	\$ 900,175	\$693,045
Net deposits	Net deposits	97,958	202,194
Interest credited	Interest credited	7,128	4,936
Ending balance	Ending balance	\$1,005,261	\$900,175
Net increase	Net increase	\$ 105,086	\$207,130
Net increase	Net increase		
Percent increase	Percent increase	11.7 %	29.9 %

Percent increase			
Percent increase	3.6	%	11.7
			%

The following table sets forth the distribution of total deposit accounts, by account type, for the periods indicated.

		At December 31,							
		2022		2021					
		Percent		Percent					
		Amount	of Total	Amount	of Total				
		(Dollars in thousands)							
		At December 31,						At December 31,	
		2023						2023	
								2022	
		Amount				Amount		Percent of Total	
								Amount	
								Percent of Total	
		(Dollars in thousands)						(Dollars in thousands)	
Transaction and Savings Deposits:	Transaction and Savings Deposits:								
Demand deposits:	Demand deposits:								
Demand deposits:									
Demand deposits:									
Non-interest bearing									
Non-interest bearing									
Non-interest bearing	Non-interest bearing	\$ 106,415	10.6	% \$114,303	12.7	% \$114,377	11.0	11.0	%
Interest bearing	Interest bearing	157,429	15.7	164,356	18.3				
Savings	Savings	129,640	12.9	113,510	12.6				
Money market	Money market	151,026	15.0	140,447	15.6				
Total non-certificates	Total non-certificates	544,510	54.2	532,616	59.2				
Total non-certificates									
Total non-certificates									
Certificates:	Certificates:								
Certificates:									
Certificates:									
0.00 – 1.00%									
0.00 – 1.00%									
0.00 – 1.00%	0.00 – 1.00%	193,985	19.3	259,650	28.8				
1.01 – 2.00%	1.01 – 2.00%	43,943	4.4	78,582	8.7				
2.01 – 3.00%	2.01 – 3.00%	64,837	6.4	19,949	2.2				
3.01 – 4.00%	3.01 – 4.00%	43,682	4.3	9,378	1.0				
Over 4.00%		114,304	11.4	—	—				
4.01 – 5.00%									
Over 5.00%									

Total certificates						
Total certificates						
Total certificates	Total certificates	460,751	45.8	367,559	40.8	
Total deposits	Total deposits	<u>\$1,005,261</u>	<u>100.0 %</u>	<u>\$900,175</u>	<u>100.0 %</u>	
Total deposits						
Total deposits		<u>\$1,041,140</u>	<u>100.0 %</u>	<u>\$ 1,005,261</u>	<u>100.0 %</u>	

The following table sets forth, for the periods indicated, the average amount of and the average rate paid on deposit categories that are in excess of 10 percent of average total deposits.

		At December 31,															
		2022		2021				2023		2022				2023		2022	
		Average	Weighted	Average	Weighted			Average	Weighted	Average	Weighted			Average	Weighted	Average	Weighted
		Balance	Average	Balance	Average			Balance	Average	Balance	Average			Balance	Average	Balance	Average
		Outstanding	Rate	Outstanding	Rate	Outstanding	Rate	Outstanding	Rate	Outstanding	Rate	Outstanding	Rate	Outstanding	Rate		
		(Dollars in thousands)															
		At December 31,								At December 31,							
		2023								2023				2022			
		Average								Average				Average			
		Balance								Balance				Balance			
		Outstanding								Outstanding				Outstanding			
		(Dollars in thousands)												(Dollars in thousand			
Demand deposits:	Demand deposits:																
Demand deposits:																	
Demand deposits:																	
Non-interest bearing																	
Non-interest bearing																	
Non-interest bearing	Non-interest bearing	\$	111,990	—	%	\$	108,374	—	%	\$107,192	—		—	%			
Interest bearing	Interest bearing		165,213	0.3			154,938	0.2									
Savings	Savings		124,806	0.3			110,706	0.3									
Money market	Money market		159,919	2.0			136,725	0.6									
Certificate accounts	Certificate accounts		384,038	2.2			287,051	0.9									
Total deposits	Total deposits	\$	<u>945,966</u>	1.4	%	\$	<u>797,794</u>	0.5	%								
Total deposits																	
Total deposits																	
\$1,038,969																	
2.4 %																	
\$ 945,966																	
1.4 %																	

The following table indicates the time deposit accounts classified by rate and maturity at December 31, 2022 December 31, 2023.

	0.00-1.00%	1.01-2.00%	2.01-3.00%	3.01-4.00%	Over 4.00%	Total	Percent of Total
(Dollars in thousands)							

										0.00- 1.00%	0.00- 1.00%	1.01- 2.00%	2.01- 3.00%

3 months or less	\$	6,916	12,849
Over 3 through 6 months		11,499	10,650
Over 6 through 12 months		15,637	21,598
Over 12 months		10,455	11,863
	\$	44,507	56,960

For additional information regarding our deposits, see "Note 9: Deposits" of the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K.

Borrowed Funds. We utilize borrowings as a source of funds, especially when they are less costly than deposits and can be invested at a positive interest rate spread, when we desire additional capacity to fund loan demand or when they meet our asset/liability management goals. Our borrowings historically have consisted of advances from the FHLB of Indianapolis. We may obtain advances from the FHLB of Indianapolis upon the security of the capital stock we own in the FHLB and certain of our mortgage loans and investment securities. Such advances may be made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. To the extent such borrowings have different terms to repricing than our deposits, they can change our interest rate risk profile. At **December 31, 2022** **December 31, 2023**, we had **\$180.0 million** **\$271.0 million** in FHLB advances outstanding. Based on current collateral levels, at **December 31, 2022** **December 31, 2023** we could borrow an additional **\$57.7 million** **\$76.4 million** from the FHLB of Indianapolis at prevailing interest rates.

We also have an available line of credit with the FHLB of Indianapolis totaling \$10.0 million.

The following table presents the maturity of term borrowings, which consist entirely of FHLB advances, along with associated weighted average rates as of **December 31, 2022** **December 31, 2023**.

Maturity by Fiscal Year	Maturity by Fiscal Year	FHLB Advances	Weighted Average Rate	Maturity by Fiscal Year	FHLB Advances	Weighted Average Rate
2023	\$ 27,000	4.61 %				
2024						
2024						
2024	2024	31,000	1.77 %	\$ 109,000	4.33	4.33 %
2025	2025	16,000	2.63 %	2025	63,000	4.38 %
2026	2026	18,000	1.57 %	2026	28,000	2.46 %
2027	2027	—	— %	2027	—	— %
2028				2028	31,000	3.75 %
Thereafter	Thereafter	88,000	1.59 %	Thereafter	40,000	1.52 %
		<u>\$180,000</u>	<u>2.17 %</u>			
	\$			\$	271,000	3.67 %

Trust and Financial Services

We provide a variety of fee-based financial services, including trust and estate administration, investment management services, retirement plan administration and private banking services, in our market areas. Trust services are provided to both individual and corporate customers, including personal trust and agency accounts, and employee benefit plans. We also manage private investment accounts for individuals and institutions. Total wealth management assets under management and administration were **\$138.8 million** **\$170.4 million** at **December 31, 2022** **December 31, 2023**. These activities provide an additional source of fee income to First Bank Richmond and in **2022** **2023** constituted **12.8%** **17.2%** of our total non-interest income.

Subsidiary and Other Activities

At **December 31, 2022** **December 31, 2023**, Richmond Mutual Bancorporation had two subsidiaries, First Bank Richmond and First Insurance Management, Inc. First Bank Richmond is our wholly owned banking subsidiary. First Insurance Management, Inc. was formed in 2022 as a pooled captive insurance company subsidiary of the Company, incorporated in the State of Nevada, for the purpose of providing additional insurance coverage for the Company and its subsidiaries related to the operations of the

Company for which insurance may not be economically feasible. As of **December 31, 2022** **December 31, 2023**, First Insurance Management provided us with various liability and property damage policies for the Company and its related subsidiaries. First Insurance Management is regulated by the State of Nevada Division of Insurance.

At **December 31, 2022** **December 31, 2023**, First Bank Richmond had an active investment subsidiary, FB Richmond Holdings, which is a Nevada corporation that holds substantially all of First Bank Richmond's investment portfolio. As of **December 31, 2022** **December 31, 2023**, the market value of securities managed was **\$290.5 million** **\$287.1 million**. FB Richmond Holdings has one active subsidiary, FB Richmond Properties, Inc., which is a Delaware corporation holding approximately **\$101.8 million** **\$106.1 million** in loans.

Competition

We face significant competition within our market both in making loans and leases and attracting deposits. Our market area has a high concentration of financial institutions, including large money center and regional banks, community banks and credit unions. Our competition for loans and deposits comes principally from commercial banks, savings institutions, mortgage banking firms, equipment financing companies, consumer finance companies and credit unions. We face additional competition for deposits from short-term money market funds, brokerage firms, mutual funds and insurance companies. We also compete with financial technology, or fintech companies. Recent **technology technological** advances and other changes have allowed parties to **effect affect** financial transactions that previously required the involvement of banks. For example, consumers can maintain funds in brokerage accounts or mutual funds that would have historically been held as bank deposits. Consumers can also complete transactions such as paying bills and transferring funds directly without the assistance of banks.

Based on the most recent data provided by the FDIC, there are approximately 11 and **19 18** other commercial banks and savings banks operating in our Indiana and Ohio market areas, respectively. Additionally, there are approximately 14 and seven credit unions operating in these same respective market areas. As of **June 30, 2022 June 30, 2023** (the most recent branch deposit data provided by the FDIC), First Bank Richmond's share of bank deposits in Wayne and Shelby Counties, in Indiana, was approximately **22.1% 25.3%** and **1.3% 2.1%**, respectively, and in Shelby and Miami Counties, in Ohio, was approximately **8.7% 9.8%** and **4.2% 3.8%**, respectively. We do not accept deposits at our loan production office located in Columbus, Ohio.

How We Are Regulated

General. First Bank Richmond is an Indiana-chartered commercial bank. Its deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation. First Bank Richmond is subject to extensive regulation by the IDFI, as its chartering agency, and by the Federal Deposit Insurance Corporation, as its deposit insurer and primary federal regulator. First Bank Richmond is required to file reports with, and is periodically examined by, the Federal Deposit Insurance Corporation and the IDFI concerning its activities and financial condition and must obtain regulatory approvals before **entering into completing** certain transactions, including, but not limited to, mergers with or acquisitions of other financial institutions. In addition, First Bank Richmond is a member of and owns stock in the FHLB of Indianapolis, which is one of the 11 regional banks in the Federal Home Loan Bank System.

As a bank holding company, Richmond Mutual Bancorporation is subject to examination and supervision by the Federal Reserve Board. Richmond Mutual Bancorporation is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Set forth below is a description of certain laws and regulations that are applicable to First Bank Richmond and Richmond Mutual Bancorporation. This description of statutes and regulations is not intended to be a complete description of such statutes and regulations and their effects on First Bank Richmond and Richmond Mutual Bancorporation. Any change in these laws or regulations, whether by Congress or the applicable regulatory agencies, could have a material adverse impact on Richmond Mutual Bancorporation, First Bank Richmond and their operations.

Indiana Banking Regulation. First Bank Richmond, as an Indiana commercial bank, is regulated and supervised by the Indiana Department of Financial Institutions, or the IDFI. The IDFI is required to regularly examine each state-chartered bank. The approval of the IDFI is required to establish or close branches, to merge with another bank, to issue stock and to undertake many other activities. Any Indiana bank that does not operate according to the regulations, policies and directives of the IDFI may be sanctioned.

The powers that Indiana-chartered banks can exercise under these laws include, but are not limited to, the following:

Lending Activities. An Indiana-chartered commercial bank may make a wide variety of mortgage loans including fixed-rate loans, adjustable-rate loans, variable-rate loans, participation loans, graduated payment loans, construction

and development loans, condominium and co-operative loans, second mortgage loans and other types of loans that may be made according to applicable regulations. Commercial loans may be made to corporations and other commercial enterprises with or without security. Consumer and personal loans may also be made with or without security.

Investment Activities. In general, First Bank Richmond may invest in certain types of debt securities, certain types of corporate equity securities, and certain other assets. However, these investment authorities are constrained by federal law. See "- Federal Banking Regulation — Investment Activities" for such federal restrictions.

Loans to One Borrower Limitations. Under Indiana law, First Bank Richmond's total loans or extensions of credit to a single borrower or group of related borrowers cannot exceed, with specified exceptions, 15% of its capital stock, surplus fund and undivided profits. First Bank Richmond may lend additional amounts up to 10% if the loans or extensions of credit are fully secured by readily-marketable collateral. At December 31, 2022, First Bank Richmond complied with these loans-to-one-borrower limitations. At **December 31, 2022 December 31, 2023**, First Bank Richmond's largest aggregate amount of loans to one borrower was **\$17.3 million \$19.0 million**.

Dividends. Under Indiana law, First Bank Richmond is permitted to declare and pay dividends out of its undivided profits. The prior approval of the IDFI is required if the total of all dividends declared in a calendar year would exceed the total of its net income for that year combined with its retained net income for the preceding two years. See "- Federal Banking Regulation — Capital Requirements" and "- Holding Company Regulation" for restrictions on dividends under federal law.

Assessments. As an Indiana state-chartered commercial bank, First Bank Richmond is required to pay to the IDFI a general assessment fee in connection with the regulation and supervision of First Bank Richmond. The Federal Deposit Insurance Corporation, as discussed below, charges all insured depository institutions deposit insurance assessments.

Regulatory Enforcement Authority. Any Indiana bank that does not operate according to the regulations, policies and directives of the IDFI may be subject to sanctions for non-compliance, including seizure of the property and business of the bank and suspension or revocation of its charter. The IDFI may, under certain circumstances, suspend or remove officers or directors who have violated the law, conducted the bank's business in a manner which is unsafe, unsound or contrary to the depositors' interests or been negligent in the performance of their duties. In addition, upon finding that a bank has engaged in an unfair or deceptive act or practice, the IDFI may issue an order to cease and desist and impose a fine on the bank. Indiana consumer protection and civil rights statutes applicable to First Bank Richmond permit private individual and class action lawsuits

and provide for the rescission of consumer transactions, including loans, and the recovery of statutory and punitive damages and attorney's fees in the case of certain violations of those statutes.

Federal Banking Regulation

Capital Requirements. Federal regulations require FDIC-insured depository institutions, including state-chartered banks, to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio, a Tier 1 capital to risk-based assets ratio, a total capital to risk-based assets and a Tier 1 capital to total assets leverage ratio.

The capital standards require the maintenance of common equity Tier 1 capital, Tier 1 capital and total capital to risk-weighted assets of at least 4.5%, 6% and 8%, respectively. The regulations also establish a minimum required leverage ratio of at least 4% of Tier 1 capital. In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of common equity Tier 1 capital to risk-weighted assets more than 2.5% above the amount necessary to meet its minimum risk-based capital requirements.

At **December 31, 2022** **December 31, 2023**, First Bank Richmond's capital exceeded all applicable requirements. See "Management's Discussion and **Analysis-Capital Analysis of Financial Condition and Results of Operations-Capital** Resources" contained in Part II, Item 7 and "Note 17: Regulatory Capital" in the Notes to Consolidated Financial **Statement Statements** contained in Part II, Item 8 of this Form 10-K.

The Financial Accounting Standards Board has adopted a new accounting standard for US GAAP that **will be** **was** effective for us beginning in 2023. This standard, referred to as Current Expected Credit Loss, or CECL, requires FDIC-insured institutions and their holding companies (banking organizations) to recognize credit losses expected over the life of certain financial assets. CECL covers a broader range of assets than the **current** **former** method of recognizing credit losses and generally results in earlier recognition of credit losses. Upon adoption of CECL, a banking organization must record a one-time adjustment to its credit loss allowances as of the beginning of the fiscal year of adoption equal to the difference, if any, between the amount of credit loss allowances under the **current** **former** methodology and the amount required under CECL. For a banking organization, implementation of CECL **is** generally **likely to reduce** **reduces** retained earnings and **to affect** **affects** other items in a manner that **reduces** **its** **decreases** regulatory capital. The federal banking regulators, including the Federal Reserve Board and the FDIC, have adopted a rule that gives a banking organization the option to phase in over a three-year period the day-one adverse effects of CECL on its regulatory capital. **Management did not elect the option to phase in the day-one adverse effects of CECL over a three-year period, and instead, elected to record the full effects of the adoption of CECL in 2023.**

The Bank adopted CECL as required on January 1, 2023. For additional information, see "Allowance for Credit Losses" under "Note 1: Nature of Operations and Summary of Significant Accounting Policies" in the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Form 10-K.

Under the federal prompt corrective action rules, the Federal Deposit Insurance Corporation is required to take supervisory actions against undercapitalized institutions under its jurisdiction, the severity of which depends upon the institution's level of capital. An institution that has a total risk-based capital ratio of 10% or more, a Tier 1 risk-based ratio of 8.0% or more, a common equity Tier 1 ratio of 6.5% or more and a leverage ratio of 5.0% or more is considered "well capitalized," provided that it is not subject to an agreement, order or directive issued by the Federal Deposit Insurance Corporation requiring it to meet and maintain a specific capital level. Institutions that are not well capitalized are subject to certain restrictions on brokered deposits and interest rates on deposits. At **December 31, 2022** **December 31, 2023**, First Bank Richmond met the criteria to be considered "well capitalized."

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease-and-desist order or the imposition of civil money penalties.

Commercial Real Estate Lending Concentrations. The federal banking agencies have issued guidance on sound risk management practices for concentrations in commercial real estate lending. The particular focus is on exposure to commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be sensitive to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The purpose of the guidance is not to limit a bank's commercial real estate lending but to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance directs the FDIC and other bank regulatory agencies to focus their supervisory resources on institutions that may have significant commercial real estate loan concentration risk. A bank that has experienced rapid growth in commercial real estate lending, has notable exposure to a specific type of commercial real estate loan, or is approaching or exceeding the following supervisory criteria may be identified for further supervisory analysis with respect to real estate concentration risk:

- a. Total reported loans for construction, land development and other land represent 100% or more of the bank's total regulatory capital; or
- b. Total commercial real estate loans (as defined in the guidance) represent 300% or more of the bank's total regulatory capital and the outstanding balance of the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months.

The guidance provides that the strength of an institution's lending and risk management practices with respect to such concentrations will be taken into account in supervisory guidance on evaluation of capital adequacy. As of **December 31, 2022** **December 31, 2023**, the Bank's aggregate recorded loan balances for construction, land development and land loans were **84.9%** **90.4%** of total regulatory capital. In addition, at **December 31, 2022** **December 31, 2023**, the Bank's loans secured by commercial real estate (as defined in the guidance) represented **338.5%** **298.0%** of total regulatory capital.

Investment Activities. All state-chartered Federal Deposit Insurance Corporation-insured banks, including commercial banks, are generally limited in their investment activities to principal and equity investments of the type and in the amount authorized for national banks, notwithstanding state law, subject to certain exceptions.

In addition, the Federal Deposit Insurance Corporation is authorized to permit such a state bank to engage in state-authorized activities or investments not permissible for national banks (other than non-subsidiary equity investments) if it meets all applicable capital requirements and it is determined that such activities or investments do not pose a significant risk to the Deposit Insurance Fund.

Interstate Banking and Branching. Federal law permits well capitalized and well managed bank holding companies to acquire banks in any state, subject to Federal Reserve Board approval, certain concentration limits and other specified conditions. Interstate mergers of banks are also authorized, subject to regulatory approval and other specified conditions. In addition, banks may establish de novo branches on an interstate basis provided that the branch location is permissible under the law of the host state for banks chartered by that state.

Transaction with Affiliates and Regulation W of the Federal Reserve Regulations. Transactions between banks and their affiliates are governed by federal law. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank (although subsidiaries of the bank itself, except financial subsidiaries, are generally not considered affiliates). Generally, Section 23A of the Federal Reserve Act and the Federal Reserve Board's Regulation W limit the extent to which the bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10.0% of such institution's capital stock and surplus, and with all such transactions with all affiliates to an amount equal to 20.0% of such institution's capital stock and surplus. Section 23B applies to "covered transactions" as well as to certain other transactions and requires that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes the making of loans to, purchase of assets from, and issuance of a guarantee to an affiliate, and other similar transactions. Section 23B transactions also include the provision of services and the sale of assets by a bank to an affiliate. In addition, loans or other extensions of credit by the financial institution to the affiliate are required to be collateralized according to the requirements set forth in Section 23A of the Federal Reserve Act.

Sections 22(h) and (g) of the Federal Reserve Act place restrictions on loans to a bank's insiders, i.e., executive officers, directors and principal shareholders. Section 22(h) of the Federal Reserve Act requires that loans to directors, executive officers and principal shareholders be made on terms substantially the same as offered in comparable transactions to other persons and also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a financial institution to insiders cannot exceed the institution's unimpaired capital and surplus. Section 22(g) of the Federal Reserve Act places additional restrictions on loans to executive officers.

Enforcement. The Federal Deposit Insurance Corporation has extensive enforcement authority over insured state-chartered banks that are not members of the Federal Reserve System (referred to as non-member banks), including First Bank Richmond. The enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations, breaches of fiduciary duty and unsafe or unsound practices. The Federal Deposit Insurance Corporation is required, with certain exceptions, to appoint a receiver or conservator for an insured state non-member bank if that bank was "critically undercapitalized" on average during the calendar quarter beginning 270 days after the date on which the institution became "critically undercapitalized." It may also appoint itself as conservator or receiver for an insured state non-member bank under specified circumstances, including, among others: (1) insolvency; (2) substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices; (3) existence of an unsafe or unsound condition to transact business; (4) insufficient capital; or (5) the incurrence of losses that will deplete substantially all of the institution's capital with no reasonable prospect of replenishment without federal assistance.

Insurance of Deposit Accounts. First Bank Richmond is a member of the Deposit Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. Deposit accounts in First Bank Richmond are insured up to a maximum of \$250,000 for each separately insured depositor.

The FDIC assesses deposit insurance premiums on all FDIC-insured institutions quarterly based on annualized rates. Under these rules, assessment rates for an institution with total assets of less than \$10 billion are determined by weighted average CAMELS composite ratings and certain financial ratios, and range from 1.55 to 30.032 basis points, subject to certain adjustments.

Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the Deposit Insurance Fund reserve ratio to decline below the statutory minimum of 1.35 percent as of June 30, 2020. In September 2020, the FDIC Board of Directors adopted a Restoration Plan to restore the reserve ratio to at least 1.35 percent within eight years, absent extraordinary circumstances, as required by the Federal Deposit Insurance Act. The Restoration Plan maintained the assessment rate schedules in place at the time and required the FDIC to update its analysis and projections for the deposit insurance fund balance and reserve ratio at least semiannually.

In the semiannual update for the Restoration Plan in June 2022, the FDIC projected that the reserve ratio was at risk of not reaching the statutory minimum of 1.35 percent by September 30, 2028, the statutory deadline to restore the reserve ratio. Based on this update, the FDIC Board approved an Amended Restoration Plan, and concurrently proposed an increase in initial base deposit insurance assessment rate schedules by 2 basis points, applicable to all insured depository institutions. In October 2022, the FDIC Board finalized the increase with an effective date of January 1, 2023, applicable to the first quarterly assessment period of 2023. The revised assessment rate schedules are intended to increase the likelihood that the reserve ratio of the DIF reaches the statutory minimum level of 1.35 percent by September 30, 2028.

For the fiscal year ended December 31, 2022 December 31, 2023, First Bank Richmond paid \$414,000 \$1.1 million in FDIC premiums. Assessment rates are applied to an institution's assessment base, which is its average consolidated total assets minus its average tangible equity during the assessment period.

The FDIC has authority to increase insurance assessments, and in a banking industry emergency the FDIC may also impose a special assessment. Any significant increases in insurance assessment may have an adverse effect on the operating expenses and results of operations of Richmond Mutual Bancorporation and First Bank Richmond. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition, or

violation that may lead to termination of First Bank Richmond's deposit insurance.

Community Reinvestment Act. Under the Community Reinvestment Act, or CRA, as implemented by the Federal Deposit Insurance Corporation, a state non-member bank, such as First Bank Richmond, has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions, nor does it limit an institution's discretion to develop the types of products and services that it believes are

best suited to its particular community, consistent with the CRA. The CRA requires the Federal Deposit Insurance Corporation, in connection with its examination of a state non-member bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution, including applications to acquire branches and other financial institutions. The CRA requires the Federal Deposit Insurance Corporation to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. First Bank Richmond's latest Federal Deposit Insurance Corporation CRA rating was "Satisfactory."

On October 24, 2023, the federal banking agencies, including the FDIC, issued a final rule designed to strengthen and modernize regulations implementing the CRA. The changes are designed to encourage banks to expand access to credit, investment and banking services in low- and moderate-income communities, adapt to changes in the banking industry including mobile and internet banking, provide greater clarity and consistency in the application of the CRA regulations and tailor CRA evaluations and data collection to bank size and type. First Bank Richmond cannot predict the impact the changes to the CRA will have on its operations at this time.

Consumer Protection and Fair Lending Regulations. Indiana chartered banks are subject to a variety of federal and Indiana statutes and regulations that are intended to protect consumers and prohibit discrimination in the granting of credit. These statutes and regulations provide for a range of sanctions for non-compliance with their terms, including imposition of administrative fines and remedial orders, and referral to the Attorney General for prosecution of a civil action for actual and punitive damages and injunctive relief. Certain of these statutes, including Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts and practices against consumers, authorize private individual and class action lawsuits and the award of actual, statutory and punitive damages and attorneys' fees for certain types of violations. The Dodd-Frank Act prohibits unfair, deceptive or abusive acts or practices against consumers, which can be enforced by the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation and state Attorneys General.

USA Patriot Act. First Bank Richmond is subject to the USA PATRIOT Act, which gives federal agencies additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. The USA PATRIOT Act includes measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies, and imposes affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents, and parties registered under the Commodity Exchange Act.

Privacy Standards and Cyber Security. First Bank Richmond is subject to FDIC regulations implementing the privacy protection provisions of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999. These regulations require First Bank Richmond to disclose its privacy policy, including informing consumers of its information sharing practices and informing consumers of their rights to opt out of certain practices. In addition, the federal banking agencies recently adopted rules providing for new notification requirements for banking organizations and their service providers for significant cybersecurity incidents. Specifically, the new rules require a banking organization to notify its primary federal regulator as soon as possible, and no later than 36 hours after, the banking organization determines that a "computer-security incident" rising to the level of a "notification incident" has occurred. Notification is required for incidents that have materially affected or are reasonably likely to materially affect the viability of a banking organization's operations, its ability to deliver banking products and services, or the stability of the financial sector. Service providers are required under the rule to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect the banking organization's customers for four or more hours.

In July 2023, the SEC adopted rules requiring registrants to disclose material cybersecurity incidents they experience and to disclose on an annual basis material information regarding their cybersecurity risk management, strategy, and governance. The new rules require registrants to disclose on Form 8-K any cybersecurity incident they determine to be material and to describe the material aspects of the incident's nature, scope, and timing, as well as its material impact or reasonably likely material impact on the registrant. For information regarding the Company's cybersecurity risk management, strategy and governance, see "Item 1C. Cybersecurity" contained in Part I of this Form 10-K.

Other Regulations. Interest and other charges collected or contracted for by First Bank Richmond are subject to state usury laws and federal laws concerning interest rates. First Bank Richmond's operations are also subject to state and federal laws applicable to credit and other transactions, such as the:

- Truth in Lending Act, which requires lenders to disclose the terms and conditions of consumer credit;
- Real Estate Settlement Procedures Act, which requires lenders to disclose the nature and costs of the real estate settlement process and prohibits specific practices, such as kickbacks, and places limitations upon the use of escrow accounts;
- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies; and
- Rules and regulations of the various federal and state agencies charged with the responsibility of implementing such federal and state laws.

The deposit operations of First Bank Richmond also are subject to, among others, the:

- Truth in Savings Act, which requires financial institutions to disclose the terms and conditions of their deposit accounts;

- Expedited Funds Availability Act, which requires banks to make funds deposited in transaction accounts available to their customers within specified time frames;
- **Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;**
- **Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;**
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services; and
- Indiana banking laws and regulations governing deposit powers and other matters.

Federal Home Loan Bank System. First Bank Richmond is a member of the FHLB of Indianapolis, one of the 11 regional FHLBs which provide a central credit facility primarily for member institutions. Member institutions are required to acquire and hold shares of capital stock in the FHLB. This stock has no quoted market value and is carried at cost. First Bank Richmond reviews the cost basis of the FHLB stock for ultimate recoverability regularly. At **December 31, 2022** **December 31, 2023**, no impairment of the value of the stock has been recognized. As of **December 31, 2022** **December 31, 2023**, the Bank had **\$180.0 million** **\$271.0 million** of FHLB advances and \$10.0 million available on its line of credit with the FHLB.

Federal Reserve System. The Federal Reserve requires all depository institutions to maintain reserves at specified levels against their transaction accounts, primarily checking accounts. In response to the COVID-19 pandemic, the Federal Reserve reduced the reserve requirement ratio to zero percent effective on March 26, 2020, to support lending to households and businesses. At **December 31, 2022** **December 31, 2023**, the Bank was in compliance with the reserve requirements.

The Bank is authorized to borrow from the Federal Reserve Bank "discount window." An eligible institution need not exhaust other sources of funds before going to the discount window, nor are there restrictions on the purposes for which the institution can use primary credit. At **December 31, 2022** **December 31, 2023**, the Bank had no outstanding borrowings from the discount window.

Acquisitions. An acquisition of Richmond Mutual Bancorporation or First Bank Richmond, an acquisition of control of either, or an acquisition by either of another bank holding company or depository institution or control of such a company or institution would generally be subject to prior approval by applicable federal and state banking regulators, as would certain acquisitions by Richmond Mutual Bancorporation or First Bank Richmond of other types of entities. "Control" is defined in various ways for this purpose, including but not limited to control of 10% of outstanding voting stock of an entity. See "– Holding Company Regulation" below.

Holding Company Regulation. Richmond Mutual Bancorporation is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended. As such, Richmond Mutual Bancorporation is registered with the Federal Reserve Board and is subject to regulations, examinations, supervision and reporting requirements applicable to bank holding companies. In addition, the Federal Reserve Board has enforcement authority over Richmond Mutual Bancorporation and its non-bank subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary bank.

A bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities.

The Federal Reserve Board is required to establish for all bank and savings and loan holding companies, minimum consolidated capital requirements that are as stringent as those required for the insured depository subsidiaries. Consolidated regulatory capital requirements identical to those applicable to the subsidiary banks apply to bank holding companies with less than \$3.0 billion of consolidated assets.

A bank holding company is generally required to give the Federal Reserve Board prior written notice of any purchase or redemption of then outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company's consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve Board order or directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. There is an exception to this approval requirement for well-capitalized bank holding companies that meet certain other conditions.

The Federal Reserve Board has issued a policy statement regarding capital distributions, including dividends, by bank holding companies. In general, the policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks (referred to as the source of strength doctrine) by standing ready to use available resources to provide adequate capital funds to those banks during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary.

However, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. These regulatory policies could affect the ability of Richmond Mutual Bancorporation to pay dividends or otherwise engage in capital distributions.

Under the Federal Deposit Insurance Act, depository institutions are liable to the Federal Deposit Insurance Corporation for losses suffered or anticipated by the Federal Deposit Insurance Corporation in connection with the default of a commonly controlled depository institution or any assistance provided by the Federal Deposit Insurance Corporation to such an institution in danger of default.

Federal Securities Laws. Richmond Mutual Bancorporation's common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934. Richmond Mutual Bancorporation is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Emerging Growth Company Status. The JOBS Act, which was enacted in April 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than \$1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." Richmond Mutual Bancorporation qualifies as and has elected to be an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold non-binding advisory stockholder votes on annual executive compensation (more frequently referred to as "say-on-pay" votes) or on executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting and can provide scaled disclosure regarding executive compensation. Richmond Mutual Bancorporation is also not subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a "smaller reporting company" under Securities and Exchange Commission regulations. Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company. Such an election is irrevocable during the period a company is an emerging growth company. Richmond Mutual Bancorporation has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of \$1.0 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a "large accelerated filer" under Securities and Exchange Commission regulations.

Taxation

The following discussion of federal and state taxation is intended only to summarize material income tax matters and is not a comprehensive description of the tax rules applicable to Richmond Mutual Bancorporation and First Bank Richmond.

Federal Taxation. Richmond Mutual Bancorporation and First Bank Richmond are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. Our federal and state tax returns have not been audited for the past five years.

Method of Accounting. For federal income tax purposes, we currently report our income and expenses on the accrual method of accounting and use a tax year ending December 31 for filing its federal income tax returns. Richmond Mutual Bancorporation and First Bank Richmond will file a consolidated federal income tax return.

Capital Loss Carryovers. A corporation cannot recognize capital losses in excess of capital gains generated. Generally, a financial institution may carry back capital losses to the preceding three taxable years and forward to the succeeding five taxable years. Any capital loss carryback or carryover is treated as a short-term capital loss for the year to which it is carried. As such, it is grouped with any other capital losses for the year to which it is carried and is used to offset any capital gains. Any loss remaining after the five-year carryover period is not deductible. At **December 31, 2022** **December 31, 2023**, we had no capital loss carryovers.

Corporate Dividends. Richmond Mutual Bancorporation may generally exclude from its income 100% of dividends received from First Bank Richmond as a member of the same affiliated group of corporations.

State Taxation. First Bank Richmond is subject to Indiana's financial institutions tax, which is imposed at a flat rate as of **December 31, 2022** **December 31, 2023**, of **5.0%** **4.9%** on "adjusted gross income" apportioned to Indiana. "Adjusted gross income," for purposes of the financial institutions tax, begins with taxable income as defined by Section 63 of the Internal Revenue Code and incorporates federal tax law to the extent that it affects the computation of taxable income. Federal taxable income is then adjusted by several Indiana modifications including only considering members of the combined group which have Indiana nexus. **The Indiana legislature started reducing the financial institutions tax from 8.5% to 6.0% in 0.5% increments over a seven-year period that commenced in 2014. The full rate reduction to 4.9% will be phased in fully by 2023.** First Bank Richmond is not currently under audit with respect to its Indiana tax returns.

First Bank Richmond is also subject to Ohio taxation in the same general manner as other financial institutions. In particular, Richmond Mutual Bancorporation and First Bank Richmond will be subject to the Ohio corporation franchise tax, which is an excise tax imposed on corporations for the privilege of doing business in Ohio, owning capital or property in Ohio, holding a charter or certificate of compliance authorizing the corporation to do business in Ohio, or otherwise having nexus with Ohio during a calendar year. For Ohio franchise tax purposes, financial institutions are currently taxed at a rate equal to 0.8% of apportioned net capital.

Other applicable state taxes include generally applicable sales and use taxes plus real and personal property taxes.

As a Maryland business corporation, Richmond Mutual Bancorporation is required to file an annual report with and pay franchise taxes to the State of Maryland.

Employees and Human Capital

As of **December 31, 2022** **December 31, 2023**, we had **181** **176** full-time equivalent employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

To facilitate talent attraction and retention, we strive to make First Bank Richmond an inclusive, safe and healthy workplace, with opportunities for our employees to grow and develop in their careers, supported by strong compensation, benefits, health and welfare programs. As of **December 31, 2022** **December 31, 2023**, approximately 73% of our workforce was female and 27% male, and our average tenure was **10.6** **11.3** years. As part of our compensation philosophy, we believe that we must offer and maintain market

competitive total rewards programs for our employees in order to attract and retain superior talent. In addition to healthy base wages, additional programs include annual bonus opportunities, a Company augmented Employee Stock Ownership Plan, Company matched 401(k) Plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, family care resources, flexible work schedules, and employee assistance programs.

The success of our business is fundamentally connected to the well-being of our people. Accordingly, we are committed to the health, safety and wellness of our employees. We provide our employees and their families with access to a variety of flexible and convenient health and welfare programs, including benefits that support their physical and mental health by providing tools and resources to help them improve or maintain their health status. In response to the COVID-19 pandemic, we implemented significant operating environment changes that we determined were in the best interest of our employees, as well as the communities in which we operate, and which comply with government regulations. This includes giving some employees the ability to work from home, while implementing additional safety measures for employees continuing critical on-site work.

A core tenet of our talent system is to both develop talent from within and supplement with external hires. This approach has yielded loyalty and commitment in our employee base which in turn grows our business, our products, and our customers, while adding new employees and external ideas supports a continuous improvement mindset. We believe that our 10.6 11.3 year average tenure reflects the engagement of our employees in this core talent system tenet.

Information about our Executive Officers

Officers are elected annually to serve for a one-year term. There are no arrangements or understandings between the officers and any other person pursuant to which he or she was or is to be selected as an officer.

Garry D. Kleer (age 67) 68. Mr. Kleer currently serves as Chairman, President and Chief Executive Officer of Richmond Mutual Bancorporation and as Chairman and Chief Executive Officer of First Bank Richmond. Mr. Kleer joined the Bank in 1994 as Vice President of Commercial Lending and was promoted in 2001 to President and Chief Executive Officer. He also

serves as Chairman of the Mutual Federal advisory board of directors. Mr. Kleer is a member of the Large Community Bank Council of the Independent Community Bankers of America, America and the American Bankers Association's Membership Council. During 2022, Mr. Kleer served as Chairman of the Indiana Bankers Association ("IBA") and continues to serve on its board as immediate past chairman, the ABA constituent director. Mr. Kleer was named a Sagamore of the Wabash and inducted into the IBA Leaders in Banking Excellence in 2022. Mr. Kleer's community involvement includes service on the boards of the Boys & Girls Clubs of Wayne County, Reid Health Foundation, Richmond Symphony Orchestra, and Reid Health, and Wayne County Foundation. Health. He has also been recognized with the Indiana University East Chancellor's Medallion, Junior Achievement Business Hall of Fame, Richmond/Wayne County Distinguished Community Leader and Boys & Girls Clubs Man and Youth Award. In 2020, he was awarded the Indiana University Bicentennial Medal for distinguished service. Mr. Kleer is a graduate of Indiana University, the ABA Graduate School of Commercial Lending and the Stonier Graduate School of Banking. With 40+ years of experience working in the banking industry, his service on the boards of numerous community organizations and his extensive involvement in our community, Mr. Kleer brings outstanding leadership skills and a deep understanding of the local banking market and issues facing the banking industry.

Donald A. Benziger Bradley M. Glover (age 69) 33. Mr. Benziger has served Glover is currently serving as Executive Senior Vice President- President and Chief Financial Officer of Richmond Mutual Bancorporation since its formation and First Bank Richmond. Mr. Glover was appointed Chief Financial Officer in February 2019. Mr. Benziger joined March 2024 after serving as Acting Chief Financial Officer beginning May 2023. He has worked at First Bank Richmond in 2012 as Senior Vice President-Chief Financial Officer and has since 2011. He served as Executive Vice President-Chief Financial Officer since 2014. Mr. Benziger has more than 40 years President and Controller of experience the Bank beginning in the financial services industry. This experience has included serving as 2021 before promotion to his role of Chief Financial Officer at several public companies, including SEC registrants. His Officer. Mr. Glover's responsibilities include management and direction of the finance and accounting functions, asset-liability management, budgeting and investment management, management. He also manages the accounting functions of the Bank and oversees daily accounting operations, as well as directs and assists in the preparation of regulatory reporting, and managerial financial reports. Mr. Benziger Glover holds a bachelor's degree BS in Accounting from Ohio Northern University Ball State University's Miller College of Business and an MBA has been recognized by the Indiana Bankers Association for completion of their Leadership Development Program. In addition to his 12-year career in Finance from Bowling Green State University. He is

Banking. Mr. Glover also serves as a graduate board member of Centerville-Abington Community Dollars for Scholars, and a finance committee member of the Stonier Graduate School of Banking. Richmond Family YMCA.

Dean W. Weinert (age 70) 71. Mr. Weinert served as the President and Chief Executive Officer of Mutual Federal Savings Bank, which operated independently from First Bank Richmond as a wholly owned bank subsidiary of Richmond Mutual Bancorporation, from 2010 through 2016, and as Division President since 2016 when Mutual Federal Savings Bank was combined with First Bank Richmond through an internal merger transaction. Mr. Weinert also serves as a member of the Mutual Federal advisory board of directors. Prior to joining Mutual Federal and First Bank Richmond, Mr. Weinert served as a senior officer in the large corporate special assets division of PNC National Bank in Indianapolis (2008-2010), a senior commercial lending officer at Park National Bank in Columbus, Ohio (2006-2008), and as President of Eaton National Bank, Eaton, Ohio (2002-2006). In addition, over his 45+ year career in banking, Mr. Weinert has held numerous commercial banking positions, including serving as a senior credit analyst, corporate lending officer, commercial lending division manager, special assets group manager, corporate banking manager and chief commercial credit officer, predominately with the Indiana National Bank in Indiana and its several successor entities through subsequent mergers. Mr. Weinert holds a BA in Economics from Wabash College and an MBA from Butler University.

Paul J. Witte (age 51) 52. Mr. Witte, employed by First Bank Richmond since 1996, was promoted to President/Chief Operating Officer of the Bank in January 2023. Mr. Witte has recently served as Executive Vice President and previously as Senior Vice President of Commercial Lending since 2014 and Commercial Leasing since 2006. Mr. Witte manages the lending and operations functions of the Bank. Mr. Witte is a graduate of Ball State University with a B.S. BS in Accounting, Corporate Finance and Institutional Finance.

He is a Certified Public Accountant (currently inactive). He is a graduate of the Graduate School of Banking at the University of Wisconsin-Madison and has attended the Financial Managers School sponsored by the Graduate School of Banking at the University of Wisconsin-Madison.

Website

Our website addresses are www.firstbankrichmond.com and www.mutualfederal.com. The information contained on our websites are not included as a part of, or incorporated by reference into, this Annual Report on Form 10-K. Other than an investor's own internet access charges, we make available free of charge through its website the Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we have electronically filed such material with, or furnished such material to, the SEC. Information pertaining to us, including SEC filings, can be found by clicking the link on our sites called "About Us," then scrolling down and clicking on the link called "Investor Relations."

Item 1A. Risk Factors

An investment in our common stock is not an insured deposit and is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included and incorporated by reference in this report. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, capital levels, cash flows, liquidity, results of operations and prospects. The market price of our common stock could decline significantly due to any of these identified or other risks, and you could lose some or all of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. This report is qualified in its entirety by these risk factors.

Risks Related to Macroeconomic Conditions

A worsening of economic conditions in our market area could reduce demand for our products and services and/or result in increases in our level of non-performing loans, which could adversely affect our operations, financial condition and earnings.

Local economic conditions have a significant impact on the ability of our borrowers to repay loans and the value of the collateral securing loans. A return of recessionary conditions or adverse economic conditions in our market areas may reduce our rate of growth, affect our customers' ability to repay loans and adversely impact our business, financial condition, and results of operations. A deterioration in economic conditions in the market areas we serve as a result of inflation, a recession, **the effects of COVID-19 variants**

or other factors could result in the following consequences, any of which could have a material adverse effect on our business, financial condition and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value, thereby reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, a significant decline in general local, regional or national economic conditions caused by inflation, recession, severe weather, natural disasters, widespread disease or pandemics, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control could further impact these local economic conditions and could further negatively affect the financial results of our banking operations. In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

Future changes in interest rates could reduce our profits and affect the value of our assets and liabilities.

Net Our net income is primarily derived from the amount by which excess of net interest income and non-interest income exceed over non-interest expense, the provision expenses, provisions for loan and lease credit losses, and taxes. Net interest income makes up a majority The core component of our net income and is based driven by net interest income, which centers on the difference variance between the interest income we earn on accrued from interest-earning assets, such as loans and securities, and the interest expense we pay incurred on interest-bearing liabilities, such as including deposits and borrowings.

The yields we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of time. Like many financial institutions, our liabilities generally have shorter contractual maturities than our assets. This imbalance can create mismatch exposes us to significant earnings volatility because as market interest rates change over time. In addition, changes fluctuate. Shifts in interest rates can affect also impact the average life lifespan of loans and mortgage-backed and related securities. In a period periods of rising interest rates, the growth rate of interest income we earn on from our assets may not increase as rapidly as might lag behind the accelerating interest we pay expenses on our liabilities. A decline in Conversely, declining interest rates results in can trigger increased loan prepayments of loans and mortgage-backed and related securities security redemptions as borrowers refinance their debt to reduce their seek lower borrowing costs. costs through refinancing. This creates introduces reinvestment risk, which is where the risk that we may not be able to reinvest challenge lies in reinvesting prepayments at rates that are comparable to the rates we those initially earned on the prepaid loans or securities. Furthermore, Moreover, an inverted interest rate yield curve, where wherein short-term interest rates (which are usually the rates at which financial institutions

borrow funds) are higher than surpass long-term interest rates (which are usually the rates at which financial institutions lend funds for fixed-rate loans), can reduce compress a financial institution's institution's net interest margin and create margin. This occurrence poses financial risk risks, particularly for financial institutions that originate longer-term, fixed-rate mortgage loans. At December 31, 2022 As of December 31, 2023, 41.5% approximately 43.9% of our loan and lease portfolio consisted of fixed-rate loans and leases, leases, potentially exposing us to these risks.

As is the case with many banks of December 31, 2023, our emphasis on increasing core deposits has resulted in an increasing percentage of our deposits being comprised of deposits bearing no or a relatively low rate of interest and having a shorter duration than our assets. At December 31, 2022, we had \$314.3 million deposit composition included \$349.6 million in certificates of deposit that mature maturing within one year and \$544.5 million \$523.0 million in noninterest bearing, noninterest-bearing, NOW checking, savings, and money market accounts. We would incur In an increasing interest rate environment, retaining these deposits could lead to a higher cost of funds to retain these deposits in a rising interest rate environment. If funds. Should the interest rates paid on associated with our deposits and other borrowings increase at a faster rate pace than the interest rates received on from loans and other investments, our net interest income and therefore overall earnings could might be adversely affected.

Any A sustained and substantial prolonged change in market interest rates could have a material adverse effect on significantly impact our financial condition, liquidity, and results of operations. Changes operational results. Furthermore, fluctuations in the level of interest rates also may negatively adversely affect the value valuation of our assets and liabilities, and ultimately affect affecting our earnings.

Inflationary pressures and rising prices may affect our results of operations and financial condition.

Inflation has risen sharply surged markedly since the end close of 2021 and continued its ascent throughout 2022, at marking the highest levels not seen for experienced in over 40 years. four decades. Inflationary pressures are currently expected to remain persisted at elevated throughout 2023. Small rates through 2023, creating challenges for businesses, particularly small to medium-sized businesses may be impacted more during periods of high inflation as they are not able to leverage economics enterprises that lack the scale advantages enjoyed by larger corporations. This discrepancy in leveraging economies of scale to mitigate may intensify cost pressures compared to larger for smaller businesses. Consequently, the ability of

The heightened inflationary environment could potentially impact our business customers customers' ability to repay their loans, may deteriorate, and especially among those facing swift deteriorations in some cases this deterioration may occur quickly, which would adversely impact financial conditions. Consequently, our results of operations operational and financial condition. Furthermore, standings may face adverse effects. Moreover, a prolonged sustained period of inflation could cause holds the potential to drive up wages and other costs to expenses for the Company, further posing risks to increase, which could adversely affect our results of operations operational performance and financial condition.

The economic impact of health. Considering the COVID-19 pandemic could continue to affect our financial condition continued inflationary landscape and results of operations.

The COVID-19 pandemic could continue to pose risks and could harm its associated impacts, our business our results of operations and the prospects of the Company. The COVID-19 pandemic has adversely impacted the global and national economy and certain industries and geographies in which our clients operate. Given its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID-19 pandemic on the business of the Company, its clients, employees and third-party service providers. The extent of such impact will depend on future developments, which are highly uncertain. Additionally, the responses of various governmental and nongovernmental authorities and consumers to the pandemic may have material long-term effects on the Company and its clients which are difficult to quantify.

We outlook could be subject to a number of risks as the result of the continuing COVID-19 pandemic and COVID 19 variants, any of which could have a material, adverse effect on our business, financial condition, liquidity, results of operations, ability to execute our growth strategy and ability to pay dividends. These risks include, but are not limited to, changes in demand for our products and services; increased loan losses or other impairments in our loan portfolios and increases in our allowance for loan losses; a decline in collateral for our loans, especially real estate; unanticipated unavailability of employees; increased cyber security risks as employees work remotely; a prolonged weakness in economic conditions resulting in a reduction of future projected earnings could necessitate a valuation allowance against our current outstanding deferred tax assets and increased costs as the Company and our regulators, customers and vendors adapt to evolving pandemic conditions. significantly affected.

Risks Related to Our Business

We have a substantial amount of commercial and multi-family real estate and commercial and industrial loans, and intend to continue to increase originations of these types of loans. These loans involve credit risks that could adversely affect our financial condition and results of operations.

At December 31, 2022 As of December 31, 2023, our portfolio included commercial real estate, multi-family real estate, and commercial and industrial loans totaled \$523.4 million totaling \$595.8 million, or 53.7% constituting approximately 53.8% of our total loans and leases. While these loan types of loans are potentially more profitable than typically offer higher potential profitability compared to residential mortgage loans, they are generally more sensitive inherently carry heightened sensitivity to regional and local economic conditions, making loss levels more difficult posing challenges in accurately forecasting potential losses. Further, these loans often involve substantial balances granted to predict. These loans also generally have relatively large balances to single individual borrowers or related groups, of borrowers. Given elevating their larger balances and risk profile, particularly when considering the complexity of the underlying collateral, commercial collateral.

Commercial and multi-family real estate, and as well as commercial and industrial loans, generally have more entail higher risk than the levels compared to our one- to four-family residential real estate loans we originate. Because the loans. The repayment of these types of such loans depends significantly on the successful effective management and operation of the borrower's borrowers' properties or related businesses, repayment can be affected by factors businesses. Factors outside the borrower's borrower's control, such

as including adverse market conditions, in the real estate market economic downturns, supply chain disruptions, or the economy, disruptions in supply chains, or change shifts in government regulations. regulations, among other factors, can significantly impact the repayment ability of these loans.

In recent years have witnessed substantial growth in commercial real estate markets, have been experiencing substantial growth, and increased compounded by intensified competitive pressures that have contributed significantly led to historically low capitalization rates and rising surging property values. Furthermore, valuations. The economic disruption spurred by the COVID-19 pandemic has particularly affected commercial real estate markets have been particularly impacted by markets. Additionally, the economic disruption resulting from the COVID-19 pandemic. The COVID-19 pandemic has also been a catalyst for accelerated the evolution adoption of various remote work options, which could impact potentially influencing the long-term performance of some types of certain office properties within our commercial real estate portfolio. Accordingly, Moreover, the federal banking regulatory agencies have expressed raised concerns about weaknesses in vulnerabilities within the current commercial real estate market. Further, unlike market, recognizing the risks associated with these assets. Unlike residential mortgage loans, commercial and industrial loans may be secured backed by collateral other than beyond real estate, such as inventory and accounts receivable, the value receivable. The valuation and liquidation of which such collateral may depreciate over time, may be more difficult pose challenges and are subject to appraise or liquidate and may be more susceptible to fluctuation fluctuations in value, at default. especially during defaults.

Failures in our risk management policies, procedures, and controls could adversely affect impede our ability to effectively manage this portfolio, going forward potentially leading to increased delinquencies and could result in an increased rate of delinquencies in, and increased higher losses, from, this portfolio, which, accordingly, could have a material adverse effect on thereby materially impacting our business, financial condition, and results of operations.

operational performance.

We have focused on growing our construction and development loan portfolio in recent years which adds additional risks to our loan portfolio.

Construction As of December 31, 2023, our construction and development loans totaled \$139.9 million \$157.8 million, or 14.4% accounting for approximately 14.2% of our total loans, as of December 31, 2022, of which \$127.0 million were loan portfolio. This comprises \$148.5 million in commercial construction loans and \$12.9 million were \$9.3 million in residential real estate construction loans, compared to total construction and development loans of reflecting a substantial increase from the \$58.4 million, or constituting 7.8% of total loans, reported at December 31, 2020. Construction

Engaging in construction lending generally involves greater inherently carries higher credit risk than compared to long-term financing on for improved, owner-occupied real estate. In the event a loan is made on property that is Loans granted for properties not yet approved for the planned development or improvements there is a pose the risk that of potential denials or delays in necessary approvals will not be granted or will be delayed. Risk approvals. Additionally, the risk of loss on a construction loan also depends upon heavily relies on the accuracy of the initial estimate of the property value of the property at estimates upon completion of construction compared to the estimated cost (including construction costs (inclusive of interest) of construction and other assumptions. If the estimate of construction inaccurate cost is inaccurate, we estimates may be required to advance necessitate additional funds fund disbursements beyond the amount originally committed in order amount to protect the value of the property, property's value. Moreover, if the estimated value of misjudgment in estimating the completed project is inaccurate, project's value may result in the borrower may hold holding a property with a value that is insufficient to assure full repayment of fully repay the construction loan upon the sale of the property. Construction loans also carry the risk that its sale. Delays or cost overruns in construction will not be completed can compound risks, especially when repayments rely on time in accordance with specifications and projected costs. In addition, repayment of these loans can be dependent on the sale property sales or rental of the property rentals to third parties, and the ultimate sale or rental of the property which may not occur transpire as anticipated. Properties The sale of properties under construction are is often difficult to sell challenging and typically must be completed in order to be successfully sold, which complicates requires completion for successful transactions, complicating the process handling of working with our problem problematic construction loans. Further, in the case of speculative

Speculative construction loans there is carry additional risks, including the added risk associated with the borrower obtaining borrower's ability to secure a take-out commitment for a permanent loan. Loans on associated with undeveloped land under development or held for future construction also pose additional risk because of present added risks due to the lack of income production by generation from the property and the its potential illiquid nature of the as collateral. Other Furthermore, various risks, may include the such as fraudulent diversion of construction funds, the filing of mechanics mechanics' liens filed by contractors, subcontractors, or suppliers, or and potential contractor failures in completing projects, contribute to the contractor's failure to complete the complexity and uncertainties associated with construction of the project.

and development loans.

Our portfolio of loans with a higher risk of loss is increasing and the unseasoned nature of our commercial loan portfolio may result in errors in judging its collectability, which may such loans could lead to misjudgments in collectability, triggering additional provisions for loan losses or charge-offs, which would hurt impacting our profits.

Our commercial loan portfolio, which includes commercial and multi-family real estate loans, commercial and industrial loans and construction loans, has increased to \$663.3 million \$753.6 million, or 68.0% of total loans and leases, at December 31, 2022 December 31, 2023 from \$226.9 million, or 48.5% of total loans and leases, at December 31, 2016. A large portion of our commercial loan portfolio is unseasoned, meaning they loans were originated recently. Our limited experience with these borrowers does not provide us with a significant payment history pattern with which to judge future collectability. Further, these loans may not have not been subjected to unfavorable economic conditions. As a result, it is difficult to predict the future performance of this part of our loan portfolio. These loans may have delinquency or charge-off levels above our historical experience, which could adversely affect our future performance.

If we are unable to maintain and grow revenue from our leasing business our future revenue and earnings may be adversely impacted.

Our lease financing operation consists of direct financing leases which are used by commercial customers to finance purchases such as medical, computer and manufacturing equipment, audio/visual equipment, industrial assets, construction and transportation equipment, and a wide variety of other commercial equipment. Revenue

generated from our leasing business accounted for 15.4% 15.3% and 16.3% 15.4% of our total revenue for the years ended December 31, 2022 December 31, 2023 and 2021 2022, respectively.

We rely solely on brokers and other third-party originators to generate our lease transactions. To generate deal flow, we work with over 100 brokers and third-party originators across the country, some of which are one-person shops and others more established companies, with most of the volume coming from fewer than 25 referral sources. None of our relationships are exclusive and any may be terminated at any time. During 2022 2023, of our total \$70.3 million \$89.7 million in lease originations, the top five brokers/third party originators accounted for approximately 50.3% 45.6% of our total volume of lease originations, one of whom accounted for approximately 15.6% 13.3% of our total volume of lease originations. At December 31, 2022 December 31, 2023, our top 25 brokers/third party originators collectively accounted for 80% 81.7% of our total direct financing lease portfolio, with our largest broker/third party originator accounting for 12.4% 10.9% of the portfolio. If our highest producing brokers/third party Losing top brokers or third-party originators, cease to do business with us, or if their customers, cease to do business with them, and we or they are unable to find alternative customers without finding comparable financing needs, we may experience decreased alternatives, could decrease leasing volume, and our revenues may leading to potential revenue decline, as a result, which may materially and adversely affect impacting our business, financial condition, and results of operations.

Our leasing business exposes us to different credit risks than our real estate secured lending.

At December 31, 2022 December 31, 2023, direct financing leases totaled \$133.5 million \$156.6 million, or 13.7% 14.1% of our total loan and lease portfolio. Our direct financing leases, while short term in nature, are inherently risky as they are secured by assets that depreciate rapidly. In some cases, repossessed collateral may not provide an adequate source of repayment for the outstanding lease balance and the remaining deficiency may not warrant further substantial collection efforts against the borrower. Also, if a lessee under a defaulted lease files for protection under the bankruptcy laws, then: (i) we may experience difficulties and delays in recovering the equipment from the defaulting party; (ii) the equipment may be returned in poor condition; and (iii) we may be unable to enforce important contract provisions against the insolvent party. We do not expect to be able to recover software that we lease or finance for a customer that is not on a computer's hard drive and, even if we could do so, we generally would not be able to lease or sell the same software again under the terms of use required by the software vendors.

Finance leasing collections depend on the customer's continuing financial stability, and therefore are more likely to be adversely affected by the cash flows of the business within certain industries. Factors that may adversely affect the ability of our customers to meet their repayment plans include, among other things, their inability to implement their business plans or to meet their sales targets, any downturn in the markets or industries in which they operate, or any declines in general economic conditions. There is no guarantee that the financial condition of our customers will remain healthy in the future, that our customers will continue to fulfill their repayment obligations on time, or that any of our customers will not ultimately default on their leases. As a result, we cannot assure you that our profitability or the demand for our leasing services from our customers will be maintained at historical levels.

Moreover, approximately \$41.7 million \$52.4 million or 31.2% 33.3% of our total lease portfolio is to customers located in California, New York, Florida, and Arkansas. A return of recessionary conditions or adverse economic conditions within these market areas may reduce our leasing volume and affect our customers' ability to make lease payments, resulting in higher defaults, which may result in our inability to fully recover our investment in the related equipment and adversely impact our business, financial condition, and results of operations.

If our allowance for loan and lease credit losses is not sufficient to cover actual losses, our earnings could decrease.

We periodically review our allowance for loan and lease credit losses for adequacy considering economic conditions and trends, collateral values and credit quality indicators, including past charge-off experience and levels of past due loans and nonperforming assets. We cannot be certain that our allowance for loan and lease credit losses will be adequate over time to cover credit losses in our portfolio because of unanticipated adverse changes in the economy, market conditions or events adversely affecting specific customers, industries or markets, and changes in borrower behaviors. Differences between our actual experience and assumptions and the effectiveness of our models may adversely affect our business, financial condition, including liquidity and capital, and results of operations.

In addition, if lead institutions fail to provide timely updates on changes in credit quality for the FASB has adopted an accounting standard referred underlying loans in our loan participation agreements, it could lead to as Current Expected Credit Loss, or CECL, which will require financial institutions to determine periodic estimates of lifetime expected credit misstatements in our ACL and potential losses on these loans.

If the lead institutions on our loan participation agreements do not keep us informed about the changes in credit quality on the underlying loans and recognize the expected credit in a timely manner, this could result in misstatements in our ACL, or possibly losses as allowances on these loans. Additionally, reliance on lead institutions for credit losses. This will change the current method of providing allowances for credit losses only when they have been incurred and are probable, which is expected to require information exposes us to increase counterparty risk, where financial difficulties or failures on their part could jeopardize our allowance for ability to accurately assess and manage risks associated with loan losses participations. Inadequate disclosure or reporting of credit quality changes by lead institutions may lead to non-compliance with regulatory requirements, exposing us to regulatory scrutiny, fines, or other penalties. Furthermore, misstatements in ACL due to delayed credit updates could damage our reputation and greatly increase the types of data we need to collect and review to determine the appropriate level of the allowance for credit losses. This accounting pronouncement is applicable to us effective January 1, 2023. As of the adoption and day one measurement date of January 1, 2023, the Company expects to record a one-time cumulative-effect adjustment to retained earnings, net of income taxes, on the consolidated balance sheet. The allowance will increase between

\$2.3 million and \$3.0 million from December 31, 2022. CECL also requires the establishment of a reserve for potential losses from unfunded commitments that is recorded in other liabilities, separate from the allowance for credit losses, which will be approximately \$1.8 million to \$2.5 million. Also, as required by CECL, the Company reviewed the held-to-maturity debt securities portfolio and determined the expected losses were immaterial. The magnitude of the change in credit quality in the Company's allowance for credit losses at the adoption date will depend upon the nature of the market, posing a significant reputational risk. Moreover, failure to accurately assess and characteristics of the portfolio at the adoption date, as well as macroeconomic conditions and forecasts at that time, other management judgments, and continued refinement and validation of the model and methodologies. See also, "Note 2 — Accounting Pronouncements" in the Notes disclose risks associated with loan participations may expose us to the Consolidated Financial Statements contained in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K.

The federal banking regulators, including the Federal Reserve and the FDIC, have adopted a rule that gives a banking organization the option to phase in over a three-year period the day-one adverse effects of CECL on its regulatory capital. In addition, bank lawsuits from investors or regulatory agencies periodically review our allowance for alleged inadequate risk management practices and misleading disclosures. At December 31, 2023, we had \$93.4 million in loan losses and may require an increase in provisions in which we were not the provision for possible loan losses or the recognition of further loan charge-offs based on their judgment about information available to them at the time of their examination. Any increases in the provision for loan losses will result in a decrease in net income and may have a material adverse effect on our financial condition, results of operations, and capital.

lead lender.

Changes in the valuation of our securities portfolio could hurt our profits and reduce our capital levels.

Our securities portfolio may be impacted by fluctuations in market value, potentially reducing accumulated other comprehensive income and/or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. Management evaluates securities for other-than-temporary impairment on a quarterly basis, with more frequent evaluation for selected issues. In analyzing a debt issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, industry analysts' reports and, to a lesser extent given the relatively insignificant levels of depreciation in our debt portfolio, spread differentials between the effective rates on instruments in the portfolio compared to risk-free rates. In analyzing an equity issuer's financial condition, management considers industry analysts' reports, financial performance and projected target prices of investment analysts within a one-year time frame. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, a potential loss to earnings may occur. Changes in interest rates can also have an adverse effect on our financial condition, as our available-for-sale securities are reported at their estimated fair value, and therefore are impacted by fluctuations in interest rates. We increase or decrease our stockholders' equity by the amount of change in the estimated fair value of the available-for-sale securities, net of taxes. Declines in market value could result in other-than-temporary impairments of these assets, which would lead to accounting charges that could have a material adverse effect on our net income and capital levels. As of December 31, 2022 December 31, 2023, we had no securities that were deemed impaired.

A tightening of credit markets and liquidity risk could impair our ability to fund operations and jeopardize our financial condition.

Liquidity is essential to our business. A tightening of the credit markets and the inability to obtain adequate funding to replace deposits and fund continued loan growth may affect asset growth, our earnings capability and capital levels negatively. We rely on a number of different sources in order to meet our potential liquidity demands. Our primary sources of liquidity are increases in deposit accounts, including brokered deposits, as well as cash flows from loan payments and our securities portfolio. Borrowings, especially from the Federal Home Loan Bank and repurchase agreements, also provide us with a source of funds to meet liquidity demands. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically, or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include adverse regulatory action against us, or a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated, concentrated, or a decrease in the confidence of our depositors in our ability to meet withdrawal demands. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets, negative views and expectations about the prospects for the financial services industry or deterioration in credit markets.

We use estimates in determining the fair value of certain assets, such as mortgage servicing rights ("MSRs"). If our estimates prove to be incorrect, we may be required to write down the value of these assets, which could adversely affect our earnings.

We sell a portion of our one- to four-family loans in the secondary market. We generally retain the right to service these loans through First Bank Richmond. At December 31, 2022 December 31, 2023, the book value of our MSRs was \$2.0 million \$1.9 million. We use a financial model that uses, wherever possible, quoted market prices to value our MSRs. This model is complex and also uses assumptions related to interest and discount rates, prepayment speeds, delinquency and foreclosure rates and ancillary fee income. Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of the model. The primary risk associated with MSRs is that they will lose a substantial portion of their value as a result of higher than anticipated prepayments occasioned by declining interest rates. Conversely, these assets generally increase in value in a rising interest rate environment to the extent that prepayments are slower than anticipated. If prepayment speeds increase more than estimated, or delinquency and default levels are higher than anticipated, we may be required to write down the value of our MSRs which could have a material adverse effect on our net income and capital levels. We obtain independent valuations quarterly to determine if impairment in the asset exists.

If our investment in the Federal Home Loan Bank of Indianapolis becomes impaired, our earnings and stockholders' equity could decrease.

At December 31, 2022 December 31, 2023, we owned \$9.9 million \$12.6 million in Federal Home Loan Bank ("FHLB") of Indianapolis stock. We are required to own this stock to be a member of and to obtain advances from the FHLB of Indianapolis. This stock is not marketable and can only be redeemed by the FHLB of Indianapolis. The most recent stock buyback initiated by the FHLB of Indianapolis was in 2015. The FHLB of Indianapolis' financial condition is linked, in part, to the eleven other members of the FHLB

System and to accounting rules and asset quality risks that could materially lower their capital, which would cause our FHLB of Indianapolis stock to be deemed impaired, resulting in a decrease in our earnings and assets.

Our size makes it more difficult for us to compete.

Our asset size makes it more difficult to compete with other financial institutions that are larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. Our lower earnings may also make it more difficult to offer competitive salaries and benefits. In addition, our smaller customer base may make it difficult to generate meaningful non-interest income from such activities as securities brokerage or the sale of insurance products. Finally, as a smaller institution, we are disproportionately affected by the continually increasing costs of compliance with new banking and other regulations.

As a community bank, maintaining our reputation in our market area is critical to the success of our business, and the failure to do so may materially adversely affect our performance.

We are a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our current market and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. We operate in many different financial service businesses and rely on the ability of our employees and systems to process a significant number of transactions. Operational risk is the risk of loss from operations, including fraud by employees or outside persons, employees' execution of incorrect or unauthorized transactions, data processing and technology errors or hacking and breaches of internal control systems. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results may be materially adversely affected.

We face significant operational risks because the financial services business involves a high volume of transactions and because of our reliance on technology.

Our business requires us to collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and our own business, operations, plans and business strategies. Our operational and security systems infrastructure, including our computer systems, data management and internal processes, as well as those of third parties, are integral to our performance. Our operational risks include the risk of malfeasance by employees or persons outside our company, errors relating to transaction processing and technology, systems failures or interruptions, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non-compliance with applicable regulatory standards or customer attrition due to potential negative publicity.

In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, or a breach of our security systems, including if confidential or proprietary information were to be mishandled, misused or lost, we could suffer financial loss, face regulatory action, civil litigation and/or suffer damage to our reputation. Although we have not experienced any material technology failures, cyber-attacks or other information or security breaches, or material losses related to any such events to date, there can be no assurance that we will not suffer such events, losses or other consequences in the future. Our risk and exposure to these matters remain heightened because of, among other things, the evolving nature of these threats and our role as a provider of financial services, our continuous transmission of sensitive information to, and storage of such information by, third parties, including our vendors and regulators, the outsourcing of some of our business operations, threats of cyber-terrorism, and system and customer account updates and conversions. As a result, cyber-security and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority, an area of substantial concern.

Our information systems may experience failure, interruption or breach in security.

In the ordinary course of Our business we rely heavily relies on electronic communications communication and information systems, to conduct serving as the backbone for our operations and to store storage of sensitive data. Any disruption, failure, interruption or breach in the security of these systems could result in significant disruption to significantly disrupt our operations. Information security Cybersecurity threats encompass a range of incidents, including unauthorized access attempts, data breaches, and cybersecurity-related incidents include, but are not limited to, attempts to access information, including customer and company information, malicious code, computer viruses, and denial of service attacks that could result in unauthorized access, denial-of-service attacks. These events may lead to data theft, misuse, loss, release or destruction, of data (including compromising confidential customer information), information, account takeovers, unavailability of or service or other events, unavailability. These types of threats may derive can stem from multiple sources, ranging from human error, fraud errors to deliberate acts of malice from internal or malice on the part of external or internal parties, or may result from accidental even unforeseen technological failure. Our failures. Despite our proactive measures, including encryption, authentication technologies, systems, networks and software have been extensive education initiatives for both employees and continue to be subject to cybersecurity threats and attacks. Any failures related to upgrades and maintenance of our technology and information systems could further increase our information and system security risk. Our increased customers, the expanding use of cloud services and other technologies, such as remote work technologies also increase our risk of being subject exposes us to a cyber-attack, heightened vulnerability to cyber-attacks. The risk associated with security breaches or disruptions, especially those stemming from cyber-attacks, has become more pronounced due to the increasing sophistication and frequency of a security

breach or disruption, particularly through cyber-attack or cyber global intrusion has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

Our customers, employees and third parties that we do business with have been, and will continue to be, targeted by parties using fraudulent e-mails and other communications in attempts to misappropriate passwords, bank account information or other personal information or to introduce viruses or other malware programs to attempts. Despite our information systems, the information systems of our merchants or third-party service providers and/or our customers' personal devices, which are beyond our security control systems. Though we endeavor to mitigate these threats through product improvements, use of encryption and authentication technology and customer and employee education, such cyber-attacks against us, our merchants, our third-party service providers and our customers remain a serious issue and have been successful in the past.

Although we make significant continuous efforts to maintain the security and integrity of our information systems and have implemented various measures implement robust risk management strategies, there's an inherent challenge. Cyber-attacks often evolve at a pace that makes it difficult to manage proactively anticipate and mitigate them effectively. The dynamic nature of these threats means it's nearly impossible to entirely eliminate the risks risk. In the unfortunate event of a cyber-attack, delayed identification or response to the breach could significantly worsen its impact on our business, financial standing, and operational integrity. While we maintain specialized cyber insurance coverage, it may not cover every potential breach scenario, leaving certain instances uncovered.

The repercussions of a security breach or major disruption there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even well protected information, networks, systems and facilities remain potentially vulnerable to attempted security breaches or disruptions because the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is virtually impossible for us to entirely mitigate this risk. Furthermore, in the event of a cyber-attack, we may be delayed in identifying or responding to the attack, which could increase the negative impact of the cyber-attack on our own business, financial condition and results of operations. While we maintain specific "cyber" insurance coverage, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not be covered under our cyber insurance coverage. A security breach or other significant disruption of our information systems, or as well as those related to of our customers, merchants, or our third-party vendors, including as a result of cyber-attacks, could (i) disrupt the proper functioning of our networks and systems and therefore our can be extensive. This includes disrupting operations, and/or those of our customers; (ii) result in the unauthorized access to and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information, of ours or our customers; (iii) result in a violation of applicable privacy, data breach and other laws, subjecting us to additional potential legal violations, increased regulatory scrutiny, and exposing us to civil litigation, enforcement actions, governmental fines and possible financial liability; (iv) require significant management attention and resources resource-intensive efforts to remedy rectify the damages that result; or (v) harm situation, damage to our reputation, or cause a decrease in the number loss of customers that choose to do business with us. The occurrence customers. Any of any of the foregoing these scenarios could have a material and adverse effect on our business, financial condition position, and results of operations.

operational outcomes.

Our operations rely on certain external vendors.

We rely on certain external vendors to provide products and services necessary to maintain our day-to-day operations. These third-party vendors are sources of operational and informational security risks to us, including risks associated with operational errors, information system failures, interruptions or breaches and unauthorized disclosures of sensitive or confidential client or customer information. If these vendors encounter any of these issues, or if we have difficulty communicating with them, we could be exposed to disruption of operations, loss of service or connectivity to customers, reputational damage, and litigation risk that could have a material adverse effect on our business and, in turn, our financial condition and results of operations.

In addition, our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. Although we have selected these external vendors carefully, we do not control their actions. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements, because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to our operations, which could have a material adverse effect on our business, and in turn, our financial condition and results of operations. Replacing these external vendors could also entail significant delay and expense.

We will be required to transition from the use of the London Interbank Offered Rate ("LIBOR") in the future.

We have certain loans indexed to LIBOR to calculate the interest rate. ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, ended publication of the one-week and two-month USD LIBOR tenors on December 31, 2021 and the remaining USD LIBOR tenors will end publication in June 2023. Financial services regulators and industry groups have collaborated to develop alternate reference rate indices or reference rates. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR (with the exception of overnight repurchase agreements, which are expected to be based on the Secured Overnight Financing Rate ("SOFR"). Uncertainty as to the nature of such potential changes, alternative reference rates, the elimination or replacement of LIBOR, or other reforms may adversely affect the value of, and the return on our loans and our investment securities, and may impact the availability and cost of borrowings.

The language in our LIBOR-based contracts and financial instruments has developed over time and may have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments may give the calculation agent discretion over the substitute index or indices for the calculation of interest rates to be selected. The implementation of a substitute index or indices for the calculation of interest rates under our loan agreements with our borrowers may result in our incurring significant expenses in implementing the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations.

We are subject to environmental liability risk associated with lending activities or on properties we own.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties, or with respect to properties that we own in operating our business. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our policies, which require us to perform an environmental review before initiating any foreclosure action on non-residential real property, may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

Regulatory and Accounting Related Risks

We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations that could increase our costs of operations.

The banking industry is extensively regulated. Federal banking regulations are designed primarily to protect the deposit insurance funds and consumers, not to benefit a company's shareholders. These regulations may sometimes impose significant limitations on our operations. These regulations, along with the currently existing tax, accounting, securities, insurance, and monetary laws, regulations, rules, standards, policies, and interpretations control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies, and interpretations are constantly evolving and may change significantly over time. Any new regulations or legislation, change in existing regulation or oversight, whether a change in regulatory policy or a change in a regulator's interpretation of a law or regulation, could have a material impact on our operations, increase our costs of regulatory compliance and of doing business and adversely affect our profitability. Further, our failure to comply with laws, regulations or policies could result in civil or criminal sanctions and money penalties by state and federal agencies, and/or reputation damage, which could have a material adverse effect on our business, financial condition and results of operations. See "Part I, Item 1. Business - How We Are Regulated." for more information about the regulations to which we are subject.

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

First Bank Richmond is subject to extensive regulation, supervision and examination by the FDIC and the IDFI, and Richmond Mutual Bancorporation is subject to extensive regulation, supervision and examination by the Federal Reserve Board. Such regulation and supervision govern the activities in which an institution and its holding company may engage and are intended primarily for the protection of the federal deposit insurance fund and the depositors of First Bank Richmond, rather than for our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan and lease credit losses. These regulations, along with existing tax, accounting, securities, insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent accounting firm. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of operations.

The Company's reported financial results depend on management's selection We are subject to an extensive body of accounting methods rules and certain assumptions best practices. Periodic changes to such rules may change the treatment of critical financial line items and estimates, which, if incorrect, could cause unexpected losses affect our profitability.

Our business operations are significantly influenced by the extensive body of accounting regulations in the future, United States. Regulatory bodies periodically issue new guidance, altering accounting rules and reporting requirements, which can substantially affect the preparation and reporting of our financial statements. These changes might necessitate retrospective application, potentially leading to restatements of prior period financial statements.

One such significant change from 2022 was the implementation of the Current Expected Credit Losses ("CECL") model, which we adopted on January 1, 2023. Under the CECL model, financial assets carried at amortized cost, such as loans and held-to-maturity debt securities, will be presented at the net amount expected to be collected. This forward-looking approach in estimating expected credit losses contrasts starkly with the former GAAP's "incurred loss" model, delaying recognition until a loss is probable. CECL mandates considering historical experience, current conditions, and reasonable forecasts affecting collectability, leading to periodic adjustments of financial asset values. However, this forward-looking methodology, reliant on macroeconomic variables, introduces the potential for increased earnings volatility due to unexpected changes in these indicators between periods.

The Company's An additional consequence of CECL is an accounting policies asymmetry between loan-related income, recognized periodically based on the effective interest method, and methods are fundamental credit losses, recognized upfront at origination. This asymmetry might create the perception of reduced profitability during loan

expansion periods due to how the immediate recognition of expected credit losses. Conversely, periods with stable or declining loan levels might seem relatively more profitable as income accrues gradually for loans where losses had been previously recognized.

On January 1, 2023, we adopted the accounting standard referred to as CECL. As a result of the change in methodology from the incurred loss method to the CECL model, on January 1, 2023 the Company records and reports its financial condition and results of operations. The Company's management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles and reflect management's judgment regarding the most appropriate manner to report the Company's financial condition and results of operations. In some cases, management must select the accounting policy or method to apply recorded a one-time adjustment from two or more alternatives, any of which might be reasonable under the circumstances, yet might result in the Company's reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting the Company's financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. These critical accounting policies include equity into the allowance for loan credit losses estimations on loans and leases in the amount of fair value and income taxes. Because \$2.0 million, net of tax. Additionally, as a part of the uncertainty of estimates involved in these matters, the Company may be required to do one or more of the following: significantly increase the CECL adoption, we established an allowance for loan losses and/or sustain credit losses that are significantly higher than the reserve provided, recognize significant losses on unfunded commitments by recording a one-time adjustment from stockholder's equity of \$1.8 million, which is reported in other liabilities on the remeasurement of certain asset and liability balances, or significantly increase its accrued taxes liability. For more information, refer to "Critical Accounting Estimates" included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K.

Condensed Consolidated Balance Sheets.

Climate change and related legislative and regulatory initiatives may materially affect the Company's business and results of operations.

The effects of climate change continue to create an alarming level of concern for the state of the global environment. As a result, the global business community has increased its political and social awareness surrounding the issue, and the United States has entered into international agreements in an attempt to reduce global temperatures, temperature increases, such as reentering the Paris Agreement. Further, the U.S. Congress, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives to supplement the global effort to combat climate change. Similar and even more expansive initiatives are expected have occurred under the current administration, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate-related factors and encouraging investment by banks in climate-related initiatives and lending to communities disproportionately impacted by the effects of climate change. The lack of empirical data surrounding the credit and other financial risks posed by climate change render it difficult, or even impossible, to predict how specifically climate change may impact our financial condition and results of operations; however, the physical effects of climate change may also directly impact us. Specifically, unpredictable and more frequent weather disasters may adversely impact the real property, and/or the value of the real property, securing the loans in our portfolios. Additionally, if insurance obtained by our borrowers is insufficient to cover any losses sustained to the collateral, or if insurance coverage is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted by climate change, natural disasters and related events, which could impact our financial condition and results of operations. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact the communities in which we operate. Overall, climate change, its effects and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations.

Other Risks

We may elect or be compelled to seek additional capital in the future, but that capital may not be available when it is needed or on terms acceptable to us.

We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. We believe the net proceeds of our recent initial public offering will be sufficient to permit us to maintain regulatory compliance for the foreseeable future. Nevertheless, we may elect to raise more capital to support our business or to finance acquisitions, if any, or we may otherwise elect or be required to raise additional capital in the future. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside our control, and on our financial performance. We cannot assure you of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed, or if the terms of such a capital raise are not advantageous, it may have a material adverse effect on our financial condition, results of operations and prospects.

Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks.

Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social and governance ("ESG") practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG related compliance costs could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure.

There may be future sales of additional common stock or preferred stock or other dilution of our equity, which may adversely affect the market price of our common stock.

We are not restricted from issuing additional common stock or preferred stock, including any securities that are convertible into or exchangeable for, or that represent the right to receive, common stock or preferred stock or any substantially similar securities. The market value of our common stock could decline as a result of sales by us of a large number of shares of common stock or preferred stock or similar securities in the market or the perception that such sales could occur.

Our board of directors is authorized to allow us to issue additional common stock, as well as classes or series of preferred stock, generally without any action on the part of the stockholders. In addition, the board has the power, generally without stockholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights and preferences over the common stock with respect to dividends or upon the liquidation, dissolution or winding-up of our business and other terms. If we issue additional preferred stock in the future that has a preference over the common stock with respect to the payment of dividends or upon liquidation, dissolution or winding-up, or if we issue additional preferred stock with voting rights that dilute the voting power of the common stock, the rights of holders of the common stock or the market value of the common stock could be adversely affected.

You may not receive dividends on our common stock.

Holders of our common stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. The declaration and payment of future cash dividends will be subject to, among other things, regulatory restrictions, our then current and projected consolidated operating results, financial condition, tax considerations, future growth plans, general economic conditions, and other factors our board of directors deems relevant. Richmond Mutual Bancorporation will depend primarily upon the proceeds it retained from the initial public offering as well as earnings of First Bank Richmond to provide funds to pay dividends on our common stock. The payment of dividends by First Bank Richmond is also subject to certain regulatory restrictions. Federal law generally prohibits a depository institution from making any capital distributions (including payment of a dividend) to its parent holding company if the depository institution would thereafter be or continue to be undercapitalized, and dividends by a depository institution are subject to additional limitations. As a result, any payment of dividends in the future by Richmond Mutual Bancorporation may depend on First Bank

Richmond's ability to satisfy these regulatory restrictions and its earnings, capital requirements, financial condition and other factors.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 1C. Cybersecurity

Risk Management and Strategy

The Company's Information Security Program ("ISP") is a robust framework overseen by the Information Technology Board Committee ("ITBC") and the IT Steering Committee ("ITSC"). These committees play a pivotal role in managing technology and cyber risks, ensuring compliance with regulatory requirements, and fostering a controlled risk environment.

The ITBC meets quarterly, while the ITSC meets monthly. Meeting minutes from the ITSC are regularly submitted to the Board for review. These two committees jointly oversee the organization's information technology and cyber risk posture, focusing on the assessment of information and cybersecurity risks. Evaluated risks are subject to rigorous controls, ensuring both design and operational effectiveness and adherence to regulatory requirements. In instances where a risk is identified as inadequately controlled, remediation measures are implemented to reduce the risk to an acceptable level. This commitment to ongoing assessment and responsiveness enhances our ability to adapt to emerging threats and maintain a proactive stance in managing risks effectively.

The identification of risks is a multifaceted process that involves a range of activities. This includes monitoring of guidance issued by regulatory authorities, participating in professional forums, conducting both internal and external audits, collaborating with third-party services, reviewing policies, and adhering to best practice frameworks including Federal Financial Institutions Examination Council ("FFIEC") guidance and information security requirements established in the Gramm-Leach Bliley Act, along with other relevant state laws and agency regulations. Furthermore, we emphasize the importance of maintaining a collaborative relationship with third-party service providers/vendors. This collaborative approach enhances our risk management capabilities and ensures a shared commitment to maintaining a secure information environment.

Moreover, our commitment to robust risk management extends to the maintenance of a comprehensive Security Incident Response Plan ("SIRP"). This SIRP serves as a framework for effectively addressing and mitigating security incidents. Within this plan, we integrate accessible resources to fortify our response capabilities. This includes establishing collaborative partnerships with insurance providers, regulatory agencies, and law enforcement agencies, ensuring a seamless and coordinated approach in the event of a security incident. Recognizing the interdependence of our practices with service providers and vendors, we actively engage with our partners during the notification and investigation processes following a security incident. This collaborative effort is designed to foster complete visibility into the nature and scope of security risks and events, enabling a unified and effective response.

Our SIRP is dynamic and adaptable, evolving in tandem with the ever-changing cybersecurity landscape. By regularly updating and refining our response strategies, we remain prepared to confront emerging threats.

As of the reporting period, the Company has not experienced any material cybersecurity events or incidents. Although third-party service providers have encountered cybersecurity events or incidents, these occurrences have not resulted in a material impact on our systems, computing environments, or data.

Governance

Our Board, supported by the ITBC and the ITSC, actively oversees our processes for management of cybersecurity risks and threats. The Board's responsibilities include the ongoing administration of the ISP, conducting an annual review, and granting approval. Regular reviews of reports by both the Board and the ITBC, submitted by the ITSC, ensure timely awareness of emerging concerns and facilitate continuous enhancements to our cybersecurity posture. In addition to governance oversight, the Board designates key roles crucial for effective cybersecurity management. This includes appointing the Information Security Officer ("ISO"), Chief Information Officer ("CIO"), and Chief Compliance Officer ("CCO"). The ISO and CIO roles are filled jointly by one individual, who has been with the organization for 19 years with over 25 years of experience in information technology. Our Chief Compliance Officer has been with the organization for over 36 years, with over 15 years of experience in compliance. These professionals bring diverse qualifications, certifications, and experience, ensuring a comprehensive approach to our information security initiatives. These qualifications and certifications include Certified Information Security Manager (CISM), Certified Banking Security Manager (CBSM), and Certified Information Security Professional (CISSP).

Our governance structure ensures a comprehensive approach to managing cybersecurity risks and threats, aligning with the Board-approved ISP. The ITBC, which is comprised of several Board members, the CIO, ISO, Chief Executive Officer and Chief Operating Officer, is responsible for establishing and updating the Company's Risk Appetite Statement. The ITSC, appointed by the Board of Directors and comprised of the CIO, ISO, CCO and various other representatives from each area of the Bank, is responsible for overseeing ISP compliance. This involves delineating lines of responsibility and accountability for information security risk management decisions. The ITSC also reviews and approves significant changes to our control environments, ensuring that outside independent organizations conduct annual vulnerability assessments and penetration tests. Furthermore, they examine reports submitted by the ISO.

The ISO is responsible for reporting, at least annually, to the Board of Directors on the status of the ISP, including overall compliance, risk management, vendor management, audit and testing results, breaches and incidents, and recommended updates to the ISP.

Item 2. Properties

We currently operate out of our corporate headquarters/financial center and 12 full-service offices, all of which are owned by us, and one drive through facility used for existing customer transaction purposes only and one loan production office, both of which are leased. As of **December 31, 2022** **December 31, 2023**, the net book value of our real properties, including land, was **\$13.7 million** **\$13.3 million**. See also Note 6 in the Notes to Consolidated Financial Statements contained in Item 8 of this report on Form 10-K. In the opinion of management, the facilities are adequate and suitable for our current needs. We may open additional banking offices to better serve current clients and to attract new clients in subsequent years.

Item 3. Legal Proceedings

We are not involved in any pending legal proceedings as a plaintiff or defendant other than routine legal proceedings occurring in the ordinary course of business, and at **December 31, 2022** **December 31, 2023**, we were not involved in any legal proceedings, the outcome of which would be material to our financial condition or results of operations.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The common stock of Richmond Mutual Bancorporation is listed on The NASDAQ Capital Market under the symbol "RMBI." There were approximately **453,440** shareholders of record of our common stock as of **March 29, 2023** **March 29, 2024**.

Our cash dividend payout policy is reviewed regularly by management and the Board of Directors. During the year ended **December 31, 2022** **December 31, 2023**, the Company paid cash dividends equal to **\$0.40** **\$0.56** per common share. Any dividends declared and paid in the future would depend upon a number of factors, including capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in future periods. Our future payment of dividends may depend, in part, upon receipt of dividends from First Bank Richmond, which are restricted by federal regulations.

Equity Compensation Plan Information. The equity compensation plan information presented in Part III, Item 12 of this Form 10-K is incorporated herein by reference.

Issuer Purchases of Equity Securities. On May 19, 2021, the Board of Directors authorized a third stock repurchase program for up to 1,263,841 shares, or approximately 10% of its outstanding shares. This repurchase program expired on July 3, 2022 with a total of 817,984 shares being repurchased. On July 21, 2022, the Company announced that the Board of Directors authorized a fourth stock repurchase program for up to 1,184,649 shares, or approximately 10% of its then outstanding shares. The fourth stock repurchase program will expire in July 2023, unless completed sooner. The following table sets forth information with respect to our repurchases of our outstanding common shares during the three months ended **December 31, 2022** **December 31, 2023**:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
October 1, 2022 - October 31, 2022	5,151	\$ 13.60	5,151	1,135,423
November 1, 2022 - November 30, 2022	3,876	13.26	3,876	1,131,547
December 1, 2022 - December 31, 2022	9,151	12.76	9,151	1,122,396

	18,178	\$	13.11	18,178
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	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs (1)
October 1, 2023 - October 31, 2023	35,646	\$ 10.28	35,646	923,965
November 1, 2023 - November 30, 2023	32,753	10.46	32,753	891,212
December 1, 2023 - December 31, 2023	23,176	11.53	23,176	868,036
	91,575	\$ 10.66	91,575	

(1) On June 6, 2023, the Company announced that the Board of Directors approved an amendment to the Company's existing stock repurchase program authorizing the purchase of up to 321,386 shares of the Company's issued and outstanding common stock in addition to the 827,554 shares remaining available for repurchase at that date under the existing program, and extending the stock repurchase program's expiration date to June 6, 2024, unless completed sooner.

Item 6. [Reserved]

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

Certain matters in this Form 10-K may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, are based on certain assumptions and are generally identified by use of words such as "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could." These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. These forward-looking statements are based on our current beliefs and expectations and, by their nature, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

Important factors that could cause our actual results to differ materially from the results anticipated or projected, include, but are not limited to, the following:

- potential adverse impacts to economic conditions in our local market areas, other markets where the Company has lending relationships, or other aspects of the Company's business operations or financial markets, including, without limitation, as a result of employment levels, labor shortages and the effects of inflation, a potential recession or slowed economic growth caused by increasing political instability from acts growth;
- changes in the interest rate environment, including the recent past increases in the Federal Reserve benchmark rate and duration at which such elevated interest rate levels are maintained, which could adversely affect our revenues and expenses, the value of war including Russia's invasion assets and obligations, and the availability and cost of Ukraine, as well as increasing prices capital and supply chain disruptions, liquidity;
- the impact of continuing high inflation and the current and future monetary policies of the Federal Reserve in response thereto;
- the effects of any governmental or societal responses to the COVID-19 pandemic, including new COVID-19 variants; federal government shutdowns;
- general economic conditions, either nationally or in our market areas, that which are worse than expected;
- changes in the level and direction of loan or lease delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan and lease credit losses;

- our ability to access cost-effective funding;
- fluctuations in real estate values, and residential, commercial and multifamily real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions and equipment financing companies;
- inflation and changes in the interest rate environment that reduce our margins and yields, our mortgage banking revenues, the fair value of financial instruments or our level of loan originations, or increase the level of defaults, losses and prepayments on loans and leases we have made and make;
- adverse changes in the securities or secondary mortgage markets;
- changes in the quality or composition of our loan, lease or investment portfolios;
- our ability to keep pace with technological changes, including our ability to identify and address cyber-security risks such as data security breaches, "denial of service" attacks, "hacking" and identity theft, and other attacks on our information technology systems or on the third-party vendors who perform several of our critical processing functions;
- the inability of third-party providers to perform as expected;
- our ability to manage market risk, credit risk and operational risk in the current economic environment;
- the transition away from LIBOR toward new interest rate benchmarks;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to retain key employees;
- our compensation expense associated with equity allocated or awarded to our employees;
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods;
- legislative or regulatory changes such as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and its implementing regulations that adversely affect our business, and the availability of resources to address such changes;
- our ability to pay dividends on our common stock;
- the effects of climate change, severe weather events, natural disasters, pandemics, epidemics and other public health crises, acts of war or terrorism, and other external events on our business;
- other economic, competitive, governmental, regulatory, and technical factors affecting our operations, pricing, products and services; and
- the other risks described elsewhere in this Form 10 K and our other reports filed with and furnished to the U.S. Securities and Exchange Commission ("SEC").

We undertake no obligation to publicly update or revise any forward-looking statements included in this report or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur and you should not put undue reliance on any forward-looking statements.

Additional factors that may affect our results are discussed under Part I, Item 1A in this document under the heading "Risk Factors."

General

Our principal business consists of attracting deposits from the general public, as well as brokered deposits, and investing those funds primarily in loans secured by first mortgages on owner-occupied, one- to four-family residences, a variety of consumer loans, direct financing leases, commercial and industrial loans, and loans secured by commercial and multi-family real estate. We also obtain funds by utilizing FHLB advances. Funds not invested in loans generally are invested in investment securities, including mortgage-backed and mortgage-related securities and agency and municipal bonds.

Our results of operations are primarily dependent on net interest income. Net interest income is the difference between interest income, which is the income that is earned on loans and investments, and interest expense, which is the interest that is paid on deposits and borrowings. Other significant sources of pre-tax income are service charges (mostly from service charges on deposit accounts and loan servicing fees), and fees from the sale of residential mortgage loans originated for sale in the secondary market. We may also recognize income from the sale of investment securities.

At December 31, 2022 December 31, 2023, on a consolidated basis, we had \$1.31.5 billion in assets, \$961.7 million \$1.1 billion in loans, \$1.0 billion in deposits and \$133.0 million \$134.9 million in stockholders' equity. First Bank Richmond's risk-based capital ratio at December 31, 2022 December 31, 2023 was 14.3% 14.1%, exceeding the 10.0% requirement for a well-capitalized institution. For the year ended December 31, 2022 December 31, 2023, we reported net income of \$13.0 million, \$9.5 million, compared with net income of \$11.1 million \$13.0 million for 2021, 2022.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with GAAP. In doing so, we have to make estimates and assumptions. Our critical accounting estimates are those estimates that involve a significant level of uncertainty at the time the estimate was made, and changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. Accordingly, actual results could differ materially from our estimates. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We have reviewed our critical accounting estimates with the audit committee of our Board of Directors.

See Note 1 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for a summary of significant accounting policies and the effect on our financial statements.

Allowance for Loan and Lease Credit Losses. The allowance for credit losses applies to all financial instruments carried at amortized cost. We maintain an allowance for loan credit losses on loans and lease losses to cover probable incurred leases based on expected future credit losses at the balance sheet date. Loan and lease losses are charged against the allowance when management believes the uncollectibility of a loan or lease balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in our judgment, should be charged-off. A provision for loan credit losses for loans and lease losses leases is charged to operations based on our periodic evaluation of the necessary allowance balance. balance in the allowance.

Determining the appropriateness of the allowance for credit losses is complex and requires judgement by management on future factors that are unknown. We have an established process to determine the adequacy of the allowance for loan and lease credit losses. The determination of the allowance is inherently subjective, as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired similarly-risked loans estimated losses in their respective segments, the amounts and timing of expected future cash flows on other classified collateral-dependent loans, and pools of homogeneous loans, and consideration of past loan loss experience, movement through risk-ratings, economic forecasts, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors, all of which may be susceptible to significant change.

At January 1, 2023, we established an allowance for credit losses on unfunded commitments as part of our transition to CECL. This allowance is held and monitored separately from our allowance for credit losses on loans and leases and is periodically adjusted. Significant estimates are used to determine the allowance, including expected future losses of the loan and lease portfolio, changes in composition, information about specific borrower situations and risk-rating adjustments, probability of funding, economic conditions and other factors, all of which may be susceptible to significant change. A provision for credit losses for unfunded commitments is charged to operations periodically upon evaluation of the necessary balance in the allowance.

Available for Sale Securities. Under Financial Accounting Standards Board ("FASB" ("FASB") Codification Topic 320 (ASC 320) (ASC320), Investments-Debt, investment securities must be classified as held to maturity, available for sale or trading. Management determines the appropriate classification at the time of purchase. The classification of securities is significant since it directly impacts the accounting for unrealized gains and losses on securities. Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and we have the ability to hold the securities to maturity. Securities not classified as held to maturity are classified as available for sale and are carried at fair value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income and which do not affect earnings until realized.

The fair values of our securities are generally determined by reference to quoted prices from reliable independent sources utilizing observable inputs. Certain of our fair values of securities are determined using models whose significant value drivers or assumptions are unobservable and are significant to the fair value of the securities. These models are utilized when quoted prices are not available for certain securities or in markets where trading activity has slowed or ceased. When quoted prices are not available and are not provided by third party pricing services, management judgment is necessary to determine fair value. As such, fair value is determined using discounted cash flow analysis models, incorporating default rates, estimation of prepayment characteristics and implied volatilities.

We evaluate all securities on a quarterly basis, and more frequently when economic conditions warrant additional evaluations, for determining if any other-than-temporary impairments ("OTTI") exist pursuant to guidelines established impairment exists as defined in ASC 320, 326. If an impairment has occurred, it must be determined if the impairment is due to credit or non-credit related factors. In evaluating the possible impairment of securities, consideration is given to the length of time and the extent to which the fair value has been is less than cost, the financial condition and near-term prospects of the issuer, and our ability and intent to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, we may consider whether the securities are issued by the federal government or its agencies or government sponsored agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

If management determines that an investment experienced an OTTI, we impairment that is credit-related, it must then determine be determined if we intend to sell the amount security, or if it is more likely than not that we will be required to sell the security, before the recovery of its amortized cost basis. If either of these circumstances are present, then the OTTI to impairment will be recognized in earnings. earnings with a corresponding adjustment to the amortized cost basis of the security. If we do not intend to sell the security and it is more likely than not that we will not be required to sell the security before recovery of its amortized cost basis, less any current period loss, the OTTI will be

separated into the amount representing the credit loss and the amount related to all other factors. The amount of OTTI related to the credit loss is determined based on the present value values of expected cash flows expected to be collected and is recognized in earnings. The amount of from the OTTI related to other factors security will be recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less compared against the OTTI recognized in earnings will become the new amortized cost basis of the investment, security. If management intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current period of the security is greater than the present cash flows expected from the security, a credit loss would exist and it would determine the OTTI will amount of allowance, if any, that would be deemed needed. A needed allowance would result in an allowance recognized in on the balance sheet, with a corresponding adjustment to earnings, equal limited to the entire difference between amount that fair value is less than the investment's amortized cost basis and its fair value at of the balance sheet date. Any recoveries related security. After recognizing a credit loss through an allowance, periodic assessments are necessary to determine increases or decreases to the value of these securities are recorded as an unrealized gain (as accumulated other comprehensive income (loss) in stockholders' equity) and credit loss, which require adjustments to the allowance. Any adjustments would be recognized through earnings, not recognized in income until the security is ultimately sold.

From time to time we may dispose of an impaired security in response to asset/liability management decisions, future market movements, business plan changes, or if exceed the net proceeds can be reinvested at a rate amount of return the allowance as limited to the amount that is expected to recover the loss within a reasonable period of time.

Deferred Tax Asset. We have evaluated our deferred tax asset to determine if it is more likely than not that the asset will be utilized in the future. Our most recent evaluation has determined that we will more likely than not be able to utilize our remaining deferred tax asset. amortized cost exceeds fair value.

Management Strategy

We are a community-oriented financial institution dedicated to serving the needs of customers in our primary market area. Our commitment is to offer a full array of consumer and commercial banking products and services to meet the needs of our customers. We offer mortgage lending products to qualified borrowers to give them the broadest access to home ownership in our markets. We offer commercial lending products and services tailored to complement their businesses. Our goal is to maintain asset quality while continuing to build our strong capital position while looking for growth opportunities in the markets we serve. To achieve these goals, we will focus on the following strategies:

Lending. We believe that commercial lending offers an opportunity to enhance our profitability while managing credit, interest rate and operational risk. We seek quality commercial loan opportunities in our existing markets and purchase loan participations that complement our existing portfolios. We will continue to focus our efforts on our existing markets as well as to further develop the Columbus, Ohio market through our loan production office. We anticipate that the majority of our commercial and multi-family real estate and commercial construction loan originations will range in size from \$1.0 million to \$8.0 million, while the majority of our commercial and industrial loan originations will range in size from \$250,000 to \$1.5 million. At December 31, 2022 December 31, 2023, our commercial loan portfolio, which includes commercial and multi-family real estate loans, commercial and industrial loans and construction loans, totaled \$663.3 million \$753.6 million, or 68.0% of total loans and leases, with approximately \$210.1 million \$253.5 million of these loans, or 21.6% 33.6% of our total loans and leases, located in the Columbus, Ohio market.

Deposit Services. Deposits are our primary source of funds for lending and investment. We intend to continue to focus on increasing core deposits (which we define as all deposits except for certificates of deposit of \$250,000 or more and brokered certificates of deposit) in our primary market area, with a particular emphasis on noninterest-bearing deposits. We will continue to enhance our offering of retail deposit products to maintain and increase our market share, while continuing to build our product offering of commercial deposit products to strengthen our relationships with our business customers. Core deposits represented 69.9% 68.7% of our total deposits as of December 31, 2022 December 31, 2023.

Balance Sheet Growth. As a result of our efforts to build our management and infrastructure, we believe we are well-positioned to increase the size of our balance sheet without a proportional increase in overhead expense or operating risk. Accordingly, we intend to increase, on a managed basis, our assets and liabilities, particularly loans and deposits.

Asset Quality. We believe that strong asset quality is a key to long-term financial success. Our strategy for credit risk management focuses on an experienced team of credit professionals, well-defined credit policies and procedures, appropriate loan underwriting criteria and active credit monitoring. Our non-performing loans to total loans ratio was 0.94% 0.72% at December 31, 2022 December 31, 2023.

Capital Position. Our policy has always been to protect the safety and soundness of First Bank Richmond through credit and operational risk management, balance sheet strength, and sound operations. The end result of these activities has been a capital ratio in excess of the well-capitalized standards set by our regulators. We believe that maintaining a strong capital position safeguards the long-term interests of First Bank Richmond.

Interest Rate Risk Management. Changes in interest rates are our primary market risk as our balance sheet is almost entirely comprised of interest-earning assets and interest-bearing liabilities. As such, fluctuations in interest rates have a significant impact not only upon our net income but also upon the cash flows related to those assets and liabilities and the market value of our assets and liabilities. In order to maintain what we believe to be acceptable levels of net interest income in

varying interest rate environments, we actively manage our interest rate risk and assume a moderate amount of interest rate risk consistent with board policies.

Selected Consolidated Financial and Other Data

The Financial Condition Data and Operating Data as of and for the years ended December 31, 2022 December 31, 2023 and 2021 2022 are derived from the audited financial statements and related notes included elsewhere in this Form 10-K. The following information is only a summary and is qualified in its entirety by the detailed information included elsewhere herein and should be read along with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8, "Financial Statements and Supplementary Data" of this Form 10-K.

At December 31,

		2022	2021
		(In thousands)	
	At December 31,	At December 31,	
	2023	2023	2022
	(In thousands)	(In thousands)	
Selected Financial Condition Data:	Selected Financial Condition Data:		
Total assets	Total assets		
Total assets	Total assets		
Total assets	Total assets	\$1,328,620	\$1,267,640
Loans and leases, net ⁽¹⁾	Loans and leases, net ⁽¹⁾	961,691	832,846
Securities available for sale, at fair value	Securities available for sale, at fair value	284,900	357,538
Investment securities, at amortized cost	Investment securities, at amortized cost	6,672	9,041
FHLB stock	FHLB stock	9,947	9,992
Deposits	Deposits	1,005,261	900,175
FHLB advances	FHLB advances	180,000	180,000
Stockholders' equity	Stockholders' equity	132,978	180,481

(1) Net of allowances for loan and lease credit losses, loans in process and deferred loan fees.

		Years Ended December 31,	
		2022	2021
		(In thousands)	
	Years Ended December 31,	Years Ended December 31,	
	2023	2023	2022
	(In thousands)	(In thousands)	
Selected Operations Data:	Selected Operations Data:		
Total interest income	Total interest income		
Total interest income	Total interest income		
Total interest income	Total interest income	\$51,858	\$45,926
Total interest expense	Total interest expense	10,219	7,682
Net interest income	Net interest income	41,639	38,244
Provision for loan and lease losses	Provision for loan and lease losses	600	1,430

Net interest income after provision for loan and lease losses		41,039	36,814
Provision for credit losses			
Net interest income after provision for credit losses			
Service charges on deposit accounts	Service charges on deposit accounts	1,050	882
Card fee income	Card fee income	1,210	1,087
Loan and lease servicing fees	Loan and lease servicing fees	862	(84)
Gain on loan and lease sales	Gain on loan and lease sales	639	2,450
Gain on sales of securities		—	56
Other income			
Other income			
Other income	Other income	1,105	1,025
Total non-interest income	Total non-interest income	4,866	5,416
Total non-interest expenses	Total non-interest expenses	30,157	28,649
Income before provision for income taxes	Income before provision for income taxes	15,748	13,581
Provision for income taxes	Provision for income taxes	2,783	2,436
Net income	Net income	\$12,965	\$11,145

At or For the Years Ended December 31,	
2022	2021

At or For the Years Ended December 31,	At or For the Years Ended December 31,
2023	2022

Selected Financial Ratios and Other Data: Performance ratios:	Selected Financial Ratios and Other Data: Performance ratios:						
Performance ratios:							
Performance ratios:							
Return on average assets (ratio of net income to average total assets)							
Return on average assets (ratio of net income to average total assets)							
Return on average assets (ratio of net income to average total assets)	Return on average assets (ratio of net income to average total assets)	1.01 %	0.94 %		0.68 %	1.01 %	
Return on average equity (ratio of net income to average equity)	Return on average equity (ratio of net income to average equity)	8.79 %	6.03 %	Return on average equity (ratio of net income to average equity)	7.36 %		8.79 %
Yield on interest-earning assets	Yield on interest-earning assets	4.18 %	4.01 %	Yield on interest-earning assets	4.98 %		4.18 %
Rate paid on interest-bearing liabilities	Rate paid on interest-bearing liabilities	1.01 %	0.89 %	Rate paid on interest-bearing liabilities	2.59 %		1.01 %
Interest rate spread information:	Interest rate spread information:						
Average during period							
Average during period							
Average during period	Average during period	3.17 %	3.12 %		2.39 %	3.17 %	
End of period	End of period	3.09 %	2.91 %	End of period	2.27 %		3.09 %
Net interest margin ⁽¹⁾	Net interest margin ⁽¹⁾	3.36 %	3.34 %	Net interest margin ⁽¹⁾	2.78 %		3.36 %
Operating expense to average total assets	Operating expense to average total assets	2.35 %	2.42 %	Operating expense to average total assets	2.20 %		2.35 %

Average interest-earning assets to average interest-bearing liabilities	Average interest-earning assets to average interest-bearing liabilities	122.34 %	131.81 %	Average interest-earning assets to average interest-bearing liabilities	117.81 %	122.34 %
Efficiency ratio ⁽²⁾	Efficiency ratio ⁽²⁾	64.85 %	65.70 %	Efficiency ratio ⁽²⁾	72.71 %	64.85 %
Asset quality ratios:	Asset quality ratios:					
Non-performing assets to total assets ⁽³⁾	Non-performing assets to total assets ⁽³⁾	0.69 %	0.64 %			
Non-performing assets to total assets ⁽³⁾						
Non-performing assets to total assets ⁽³⁾				0.56 %		0.69 %
Non-performing loans and leases to total gross loans and leases ⁽⁴⁾	Non-performing loans and leases to total gross loans and leases ⁽⁴⁾	0.94 %	0.95 %	Non-performing loans and leases to total gross loans and leases ⁽⁴⁾	0.72 %	0.94 %
Allowance for loan and lease losses to non-performing loans and leases ⁽⁴⁾		135.28 %	150.76 %			
Allowance for loan and lease losses to loans and leases		1.27 %	1.43 %			
Net charge-offs/(recoveries) to average outstanding loans and leases during the period		0.03 %	(0.01 %)			
Allowance for credit losses on loans and leases to non-performing loans and leases ⁽⁴⁾				Allowance for credit losses on loans and leases to non-performing loans and leases ⁽⁴⁾	195.80 %	135.28 %
Allowance for credit losses on loans and leases to total gross loans and leases				Allowance for credit losses on loans and leases to total gross loans and leases	1.42 %	1.27 %

Net charge-offs to average outstanding loans and leases during the period				Net charge-offs to average outstanding loans and leases during the period		0.06 %	0.03 %
Capital ratios:				Capital ratios:			
Common equity tier 1 capital (to risk weighted assets) ⁽⁵⁾				Common equity tier 1 capital (to risk weighted assets) ⁽⁵⁾			
Common equity tier 1 capital (to risk weighted assets) ⁽⁵⁾	Common equity tier 1 capital (to risk weighted assets) ⁽⁵⁾	13.23 %	16.02 %			12.85 %	13.23 %
Tier 1 leverage (core) capital (to adjusted tangible assets) ⁽⁵⁾	Tier 1 leverage (core) capital (to adjusted tangible assets) ⁽⁵⁾	11.20 %	12.53 %	Tier 1 leverage (core) capital (to adjusted tangible assets) ⁽⁵⁾		10.64 %	11.20 %
Tier 1 risk-based capital (to risk weighted assets) ⁽⁵⁾	Tier 1 risk-based capital (to risk weighted assets) ⁽⁵⁾	13.23 %	16.02 %	Tier 1 risk-based capital (to risk weighted assets) ⁽⁵⁾		12.85 %	13.23 %
Total risk-based capital (to risk weighted assets) ⁽⁵⁾	Total risk-based capital (to risk weighted assets) ⁽⁵⁾	14.31 %	17.25 %	Total risk-based capital (to risk weighted assets) ⁽⁵⁾		14.10 %	14.31 %
Equity to total assets at end of period	Equity to total assets at end of period	10.01 %	14.27 %	Equity to total assets at end of period		9.23 %	10.01 %
Average equity to average assets	Average equity to average assets	11.51 %	15.64 %	Average equity to average assets		9.20 %	11.51 %
Per share data:				Per share data:			
Basic earnings per share	Basic earnings per share	\$ 1.20	\$ 0.98				
Basic earnings per share				Basic earnings per share			
Diluted earnings per share	Diluted earnings per share	1.17	0.96				

Cash dividends paid	Cash dividends paid	0.40	0.78
Book value at year end	Book value at year end	11.28	14.55
Tangible book value at year end	Tangible book value at year end	11.28	14.55
(6)	(6)		
Other data:	Other data:		
Number of full-service offices	Number of full-service offices	12	12
Number of full-service offices			
Number of full-service offices			
Full-time equivalent employees	Full-time equivalent employees	181	173

- (1) Net interest income divided by average interest earning assets.
- (2) Total non-interest expenses as a percentage of net interest income and total non-interest income.
- (3) Non-performing assets consist of nonaccrual loans and leases, accruing loans and leases more than 90 days past due, and foreclosed assets.
- (4) Non-performing loans and leases consist of nonaccrual loans and leases and accruing loans and leases more than 90 days past due.
- (5) Capital ratios are for First Bank Richmond.
- (6) Tangible book value per share is a non-GAAP measure used by management and others within the financial services industry. Tangible book value per share is calculated by dividing tangible common equity by the number of shares outstanding.

Financial Condition at December 31, 2022 December 31, 2023 Compared to December 31, 2021

December 31, 2022

General. Total assets increased \$61.0 million \$133.0 million, or 4.8% 10.0%, to \$1.3 billion \$1.5 billion at December 31, 2022 December 31, 2023 from December 31, 2021 December 31, 2022. This The increase was driven by a \$128.8 million \$128.4 million, or 15.5% 13.3%, increase in the loan and lease portfolio, net of allowance for loan credit losses on loans and lease losses, leases, partially offset by a \$75.0 million \$3.9 million, or 20.5% 1.3% decrease in investment securities, and a \$7.1 million, or 30.9% decrease in cash and cash equivalents. securities. The increase in loans and leases was primarily funded by a \$105.1 million \$91.0 million, or 11.7% 50.6%, increase in FHLB advances and a \$35.9 million, or 3.6%, increase in deposits.

Loans and Leases. Our loan and lease portfolio, net of allowance for loan credit losses on loans and lease losses, leases, increased \$128.8 million \$128.4 million, or 15.5% 13.3%, to \$1.1 billion at December 31, 2023 from \$961.7 million at December 31, 2022 from \$832.8 million at December 31, 2021. The majority of the growth occurred in construction and development loans which increased \$46.2 million, or 49.4%, to \$139.9 million, and in commercial real estate loans which increased \$36.9 million \$43.5 million, or 14.1% 14.6%, to \$298.1 million \$341.6 million, and in direct financing leases which increased \$23.1 million, or 17.3%, to \$156.6 million at December 31, 2022 December 31, 2023 compared to the prior year. We also experienced a \$17.5 million \$13.8 million, or 16.3% 11.1%, increase in multi-family loans, a \$15.8 million \$15.9 million, or 11.2% 10.1%, increase in residential real estate loans (including home equity lines of credit), a \$6.7 million \$17.9 million, or 5.3% 12.8%, increase in direct financing leases, construction and development loans, a \$15.0 million, or 14.9% increase in commercial and industrial loans, and a \$5.1 million \$2.2 million, or 32.3% 10.5%, increase in consumer loans. Commercial and industrial loans increased by \$700,000, or 0.7% at December 31, 2022 compared to a year ago, in spite of an \$8.4 million, or 89.4%, decrease in outstanding PPP loans to \$994,000 at December 31, 2022 from \$9.4 million at December 31, 2021.

The following table presents information concerning the composition of our loan and lease portfolio in dollar amounts and in percentages (before deductions for loans in process, deferred fees and discounts and allowances for loan credit losses on loans and lease losses) leases as of the dates indicated.

At December 31,							
		2022		2021			
Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)							
At December 31,				At December 31,			

	2023						2023						2022	
	Amount						Amount		Percent		Amount		Percent	
(Dollars in thousands)														
Real estate loans:	Real estate loans:													
Residential mortgage ⁽¹⁾														
Residential mortgage ⁽¹⁾														
Residential mortgage ⁽¹⁾	Residential mortgage ⁽¹⁾	\$146,129	14.99 %	\$134,155	15.86 %	\$162,123	14.65	14.65	%	\$146,129	14.99	14.99	%	
Home equity lines of credit	Home equity lines of credit	11,010	1.13	7,146	0.84									
Multi-family	Multi-family	124,914	12.81	107,421	12.70									
Commercial mortgage	Commercial mortgage	298,087	30.57	261,202	30.88									
Construction and development	Construction and development	139,923	14.35	93,678	11.07									
Total real estate loans	Total real estate loans	720,063	73.85	603,602	71.35									
Consumer loans	Consumer loans	21,048	2.16	15,905	1.88									
Consumer loans														
Consumer loans														
Commercial business loans and leases:	Commercial business loans and leases:													
Commercial business loans and leases:														
Commercial business loans and leases:														
Commercial and industrial														
Commercial and industrial														
Commercial and industrial	Commercial and industrial	100,420	10.30	99,682	11.78									
Leases	Leases	133,469	13.69	126,762	14.98									
Total commercial business loans and leases	Total commercial business loans and leases	233,889	23.99	226,444	26.77									
Total loans and leases	Total loans and leases	975,000	100.00 %	845,951	100.00 %									
Total loans and leases							1,106,512	100.00 %	975,000	100.00 %				
Less:	Less:													
Less:														
Less:														
Deferred fees and discounts	Deferred fees and discounts	896		997										
Allowance for loan and lease losses		12,413		12,108										
Allowance for credit losses on loans and leases														

Allowance for credit losses on loans and leases			
Allowance for credit losses on loans and leases			
Total loans and leases, net	Total loans and leases, net	\$961,691	\$832,846
Total loans and leases, net			
Total loans and leases, net			

(1) Includes \$4.7 million \$6.4 million and \$3.2 million \$4.7 million of loans secured by second mortgages on residential properties at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Nonperforming loans and leases, consisting of nonaccrual loans and leases and accruing loan and leases more than 90 days past due, totaled \$9.2 million \$8.0 million, or 0.94%, 0.72% of total loans and leases at December 31, 2022 December 31, 2023, compared to \$8.0 million \$9.2 million, or

0.95% 0.94% of total loans and leases at December 31, 2021 December 31, 2022. The increase decrease in nonperforming loans was primarily attributable to a \$1.3 million increase decrease in commercial and industrial loans, primarily due to one loan of \$1.3 million secured by business assets and a second mortgage, previously past due more than 90 days and still accruing. accruing that was paid off in 2023. At December 31, 2022 December 31, 2023, our largest nonperforming loan was a \$4.9 million nonaccrual commercial construction and development loan that is currently subject to litigation between the developer and other parties. At the time of origination, this loan had a loan to value ratio of 73%.

At December 31, 2022, TDRs totaled \$428,000 compared to \$456,000 at December 31, 2021, all of which were nonaccrual loans at those dates.

Allowance for Loan and Lease Credit Losses. Our On January 1, 2023, the Company adopted the accounting standard referred to as CECL. As a result of the change in methodology from the incurred loss method to the CECL method, on January 1, 2023 the Company recorded a one-time adjustment from equity into the allowance for loan credit losses on loans and lease leases in the amount of \$2.0 million, net of tax. The allowance for credit losses increased \$305,000, on loans and leases totaled \$15.7 million, or 2.5%, to \$12.4 million 1.42% of total loans and leases outstanding at December 31, 2022 from \$12.1 million at December 31, 2021 December 31, 2023. At December 31, 2022, prior to the adoption of CECL, the allowance for loan and lease losses totaled \$12.4 million, or 1.27% of total loans and leases outstanding compared to 1.43% outstanding. Additionally, as a part of CECL adoption, the Company established an allowance for credit losses on unfunded commitments by recording a one-time adjustment from equity of \$1.8 million. This allowance, which is reported in other liabilities on the Condensed Consolidated Balance Sheets, totaled \$1.6 million at December 31, 2021 December 31, 2023. Net charge-offs during the year ended 2022 2023 were \$295,000, or 0.03% of average loans and leases outstanding, \$678,000 compared to net recoveries charge-offs of \$92,000, or 0.01% of average loans and leases outstanding, \$295,000 during 2021. The allowance for loan and lease losses to non-performing loans and leases was 135.3% at December 31, 2022, compared to 150.8% at December 31, 2021, 2022.

Management regularly analyzes conditions within its geographic markets and evaluates its loan and lease portfolio. The Company evaluated its exposure to potential loan and lease losses as of December 31, 2022 December 31, 2023, which evaluation included consideration of a potential recession due to persistent inflation, rising higher interest rates, a weakened economic growth and unemployment outlook, stock market volatility, and the Russia-Ukraine conflict. increased geopolitical risk. Credit metrics are being reviewed and stress testing is being performed on the loan portfolio on an ongoing basis. Potentially higher risk segments of the portfolio, such as hotels and restaurants, continue to be are being closely monitored.

Investment Securities. Investment securities decreased \$75.0 million \$3.9 million, or 20.5% 1.3%, to \$287.6 million at December 31, 2023, from \$291.6 million at December 31, 2022, from \$366.6 million at December 31, 2021. The decrease was primarily due to maturities and paydowns of securities of \$22.5 million, partially offset by a \$61.4 million downward \$8.5 million upward mark-to-market adjustment in the fair value of securities available for sale and proceeds from maturities and paydowns of securities of \$32.2 million, partially offset by the purchase of \$22.5 million in \$11.2 million of new securities.

Deposits. Total deposits increased \$105.1 million \$35.9 million, or 11.7% 3.6%, to \$1.0 billion at December 31, 2023 compared to December 31, 2022 from \$900.2 million at December 31, 2021. This increase in deposits was primarily due to an increase in brokered non-brokered time deposits of \$136.1 million \$46.4 million, or 111.8% 22.9%, as well as an increase in savings and money market accounts brokered time deposits of \$26.7 million \$10.9 million, or 10.5% 4.2%. These increases were partially offset by a decrease of \$7.9 million \$23.9 million, or 6.9% 8.5%, in noninterest-bearing demand deposits, savings and money market accounts, and a \$6.9 million \$5.6 million, or 4.2% 3.6%, decrease in interest-bearing demand deposits. Management attributes the shift in funds to customers taking advantage of higher rates being paid on time deposits and in 2023 as a \$42.9 million, or 17.5%, decrease in non-brokered time deposits, result of interest rate hikes enacted by the Federal Reserve. At December 31, 2022 December 31, 2023, brokered deposits equaled 25.7% \$268.8 million, or 25.8% of total deposits compared to \$121.8 million \$257.9 million, or 13.5% 25.7% of total deposits at December 31, 2021 December 31, 2022. At December 31, 2022 December 31, 2023, noninterest-bearing deposits totaled \$106.4 million \$114.4 million, or 10.6% 11.0% of total deposits, compared to \$114.3 million \$106.4 million, or 12.7% 10.6%, of total deposits at December 31, 2021 December 31, 2022.

As of December 31, 2023, approximately \$216.0 million of our deposit portfolio, or 20.7% of total deposits, excluding collateralized public deposits, was uninsured. The uninsured amounts are estimated based on the methodologies and assumptions used for First Bank Richmond's regulatory reporting requirements.

Borrowings. Total borrowings, Borrowings, consisting solely of FHLB advances, totaled \$271.0 million at December 31, 2023, compared to \$180.0 million at both December 31, 2022 and 2021. The additional borrowings were used to fund loan growth.

Stockholders' Equity. Stockholders' equity totaled ~~\$133.0 million~~ \$134.9 million at ~~December 31, 2022~~ December 31, 2023, a decrease an increase of ~~\$47.5 million~~ \$2.5 million, or ~~26.3%~~ 1.9%, from ~~December 31, 2021~~ December 31, 2022. The decrease increase in stockholders' equity from December 31, 2021 primarily was the result of a reduction in accumulated comprehensive net income of \$48.5 million due to \$9.5 million and a greater mark-to-market adjustment to the investment portfolio as a result decrease in Accumulated Other Comprehensive Loss ("AOCL") of higher interest rates, \$6.7 million, partially offset by the payment of ~~\$4.4 million~~ \$5.9 million in dividends to Company stockholders, and the repurchase of ~~\$9.9 million~~ \$6.3 million of Company common stock, partially offset by and the one-time adjustment to retained earnings of \$3.8 million for the adoption of CECL during the first quarter. The decrease in AOCL is primarily due to the improvement in mark-to-market values associated with our available-for-sale investment securities portfolio. At December 31, 2023, the available for sale portfolio had a net income unrealized loss of ~~\$13.0 million~~ \$54.5 million compared to a net unrealized loss of \$63.0 million at December 31, 2022. The AOCL impact to equity, after tax effecting the unrealized loss, was \$43.0 million at December 31, 2023, compared to \$49.8 million at December 31, 2022. First Bank Richmond's tangible common equity ratio and its risk-based capital ratios exceeded Richmond was considered "well-capitalized" levels as defined by all regulatory standards as of ~~December 31, 2022~~ December 31, 2023.

Comparison of Results of Operations for the Years Ended ~~December 31, 2022~~ December 31, 2023 and 2021 2022

General. Net income totaled ~~\$13.0 million~~ \$9.5 million for ~~2022~~ 2023 compared to ~~\$11.1 million~~ \$13.0 million in 2021, an increase 2022, a decrease of ~~\$1.8 million~~ \$3.5 million or ~~16.3%~~ 26.8%. The increase decrease in net income was due to a ~~\$5.9 million~~ \$19.5 million, or ~~12.9%~~, increase in interest income, an \$830,000, or 58.0%, reduction in the provision for loan losses, partially offset by a \$2.5 million, or 33.0% 191.1%, increase in interest expense, a \$549,000, \$256,000, or ~~10.1%~~ 5.3%, decrease in non-interest income and a ~~\$1.5 million~~, \$583,000, or ~~5.3%~~ 1.9%, increase in non-interest expense, partially offset by a \$15.6 million, or 30.0%, increase in interest income and a \$1.3 million, or 45.5%, decrease in income tax expense.

Interest Income. Total interest income for ~~2022~~ 2023 increased ~~\$5.9 million~~ \$15.6 million or ~~12.9%~~ 30.0% over ~~2021~~, 2022. The increase primarily was a result of a ~~\$111.2 million~~ an 80 basis point increase in the average yield on interest earning assets, alongside \$114.1 million increase in the average balance of loans and leases outstanding year-over-year, partially offset by a 19 basis point decrease in average yield interest earning assets. Interest earned on loans and leases resulting in increased \$14.2 million, or 31.8%, due to a ~~\$4.0 million~~ \$146.6 million increase in interest income the average balance of and a 66 basis point increase in the average yield earned on loans and leases. Interest earned on investment securities, including excluding FHLB stock, increased ~~\$1.8 million~~, \$491,000, or ~~34.3%~~ 7.3%, due to a ~~58~~ 42 basis point increase in the average yield, partially offset by a ~~\$5.5 million~~ \$33.3 million decrease in the average balance of the portfolio. Dividends on FHLB stock increased \$452,000, or 113.3%, during 2023 compared to the prior year. The average yield on FHLB stock during 2023 was 7.92%, up 387 basis points from 4.05% during the prior year, while the average balance of FHLB stock outstanding during 2023 was \$10.8 million, up from \$9.9 million during 2022. Interest on

cash and cash equivalents increased ~~\$101,000~~ \$409,000 due to an 89 a 298 basis point increase in the average yield, partially offset by a \$10.0 million decrease in average balances, yield.

Interest Expense. Total interest expense increased ~~\$2.5 million~~ \$19.5 million, or ~~33.0%~~ 191.1%, to \$29.7 million during 2023 compared to \$10.2 million during ~~2022~~ compared to \$7.7 million during 2021, 2022. The increase primarily was the result of an increase in the average balance in all categories cost of interest-bearing liabilities, certificate of deposit accounts, savings and money market accounts, and borrowings and, to a 12 basis point lesser extent, an increase in the average balance of certificate of deposit accounts and borrowings. The average rate paid on interest-bearing liabilities, certificate of deposit accounts increased 213 basis points to 3.29% from 1.16% in 2022, while the average balance of certificate of deposit accounts increased \$125.3 million, or 32.6%, to \$509.3 million in 2023 compared to \$384.0 million in 2022, resulting a \$12.3 million increase in interest expense. The average balance of rate paid on savings and money market accounts increased ~~\$37.3 million~~ 106 basis points to 1.82% from 0.76% in 2022, while the average balance of those accounts decreased \$10.2 million, or ~~15.1%~~ 3.6%, to \$274.5 million in 2023 compared to \$284.7 million in 2022, compared to \$247.4 million in 2021, while the rate paid on these accounts increased 25 basis points to 0.76% in 2022 from 0.51% in 2021, resulting in a ~~\$897,000~~ \$2.8 million increase in interest expense. The average balance of interest-bearing checking accounts increased ~~\$10.3 million~~ decreased \$17.2 million, or ~~6.6%~~ 10.4%, to \$148.0 million in 2023 from \$165.2 million in 2022, from ~~\$154.9 million in 2021~~, while the average rate paid on interest-bearing checking accounts increased ~~nine~~ 39 basis points to 0.71% in 2023 from 0.32% in 2022, from 0.23% in 2021, resulting in a ~~\$172,000~~ \$520,000 increase in interest expense. Average balances of certificates of deposit increased \$97.0 million, or 33.8% in 2022 from \$287.1 million in 2021, while the rate paid on certificates of deposit remained the same in 2022 as 2021, resulting in a \$1.1 million increase in interest expense. The growth in certificates of deposit balances was due to a \$112.7 million, or 231.6% increase in brokered certificates of deposit. The average rate paid on brokered certificates of deposit increased to 1.17% in 2022 from 0.72% in 2021. Interest expense on borrowings, consisting solely of FHLB advances, increased \$345,000, \$3.8 million, or ~~12.6%~~ 124.4%, due to an 18 a 146 basis point increase on the average rate paid to 3.18% in 2023 from 1.72% in 2022, from 1.54% in 2021, and a ~~\$1.4 million~~ \$38.1 million, or ~~0.8%~~ 21.1%, increase in the average balance of borrowings to ~~\$218.0 million in 2023 from \$180.0 million in 2022 from \$178.5 million in 2021.~~ 2022.

Net Interest Income. Net interest income before provision for loan and lease credit losses increased \$3.4 million decreased \$4.0 million, or ~~8.9%~~ 9.5%, to \$37.7 million in 2023 compared to \$41.6 million in 2022, compared to \$38.2 million in 2021, primarily due to a ~~five~~ 78 basis point increase decrease in the average interest rate spread, partially offset by the growth in average interest-bearing liabilities exceeding the growth in average interest-bearing assets. spread. Our net interest margin in ~~2022~~ 2023 was ~~3.36%~~ 2.78%, an increase a decrease of ~~two~~ 58 basis points compared to 2021. During the year, the recognition 2022 as a result of deferred fees related to PPP loan forgiveness had a positive impact on the decline in net interest margin. The average yield on PPP loans was 9.41%, including income coupled with an increase in average-interest earning assets during the recognition of deferred fees, resulting in a positive impact to loan yield of three basis points during 2022, compared to an average yield of 8.62% with a positive impact to loan yield of 15 basis points during 2021, year.

Since March 2022, in response to inflation, the Federal Open Market Committee ("FOMC") of the Federal Reserve System has increased the target range for the federal funds rate by 425 500 basis points, including 125 100 basis points during the fourth quarter of 2022, 2023, to a range of ~~4.25%~~ 5.25% to ~~4.50%~~ 5.50%. While net interest income benefited from the repricing impact of the higher interest rate environment on earning asset yields, the benefits were offset by the higher cost of interest-bearing deposit accounts and borrowings which tend to be shorter in duration than our assets and re-price or reset faster than assets.

Provision for Loan and Lease Credit Losses. The provision for loan and lease credit losses in 2022 2023 was \$600,000, an \$830,000, \$532,000, a \$68,000, or 58.0% 11.3%, decrease compared to \$1.4 million \$600,000 in 2021. 2022. The provision for loan and lease credit losses reflects the amount required to maintain the allowance for loan and leases credit losses at an appropriate level based upon management's evaluation of the adequacy of collective and individual loss reserves. The As a result of the adoption of CECL on January 1, 2023, the provision for loan and leases credit losses for calculated prior to that date was determined using the current year primarily reflects loan growth and, to a lesser extent, a deterioration in forecasted economic conditions and indicators utilized to estimate loan and leases losses, partially offset by an improvement in the level of adversely classified loans. Beginning in 2023, we will be required to adopt CECL, the FASB's standard on accounting for expected credit losses. The CECL impairment model is based on expected losses previously applied incurred loss methodology rather than incurred losses, which is what we currently use. Under the new guidance, we must recognize our estimate CECL methodology, and as a result the amounts are not directly comparable. Net charge-offs during 2023 were \$678,000 compared to net charge-offs of expected credit losses as an allowance, \$295,000 in 2022. The CECL model incorporates forward-looking information and results in earlier loss recognition than incurred loss models do. Future assessments of the expected allowance for credit losses on loans and leases will not only be impacted by changes to the reasonable and supportable forecast, but will also include an updated assessment of qualitative factors, as well as consideration of any required changes in the reasonable and supportable forecast and the period following the reasonable and supportable forecast period through the end of the asset's contractual life. As of the CECL adoption and day one measurement date of January 1, 2023, the Company expects to record a one-time cumulative-effect adjustment to retained earnings, net of income taxes, on the consolidated balance sheet. The allowance will increase between \$2.3 million and \$3.0 million from December 31, 2022. CECL also requires the establishment of a reserve for potential losses from unfunded commitments that is recorded in other liabilities, separate from the allowance for credit losses, which will be approximately \$1.8 million to \$2.5 million. Also, as required by CECL, the Company reviewed the held-to-maturity debt securities portfolio and determined the expected losses were immaterial.

Net charge-offs in 2022 were \$295,000 compared to net recoveries of \$92,000 in 2021. The allowance as a percentage of the total loan and lease portfolio was 1.42% at year-end 2023, compared to 1.27% at year-end 2022, compared to 1.43% at year-end 2021. 2022. Net charge-offs in 2022 2023 equaled 0.03% 0.06% of total average loans and leases outstanding compared to net recoveries charge-offs of 0.01% 0.03% of total average loans and leases outstanding in 2021.

2022.

Non-interest Income. Total non-interest income decreased \$549,000, \$256,000, or 10.1% 5.3%, to \$4.6 million for 2023 compared to \$4.9 million for 2022 compared to \$5.4 million for 2021. 2022. The decrease was primarily driven by a decrease in net loan and lease servicing fees of \$414,000, or 48.0%, to \$448,000 in 2023 from \$862,000 in 2022, as a recovery of mortgage servicing rights of \$380,000 was recognized in 2022 and not replicated in 2023. Net gains on loan and lease sales of \$1.8 million, decreased \$121,000, or 73.9% 19.0%, to \$518,000 in 2023 from \$639,000 in 2022, from \$2.5 million in 2021, as mortgage banking activity declined due to lower refinancing activity, a lower supply of houses for sale in the Bank's Bank's

market area, and increases in residential mortgage rates. Net gains on securities decreased \$56,000, or 100.0%, as no securities were sold during 2022 compared to \$5.3 million of securities sold in 2021. Partially offsetting these decreases were loan increases in other income and lease servicing fees, including mortgage servicing right impairment, of \$862,000 service charges on deposit accounts. Other income increased \$165,000, or 14.9%, to \$1.3 million during 2022, an increase of \$946,000 2023 compared to a loss of \$84,000 \$1.1 million during 2021, 2022 primarily due to fees earned from our participation in a recovery of mortgage servicing rights of \$380,000 in 2022 as loan hedging program with a result of continued rising interest rates increasing the expected duration of our loans compared to recording a mortgage servicing rights impairment charge of \$360,000 in 2021, correspondent bank, along with increased wealth management income. Service charges on deposit accounts increased \$168,000, \$65,000, or 19.1% 6.2%, to \$1.1 million during 2023 compared to \$1.0 million during 2022 compared to \$882,000 during 2021 as a result of higher overdraft increased demand deposit account service fees and ATM non-sufficient funds fees. In addition, card fee income increased \$123,000, \$49,000, or 11.3% 4.1%, due to an overall increase in increased debit card usage and other income increased \$81,000, or 7.9%, primarily due to increased wealth management income during 2022 compared to 2021. usage.

Non-Interest Non-interest Expenses. Total non-interest expense increased \$1.5 million, \$582,000, or 5.3% 1.9%, to \$30.2 million \$30.7 million during 2022 2023 compared to 2021, with increases occurring in all non-interest expense categories other than equipment expenses and other expenses.

Salaries and employee benefits increased \$335,000, or 1.8%, to \$18.5 million in 2022, from \$18.1 million in 2021, primarily due to increases in salaries resulting from the net addition of eight full-time-equivalent hires in 2022 deposit insurance expense, data processing fees, and annual merit increases, legal and professional fees, partially offset by decreases in salaries and employee benefits and equipment expenses.

Deposit insurance expense increased \$669,000, or 135.4%, to \$1.2 million in 2023 from \$494,000 in 2022, due to a \$665,000 expense recorded change in 2021 to complete our asset and deposit mix, as well as an increase in the termination of the Company's defined benefit pension plan which was not required in 2022, initial base deposit insurance assessment rate during 2023. Data processing expenses fees increased \$532,000, \$636,000, or 24.4% 23.4%, to \$3.3 million in 2023 from \$2.7 million in 2022, from \$2.2 million in 2021 primarily due to higher increased software expenses associated with the Company's continued investment in digital banking services, and core provider expenses. Legal and professional fees increased \$193,000, \$178,000, or 15.8% 12.5%, to \$1.4 million during \$1.6 million in 2023 from \$1.4 in 2022, compared to \$1.2 million during 2021 due to expenses associated with the formation of First Insurance Management, Inc. Deposit insurance expenses increased \$193,000, or 64.1%, to \$494,000 during 2022, compared to \$301,000 during 2021 due to lower capital levels, a change in our loan composition and a greater use of wholesale certificates of deposit during 2022. Net occupancy expenses increased \$188,000, or 15.2%, to \$1.4 million during 2022, compared to \$1.2 million during 2021, primarily due to increased building maintenance expenses.

These increases accounting services expense. Salaries and employee benefits decreased \$1.0 million, or 5.6%, to \$17.4 million in non-interest expense were partially offset by a \$38,000, 2023 from \$18.5 million in 2022, primarily due to decreased bonus expense. Equipment expenses decreased \$141,000, or 2.9% 11.1%, decrease to \$1.1 million in equipment expenses to 2023 from \$1.3 million in 2022, compared to 2021 primarily due to decreased depreciation charges, and a \$12,000 decrease in other expenses.

Income Tax Expense. Income tax expense increased \$348,000 decreased \$1.3 million in 2022 2023 compared to 2021. 2022. This increase decrease in income tax expense was primarily due to pretax income increasing \$2.2 million decreasing \$4.7 million, or 16.0% 30.1%, partially offset by and a lower effective tax rate in 2022, 2023. The effective tax rate for the year ended 2022 2023 was 17.7% 13.8% compared to 17.9% 17.7% in 2021. 2022. The decline in the effective tax rate primarily was due to the use of a

pooled captive insurance company, which was formed during 2022, that allows the Company to assume more control over insurance risks, as well as tax deductions related to the employee stock ownership plan.

Average Balances, Interest and Average Yields/Cost

The following tables set forth for the periods indicated, information regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest-earning assets and interest expense on average interest-bearing liabilities, resultant yields, interest rate spread, net interest margin (otherwise known as net yield on interest-earning assets), and the ratio of average interest-earning assets to average interest-bearing liabilities. Average balances have been calculated using daily balances. Average balances of loans and leases receivable include loans held for sale. Non-accruing loans have been included in the table as loans carrying a zero yield. Loan fees are included in interest income on loans and are not material.

		Years Ended December 31,											
		2022			2021								
		Average	Interest		Average	Interest							
		Balance	Earned/	Yield/	Balance	Earned/	Yield/						
		Outstanding	Paid	Rate	Outstanding	Paid	Rate						
		(Dollars in thousands)											
		Years Ended December 31,											
		2023											
		Average									Average		
		Balance									Balance		
		Outstanding									Outstanding		
		(Dollars in thousands)											
Interest-earning assets:	Interest-earning assets:												
Loans and leases receivable													
Loans and leases receivable													
Loans and leases receivable	Loans and leases receivable	\$	897,918	\$44,594	4.97 %	\$ 786,686	\$40,579	5.16 %	\$1,044,471	\$	58,794	5.63	
Securities	Securities		318,917	6,712	2.10 %	324,372	5,022	1.55 %	Securities		285,600	7,203	7,203
FHLB stock	FHLB stock		9,856	399	4.05 %	9,281	273	2.94 %	FHLB stock		10,750	851	851
Cash and cash equivalents and other	Cash and cash equivalents and other		13,739	153	1.11 %	23,750	52	0.22 %	Cash and cash equivalents and other		13,728	562	562
Total interest-earning assets	Total interest-earning assets		1,240,430	51,858	4.18 %	1,144,089	45,926	4.01 %	Total interest-earning assets		1,354,549	67,410	67,410
Non-earning assets	Non-earning assets		40,659			38,840							
Total assets	Total assets		1,281,089			1,182,929							
Total assets													
Total assets													
Interest-bearing liabilities:	Interest-bearing liabilities:												
Interest-bearing liabilities:													
Savings and money market accounts													
Savings and money market accounts													
Savings and money market accounts	Savings and money market accounts		284,725	2,153	0.76 %	247,431	1,256	0.51 %	274,497	4,989	4,989	1.82	

Interest-bearing checking accounts	Interest-bearing checking accounts	165,213	534	0.32 %	154,938	362	0.23 %	Interest-bearing checking accounts	147,964	1,054	1,054
Certificate accounts	Certificate accounts	384,038	4,441	1.16 %	287,051	3,318	1.16 %	Certificate accounts	509,316	16,767	16,767
Borrowings	Borrowings	179,966	3,091	1.72 %	178,540	2,746	1.54 %	Borrowings	218,025	6,938	6,938
Total interest-bearing liabilities	Total interest-bearing liabilities	1,013,942	10,219	1.01 %	867,960	7,682	0.89 %	Total interest-bearing liabilities	1,149,802	29,748	29,748
Noninterest-bearing demand deposits	Noninterest-bearing demand deposits	111,990			108,374						
Other liabilities	Other liabilities	7,686			22,458						
Other liabilities	Other liabilities										
Stockholders' equity	Stockholders' equity	147,471			184,137						
Stockholders' equity	Stockholders' equity										
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity										
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity										
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	1,281,089			1,182,929						
Net interest income	Net interest income		\$41,639			\$38,244					
Net interest income	Net interest income										
Net interest income	Net interest income										
Net earning assets	Net earning assets	\$ 226,488			\$ 276,129						
Net earning assets	Net earning assets										
Net interest rate spread ⁽¹⁾	Net interest rate spread ⁽¹⁾										
Net interest rate spread ⁽¹⁾	Net interest rate spread ⁽¹⁾										
Net interest rate spread ⁽¹⁾	Net interest rate spread ⁽¹⁾			3.17 %		3.12 %					
Net interest margin ⁽²⁾	Net interest margin ⁽²⁾			3.36 %		3.34 %		Net interest margin ⁽²⁾			
Average interest-earning assets to average interest-bearing liabilities	Average interest-earning assets to average interest-bearing liabilities										
Average interest-earning assets to average interest-bearing liabilities	Average interest-earning assets to average interest-bearing liabilities			122.34 %		131.81 %					

(1) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(2) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

The following schedule presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and that due to the changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e.,

changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

		Years Ended December 31, 2022 vs. 2021				
		Increase/ (decrease) due to			Total increase/ (decrease)	
		Volume	Rate			
		(In thousands)				
		Years Ended December 31, 2023 vs. 2022			Years Ended December 31, 2023 vs. 2022	
		Increase/ (decrease) due to			Increase/ (decrease) due to	
		Volume				Total increase/ (decrease)
		(In thousands)				
		(In thousands)				
		(In thousands)				
Interest- earning assets:	Interest- earning assets:					
Loans and leases receivable	Loans and leases receivable					
Loans and leases receivable	Loans and leases receivable	\$	5,713	\$ (1,698)	\$	4,015
Securities	Securities		(86)	1,776		1,690
FHLB stock	FHLB stock		17	109		126
Cash and cash equivalents and other	Cash and cash equivalents and other		(22)	123		101
Total interest-earning assets	Total interest-earning assets	\$	5,622	\$ 310	\$	5,932
Total interest-earning assets						
Total interest-earning assets						
Interest- bearing liabilities:	Interest- bearing liabilities:					
Interest-bearing liabilities:						
Interest-bearing liabilities:						
Savings and money market accounts	Savings and money market accounts					
Savings and money market accounts	Savings and money market accounts	\$	189	\$ 708	\$	897
Interest-bearing checking accounts	Interest-bearing checking accounts		24	148		172
Certificate accounts	Certificate accounts		1,123	—		1,123
Borrowings	Borrowings		22	323		345

Total interest-bearing liabilities	Total interest-bearing liabilities	\$ 1,358	\$ 1,179	\$ 2,537
Total interest-bearing liabilities	Total interest-bearing liabilities			
Change in net interest income	Change in net interest income			\$ 3,395
Change in net interest income	Change in net interest income			

Capital and Liquidity

Capital. Shareholders' equity totaled \$133.0 million \$134.9 million at December 31, 2022 December 31, 2023 and \$180.5 million \$132.4 million at December 31, 2021 December 31, 2022. In addition to net income of \$13.0 million \$9.5 million, other sources of capital during 2022 2023 included \$799,000 \$612,000 related to the allocation of ESOP shares during the year, and \$1.5 million \$1.6 million related to stock-based compensation. compensation and a decrease in AOCL of \$6.7 million. Uses of capital during 2022 2023 included \$4.4 million \$5.9 million of dividends paid on common stock other comprehensive loss, net of tax, of \$48.5 million and \$9.9 million \$6.3 million of stock repurchases. The accumulated other comprehensive loss component of shareholders' equity decrease in AOCL primarily was caused by changes due to the unrealized gains and losses on improvement in mark-to-market values associated with the Company's available-for-sale investment securities as a result of the increase in market interest rates during 2022, portfolio.

We paid regular quarterly cash dividends of \$0.10 \$0.14 per common share during 2022, and regular quarterly cash dividends of \$0.07 per share and a special dividend of \$0.50 2023, compared to \$0.10 per share during 2021 2022. This equates to a dividend payout ratio of 62.4% in 2023 and 34.0% in 2022 and 83.8% in 2021. 2022. We currently expect to continue the current practice of paying quarterly cash dividends on common stock subject to the Board of Directors' discretion to modify or terminate this practice at any time and for any reason without prior notice. Assuming continued payment during 2023 2024 at the current dividend rate of \$0.10 \$0.14 per share, our average total dividend paid each quarter would be approximately \$1.2 million \$1.6 million based on the number of our current outstanding shares at December 31, 2022 December 31, 2023. The amount of dividends, if any, we may pay may be limited as more fully discussed in "Note 17: Regulatory Capital" in the accompanying notes to consolidated financial statements contained in Item 8 of this Form 10-K.

Stock Repurchase Plans. From time to time, our board of directors has authorized stock repurchase plans. In general, stock-repurchase plans allow us to proactively manage our capital position and return excess capital to shareholders. Shares purchased under such plans also provide us with shares of common stock necessary to satisfy obligations related to stock compensation awards. On May 19, 2021, the Board of Directors authorized a third stock repurchase program for up to 1,263,841 shares, or approximately 10% of its outstanding shares. This repurchase program expired on July 3, 2022 with a total of 817,984 shares being repurchased. On July 21, 2022 June 6, 2023, the Company announced that the Board of Directors authorized a fourth approved an amendment to the Company's existing stock repurchase program for authorizing the purchase of up to 1,184,649 321,386 shares or approximately 10% of its then the Company's issued and outstanding shares. The fourth common stock in addition to the 827,554 shares that remained available for the repurchase at that date under the existing program, and extended the stock repurchase program will expire in July 2023, program's expiration date to June 6, 2024, unless completed sooner. As of December 31, 2023, the Company had approximately 868,036 shares available for repurchase under its existing stock repurchase program. The repurchase program does not obligate the Company to purchase any particular number of shares. See Part II, Item 5 - Market "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

Liquidity. Liquidity measures the ability to meet current and future cash flow needs as they become due. The liquidity of a financial institution reflects its ability to meet loan requests, to accommodate possible outflows in deposits and to take advantage of interest rate market opportunities. The ability of a financial institution to meet its current financial obligations is a function of its balance sheet structure, its ability to liquidate assets and its access to alternative sources of funds. The objective of our liquidity management is to manage cash flow and liquidity reserves so that they are adequate to fund our operations and to meet obligations and other commitments on a timely basis and at a reasonable cost. We seek to achieve this objective and ensure that funding needs are met by maintaining an appropriate level of liquid funds through asset/liability management, which includes managing the mix and time to maturity of financial assets and financial liabilities on our balance sheet. Our liquidity position is enhanced by our ability to raise additional funds as needed in the wholesale markets.

Asset liquidity is provided by liquid assets which are readily marketable or pledgeable or which will mature in the near future. Liquid assets generally include cash, interest-bearing deposits in banks, securities available for sale, maturities and cash flow from securities held to maturity, sales of fixed rate residential mortgage loans in the secondary market, and federal funds sold and resell agreements. Liability liquidity generally is provided by access to funding sources which include core deposits and advances from the FHLB and other borrowing relationships with third party financial institutions.

Our liquidity position is continuously monitored and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Liquidity risk management is an important element in our asset/liability management process. We regularly model liquidity stress scenarios to assess potential liquidity outflows or funding problems resulting from economic disruptions, volatility in the financial markets, unexpected credit events or other significant occurrences deemed problematic by management. These scenarios are incorporated into our contingency funding plan, which provides the basis for the identification of our liquidity needs.

As of December 31, 2022 December 31, 2023, we had approximately \$5.6 million \$6.7 million held in an interest-bearing account at the Federal Reserve. We also have the ability to borrow funds as a member of the FHLB. As of December 31, 2022 December 31, 2023, based upon available, pledgeable collateral, our total remaining borrowing capacity

In the ordinary course of business we have entered into contractual obligations and have made other commitments to make future payments. Refer to the accompanying notes to consolidated financial statements elsewhere in this report for the expected timing of such payments as of **December 31, 2022** **December 31, 2023**. These include payments related to (i) long-term borrowings (Note 10 - Federal Home Loan Bank Advances), (ii) time deposits with stated maturity dates (Note 9 - Deposits) and (iii) commitments to extend credit and standby letters of credit (Note 13 - Commitments and Contingent Liabilities).

We also incur capital expenditures on an ongoing basis to expand and improve our product offerings, enhance and modernize our technology infrastructure, and to introduce new technology-based products to compete effectively in our markets. We evaluate capital expenditure projects based on a variety of factors, including expected strategic impacts (such as forecasted impact on revenue growth, productivity, expenses, service levels and customer retention) and our expected return on investment. The amount of capital investment is influenced by, among other things, current and projected demand for our services and products, cash flow generated by operating activities, cash required for other purposes and regulatory considerations. Based on our current capital allocation objectives for 2024, management does not expect cash expenditures for capital investment in premises and equipment to have a material effect on our liquidity, capital resources or operations.


Richmond Mutual Bancorporation is a separate legal entity from First Bank Richmond and must provide for its own liquidity. In addition to its own operating expenses, Richmond Mutual Bancorporation is responsible for paying for any stock repurchases, dividends declared to its stockholders and other general corporate expenses. Since Richmond Mutual Bancorporation is a holding company and does not conduct operations, its primary sources of liquidity are interest on investment securities purchased with proceeds from our initial public offering, dividends up streamed from First Bank Richmond and borrowings from outside sources. Banking regulations may limit the amount of dividends that may be paid to us paid by First Bank Richmond. "Note 17: Regulatory Capital" in the accompanying notes to consolidated financial statements contained in Part II, Item 8 and "How We Are Regulated - Dividends" contained in Part I, Item I of this Form 10-K. At December 31, 2022 December 31, 2023, Richmond Mutual Bancorporation, on an unconsolidated basis, had \$26.2 million \$13.2 million in cash, noninterest-bearing deposits and liquid investments generally available for its cash needs.

See also the "Consolidated Statements of Cash Flows" included in "Item 8. Financial Statements and Supplementary Data" of this Form 10-K for further information.

Regulatory Capital Requirements. First Bank Richmond is subject to minimum capital requirements imposed by the FDIC. The FDIC may require us to have additional capital above the specific regulatory levels if it believes we are subject to increased risk due to asset problems, high interest rate risk and other risks. At **December 31, 2022** **December 31, 2023**, First Bank Richmond's regulatory capital exceeded the FDIC regulatory requirements, and First Bank Richmond was well-capitalized under regulatory prompt corrective action standards. Consistent with our goals to operate a sound and profitable organization, our policy is for First Bank Richmond to maintain well-capitalized status.

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Total risk-based capital (to risk weighted assets)		\$174,938		14.1 %		\$ 99,247		8.0 %		\$124,059			
Tier 1 risk-based capital (to risk weighted assets)													
Common equity tier 1 capital (to risk weighted assets)													
Tier 1 leverage (core) capital (to adjusted tangible assets)													
As of December 31, 2022	As of December 31, 2022	(Dollars in thousands)											
As of December 31, 2022													
As of December 31, 2022													
Total risk-based capital (to risk weighted assets)													
Total risk-based capital (to risk weighted assets)													
Total risk-based capital (to risk weighted assets)	Total risk-based capital (to risk weighted assets)	\$164,804	14.3 %	\$92,134	8.0 %	\$115,168	10.0 %	\$164,804	14.3 %	\$92,134	8.0 %	\$115,168	10.0 %
Tier 1 risk-based capital (to risk weighted assets)	Tier 1 risk-based capital (to risk weighted assets)	152,391	13.2	69,101	6.0	92,134	8.0						
Common equity tier 1 capital (to risk weighted assets)	Common equity tier 1 capital (to risk weighted assets)	152,391	13.2	51,826	4.5	74,859	6.5						

Tier 1 leverage (core) capital (to adjusted tangible assets)	Tier 1 leverage (core) capital (to adjusted tangible assets)	152,391	11.2	54,421	4.0	68,026	5.0
As of December 31, 2021							
Total risk-based capital (to risk weighted assets)		\$ 169,589	17.3 %	\$ 78,590	8.0 %	\$ 98,238	10.0 %
Tier 1 risk-based capital (to risk weighted assets)		157,481	16.0	58,943	6.0	78,590	8.0
Common equity tier 1 capital (to risk weighted assets)		157,481	16.0	44,207	4.5	63,855	6.5
Tier 1 leverage (core) capital (to adjusted tangible assets)		157,481	12.5	50,284	4.0	62,855	5.0

Pursuant to the capital regulations of the FDIC and the other federal banking agencies, First Bank Richmond must maintain a capital conservation buffer consisting of additional common equity tier 1 ("CET1") capital greater than 2.5% of risk-weighted assets above the required minimum levels of risk-based CET1 capital, tier 1 capital and total capital in order to avoid limitations on paying dividends, repurchasing shares, and paying discretionary bonuses. At **December 31, 2022** **December 31, 2023**, the Bank's CET1 capital exceeded the required capital conservation buffer.

For a bank holding company with less than \$3.0 billion in assets, the capital guidelines apply on a bank only basis and the Federal Reserve Board expects the holding company's subsidiary banks to be well capitalized under the prompt corrective action regulations. If Richmond Mutual Bancorporation was subject to regulatory guidelines for bank holding companies with \$3.0 billion or more in assets, at **December 31, 2022** **December 31, 2023**, it would have exceeded all regulatory capital requirements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Management of Market Risk

Our most significant form of market risk is interest rate risk as the majority of our assets and liabilities are sensitive to changes in interest rates. A principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. Our Asset/Liability Committee is responsible for evaluating the interest rate risk inherent in our balance sheet, for determining the appropriate level of risk given our business strategy, operating environment, capital and liquidity, and for managing this risk consistent with our policies and guidelines.

Our strategy attempts to manage the impact of changes in interest rates on net interest income, which is our primary source of earnings. Among the actions taken are:

- Originate commercial and commercial real estate loans, which generally have shorter terms and higher yields than owner-occupied one-to four-family residential real estate loans.
- Sell substantially all longer-term fixed-rate residential real estate loans in the secondary market.
- Cultivate stable deposit relationships with business and consumer customers.
- Acquire longer-term, fixed-rate borrowings when appropriate to reduce our sensitivity to changing interest rates.

Interest Rate Risk. The Asset/Liability Committee monitors First Bank Richmond's interest rate risk ("IRR") position and meets quarterly to review pricing, liquidity needs, and to assess our interest rate risk. We currently utilize a third-party modeling program prepared quarterly to evaluate our sensitivity to changing interest rates.

The table below sets forth, as of **December 31, 2022** **December 31, 2023**, the calculation of the estimated changes in our net interest income that results from the designated immediate changes in the United States Treasury yield curve.

Change in Interest Rates (basis points) ⁽¹⁾	Change in Interest Rates (basis points) ⁽¹⁾	Net Interest Income Year 1 Forecast	Year 1 Change from Level	Change in Interest Rates (basis points) ⁽¹⁾	Net Interest Income Year 1 Forecast	Year 1 Change from Level
--	--	-------------------------------------	--------------------------	--	-------------------------------------	--------------------------

		(Dollars in thousands)									
		(Dollars in thousands)									
+300											
+300											
+300	+300	\$	35,190	(2.11) %		\$	34,771	(2.71)	(2.71)		%
+200	+200		35,581	(1.02)							
+100	+100		35,754	(0.54)							
Level	Level		35,949	—							
-100	-100		36,492	1.51							
-200	-200		36,920	2.70							
-300	-300		38,255	6.41							

To the Shareholders, Board of Directors, and Audit Committee
Richmond Mutual Bancorporation, Inc.
Richmond, Indiana

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Richmond Mutual Bancorporation, (the "Company") Inc. (Company) as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of income, comprehensive income (loss), stockholders' equity, and cash flows for each of the years then ended, and the related notes (collectively collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 and 5 to the consolidated financial statements, the Company changed its method of accounting for accounting for credit losses due to the adoption of Accounting Standards Codification Topic 326, Financial Instruments.

Basis for Opinion

These financial statements are the responsibility of the Company's management.Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB.Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting.As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting.Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks.Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.We believe that our audits provide a reasonable basis for our opinion.

/s/ FORVIS, LLP (Formerly BKD, LLP)

FORVIS, LLP

We have served as the Company's auditor since at least 1982; however, an earlier year cannot be determined.

Indianapolis, Indiana
March 31, 2023 29, 2024

Richmond Mutual Bancorporation, Inc.
Consolidated Balance Sheets

December 31, 2022 2023 and 2021 2022

		December 31, 2022	December 31, 2021		
December 31, 2023			December 31, 2023		December 31, 2022
Assets	Assets				
Assets					
Assets					
Cash and due from banks					
Cash and due from banks					
Cash and due from banks	Cash and due from banks	\$ 7,782,348	\$ 8,473,558		
Interest-bearing demand deposits	Interest-bearing demand deposits	8,139,745	14,564,587		

Cash and cash equivalents	Cash and cash equivalents	15,922,093	23,038,145
Interest-bearing time deposits	Interest-bearing time deposits	490,000	—
Investment securities - available for sale	Investment securities - available for sale	284,899,665	357,537,845
Investment securities - held to maturity	Investment securities - held to maturity	6,672,233	9,040,825
Loans held for sale	Loans held for sale	473,700	557,500
Loans and leases, net of allowance for losses of \$12,413,035 and \$12,107,590, respectively		961,690,677	832,846,017
Loans and leases, net of allowance for credit losses of \$15,663,153 and \$12,413,035, respectively			
Premises and equipment, net	Premises and equipment, net	13,668,496	14,347,088
Federal Home Loan Bank stock	Federal Home Loan Bank stock	9,947,300	9,992,400
Interest receivable	Interest receivable	4,710,481	4,192,827
Mortgage-servicing rights	Mortgage-servicing rights	2,011,889	1,646,509
Cash surrender value of life insurance	Cash surrender value of life insurance	3,674,499	3,619,140
Other assets	Other assets	24,459,108	10,821,445
Total assets	Total assets	\$ 1,328,620,141	\$ 1,267,639,741
Total assets			
Total assets			
Liabilities	Liabilities		
Liabilities			
Liabilities			
Noninterest-bearing deposits			
Noninterest-bearing deposits			
Noninterest-bearing deposits	Noninterest-bearing deposits	\$ 106,414,812	\$ 114,302,794
Interest bearing deposits	Interest bearing deposits	898,845,958	785,872,606
Total deposits	Total deposits	1,005,260,770	900,175,400
Federal Home Loan Bank advances	Federal Home Loan Bank advances	180,000,000	180,000,000
Advances by borrowers for taxes and insurance	Advances by borrowers for taxes and insurance	560,196	531,030
Interest payable	Interest payable	1,369,351	258,032
Other liabilities	Other liabilities	8,451,521	6,193,944
Total liabilities	Total liabilities	1,195,641,838	1,087,158,406
Commitments and Contingent Liabilities	Commitments and Contingent Liabilities	—	—
Commitments and Contingent Liabilities			
Commitments and Contingent Liabilities			
Stockholders' Equity	Stockholders' Equity		
Stockholders' Equity			
Stockholders' Equity			
Common stock, \$0.01 par value			
Common stock, \$0.01 par value			

Common stock, \$0.01 par value	Common stock, \$0.01 par value		
Authorized - 90,000,000 shares	Authorized - 90,000,000 shares		
Issued and outstanding - 11,784,246 shares and 12,400,195 shares at December 31, 2022 and 2021, respectively		117,842	124,002
Authorized - 90,000,000 shares			
Authorized - 90,000,000 shares			
Issued and outstanding - 11,208,500 shares and 11,784,246 shares at December 31, 2023 and 2022, respectively			
Issued and outstanding - 11,208,500 shares and 11,784,246 shares at December 31, 2023 and 2022, respectively			
Issued and outstanding - 11,208,500 shares and 11,784,246 shares at December 31, 2023 and 2022, respectively			
Additional paid-in capital	Additional paid-in capital	106,088,897	114,339,810
Retained earnings	Retained earnings	88,715,782	80,157,893
Unearned employee stock ownership plan (ESOP)	Unearned employee stock ownership plan (ESOP)	(12,193,043)	(12,928,359)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(49,751,175)	(1,212,011)
Total stockholders' equity	Total stockholders' equity	132,978,303	180,481,335
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$1,328,620,141	\$1,267,639,741
Total liabilities and stockholders' equity			
Total liabilities and stockholders' equity			

See Notes to Consolidated Financial Statements

Richmond Mutual Bancorporation, Inc.

Consolidated Statements of Income

Years Ended **December 31, 2022** **December 31, 2023** and **2021** **2022**

		2022	2021	2023	2022
Interest Income	Interest Income				
Loans and leases					
Loans and leases					
Loans and leases	Loans and leases	\$44,593,660	\$40,578,703		
Investment securities	Investment securities	7,111,383	5,295,318		
Other	Other	152,958	51,975		
Total interest income	Total interest income	51,858,001	45,925,996		
Interest Expense	Interest Expense				
Deposits	Deposits	7,128,195	4,935,944		
Deposits					
Deposits					
Borrowings	Borrowings	3,091,146	2,745,837		
Total interest expense	Total interest expense	10,219,341	7,681,781		

Net Interest Income	Net Interest Income	41,638,660	38,244,215
Provision for losses on loans and leases		600,000	1,430,000
Net Interest Income After Provision for Losses on Loans and Leases		41,038,660	36,814,215
Provision for credit losses			
Net Interest Income After Provision for Credit Losses			
Non-interest Income	Non-interest Income		
Service charges on deposit accounts			
Service charges on deposit accounts			
Service charges on deposit accounts	Service charges on deposit accounts	1,049,777	881,586
Card fee income	Card fee income	1,209,528	1,086,576
Loan and lease servicing fees, including mortgage servicing right impairment	Loan and lease servicing fees, including mortgage servicing right impairment	861,758	(84,333)
Net gains on securities (includes \$0 and \$55,799, related to accumulated other comprehensive loss reclassifications)		—	55,799
Net gains on loan and lease sales			
Net gains on loan and lease sales			
Net gains on loan and lease sales	Net gains on loan and lease sales	639,274	2,450,083
Other income	Other income	1,106,436	1,025,889
Total non-interest income	Total non-interest income	4,866,773	5,415,600
Non-interest Expenses	Non-interest Expenses		
Salaries and employee benefits			
Salaries and employee benefits			
Salaries and employee benefits	Salaries and employee benefits	18,478,020	18,143,286
Net occupancy expenses	Net occupancy expenses	1,425,018	1,236,549
Equipment expenses	Equipment expenses	1,268,812	1,306,754
Data processing fees	Data processing fees	2,712,950	2,181,012
Deposit insurance expense	Deposit insurance expense	494,000	301,000
Printing and office supplies	Printing and office supplies	194,462	165,317
Legal and professional fees	Legal and professional fees	1,420,352	1,226,469
Advertising expense	Advertising expense	459,478	395,949

Bank service charges	Bank service charges	137,601	129,015
Real estate owned expense	Real estate owned expense	30,067	25,526
Other expenses	Other expenses	3,535,767	3,538,538
Other expenses			
Other expenses			
Total non-interest expenses	Total non-interest expenses	30,156,527	28,649,415
Income Before Income Tax Expense	Income Before Income Tax Expense		
		15,748,906	13,580,400
Provision for income taxes (includes \$0 and \$11,718, related to income tax expense from reclassification of items)		2,783,467	2,435,500
Provision for income taxes			
Net Income	Net Income	\$12,965,439	\$11,144,900
Earnings Per Share	Earnings Per Share		
Basic	Basic	\$ 1.20	\$ 0.98
Basic			
Basic			
Diluted	Diluted	\$ 1.17	\$ 0.96

See Notes to Consolidated Financial Statements

Richmond Mutual Bancorporation, Inc.

Consolidated Statements of Comprehensive **Loss** **Income (Loss)** Years Ended **December 31, 2022** **December 31, 2023** and **2021** **2022**

	2022	2021
Net Income	\$ 12,965,439	\$ 11,144,900
Other Comprehensive Loss		
Unrealized loss on available-for-sale securities, net of tax benefit of \$12,902,816 and \$1,296,294	(48,539,164)	(4,876,535)
Less: reclassification adjustment for realized gains included in net income, net of tax expense of \$0 and \$11,718	—	44,081
	(48,539,164)	(4,920,616)
Comprehensive (Loss) Income	\$ (35,573,725)	\$ 6,224,284

	2023	2022
Net Income	\$ 9,486,836	\$ 12,965,439
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on available-for-sale securities, net of tax (expense) benefit of \$(1,782,629) and \$12,902,816	6,706,079	(48,539,164)
Comprehensive Income (Loss)	\$ 16,192,915	\$ (35,573,725)

See Notes to Consolidated Financial Statements

Richmond Mutual Bancorporation, Inc.

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2022 December 31, 2023 and 2021 2022

		Common Stock						Common Stock			Accumulated		
		Shares Outstanding						Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Other Comprehensive Income (Loss)	Other Comprehensive Loss	Total
	Common Stock						Accumulated						
Balances, December 31, 2021								Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Other Comprehensive Income (Loss)	Total	
							Accumulated						
	Shares Outstanding		Amount		Additional Paid-in Capital		Retained Earnings	Unearned ESOP Shares	Other Comprehensive Income (Loss)	Total			
Balances, December 31, 2020													
	13,193,760	\$ 131,938	\$ 124,246,425	\$ 78,290,113	\$ (13,664,373)	\$ 3,708,605	\$ 192,712,708						
Net income	—	—	—	11,144,900	—	—	11,144,900						
Other comprehensive loss	—	—	—	—	—	(4,920,616)	(4,920,616)						
ESOP shares earned	—	—	60,435	—	736,014	—	796,449						
Granting of restricted stock awards	4,000	40	(40)	—	—	—	—						
Stock based compensation	—	—	1,811,089	—	—	—	1,811,089						
Exercise of stock options	26,072	260	127,313	—	—	—	127,573						
Common stock dividends (\$0.78 per share)	—	—	—	(9,277,120)	—	—	(9,277,120)						
Repurchase of common stock	(823,637)	\$ (8,236)	\$ (11,905,412)	\$ —	\$ —	\$ —	\$ (11,913,648)						
Balances, December 31, 2021													
Balances, December 31, 2021	Balances, December 31, 2021	12,400,195	124,002	114,339,810	80,157,893	(12,928,359)	(1,212,011)	180,481,335					
Net income	Net income	—	—	—	12,965,439	—	—	12,965,439					
Other comprehensive loss	Other comprehensive loss	—	—	—	—	—	(48,539,164)	(48,539,164)					
ESOP shares earned	ESOP shares earned	—	—	63,430	—	735,316	—	798,746					
Stock based compensation	Stock based compensation	—	—	1,538,737	—	—	—	1,538,737					
Stock based compensation													
Stock based compensation													
Common stock dividends (\$0.40 per share)													
Common stock dividends (\$0.40 per share)													
Common stock dividends (\$0.40 per share)	Common stock dividends (\$0.40 per share)	—	—	—	(4,407,550)	—	—	(4,407,550)					
Repurchase of common stock	Repurchase of common stock	(615,949)	(6,160)	(9,853,080)	—	—	—	(9,859,240)					
Balances, December 31, 2022													
Balances, December 31, 2022	Balances, December 31, 2022	11,784,246	\$ 117,842	\$ 106,088,897	\$ 88,715,782	\$ (12,193,043)	\$ (49,751,175)	\$ 132,978,303					
Balances, December 31, 2022													
Balances, December 31, 2022													

Impact of ASU
2016-13
adoption
Balances,
January 1,
2023
Net income
Other
comprehensive
income
ESOP shares
earned
Stock based compensation
Stock based compensation
Stock based compensation
Common stock dividends
(\$0.56 per share)
Common stock dividends
(\$0.56 per share)
Common stock dividends
(\$0.56 per share)
Repurchase of
common stock
Balances, December 31,
2023
Balances, December 31,
2023
Balances, December 31,
2023

See Notes to Consolidated Financial Statements

1 The amount shown represents the number of shares issued in net-settled option transactions where some shares are netted from a portion of the exercises.

Richmond Mutual Bancorporation, Inc.					
Consolidated Statements of Cash Flows					
Years Ended December 31, 2022 December 31, 2023 and 2021 2022					
		2022	2021	2023	2022
Operating Activities	Operating Activities				
Operating Activities	Operating Activities				
Operating Activities	Operating Activities				
Net income	Net income				
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Stock based compensation	Stock based compensation	1,538,737	1,811,089
Investment securities amortization, net	Investment securities amortization, net	1,546,615	2,526,033
Investment securities gains		—	(55,799)
Net gains on loan and lease sales			
Net gains on loan and lease sales			
Net gains on loan and lease sales	Net gains on loan and lease sales	(639,274)	(2,450,083)
Loss on sale of real estate owned	Loss on sale of real estate owned	10,882	1,278
Gain on sale of premises and equipment			
Accretion of loan origination fees	Accretion of loan origination fees	(1,578,653)	(3,138,208)
Amortization of mortgage-servicing rights	Amortization of mortgage-servicing rights	224,274	412,941
ESOP shares expense	ESOP shares expense	798,746	796,449
Increase in cash surrender value of life insurance	Increase in cash surrender value of life insurance	(55,359)	(93,404)
Loans originated for sale	Loans originated for sale	(28,749,971)	(79,981,656)
Proceeds on loans sold	Proceeds on loans sold	28,666,171	78,552,506
Net change in Interest receivable	Net change in Interest receivable	(517,654)	510,777
Interest receivable			
Interest receivable			
Other assets	Other assets	(2,117,372)	(3,015,304)
Multi-employer pension plan liability		—	(17,454,709)
Other liabilities			
Other liabilities			
Other liabilities	Other liabilities	2,257,577	(4,071,259)
Interest payable	Interest payable	1,111,319	35,914
Net cash provided by (used in) operating activities		18,160,168	(9,646,061)

Net cash provided by operating activities			
Investing Activities	Investing Activities		
Investing Activities			
Net change in interest-bearing time deposits			
Net change in interest-bearing time deposits			
Net change in interest-bearing time deposits	Net change in interest-bearing time deposits	(490,000)	—
Purchases of securities available for sale	Purchases of securities available for sale	(22,532,827)	(188,839,863)
Proceeds from maturities and paydowns of securities available for sale	Proceeds from maturities and paydowns of securities available for sale	32,181,335	61,825,965
Proceeds from sales of securities available for sale		—	5,296,930
Proceeds from maturities and paydowns of securities held to maturity			
Proceeds from maturities and paydowns of securities held to maturity			
Proceeds from maturities and paydowns of securities held to maturity	Proceeds from maturities and paydowns of securities held to maturity	2,357,168	3,169,901
Net change in loans	Net change in loans	(127,384,295)	(92,150,518)
Proceeds from sales of real estate owned	Proceeds from sales of real estate owned	84,652	30,270
Purchases of premises and equipment	Purchases of premises and equipment	(385,099)	(579,452)
Change in FHLB stock		45,100	(942,800)
Proceeds from sale of premises and equipment			
Purchases of FHLB stock			

Proceeds from sale of FHLB stock			
Net cash used in investing activities	Net cash used in investing activities	(116,123,966)	(212,189,567)
Financing Activities	Financing Activities		
Financing Activities			
Net change in	Net change in		
Net change in			
Demand and savings deposits			
Demand and savings deposits			
Demand and savings deposits	Demand and savings deposits	11,892,698	125,089,675
Certificates of deposit	Certificates of deposit	93,192,672	82,040,330
Advances by borrowers for taxes and insurance	Advances by borrowers for taxes and insurance	29,166	38,506
Proceeds from FHLB advances	Proceeds from FHLB advances	327,500,000	209,000,000
Repayment of FHLB advances	Repayment of FHLB advances	(327,500,000)	(199,000,000)
Repurchase of common stock	Repurchase of common stock	(9,859,240)	(11,913,648)
Proceeds from stock option exercises		—	127,573
Dividends paid			
Dividends paid			
Dividends paid	Dividends paid	(4,407,550)	(9,277,120)
Net cash provided by financing activities	Net cash provided by financing activities	90,847,746	196,105,316
Net Change in Cash and Cash Equivalents			
Net Change in Cash and Cash Equivalents			
Net Change in Cash and Cash Equivalents	Net Change in Cash and Cash Equivalents	(7,116,052)	(25,730,312)

Cash and Cash Equivalents, Beginning of Period	Cash and Cash Equivalents, Beginning of Period	23,038,145	48,768,457
Cash and Cash Equivalents, End of Period	Cash and Cash Equivalents, End of Period	\$ 15,922,093	\$ 23,038,145
Additional Cash Flows and Supplementary Information	Additional Cash Flows and Supplementary Information		
Additional Cash Flows and Supplementary Information	Additional Cash Flows and Supplementary Information		
Interest paid	Interest paid		
Interest paid	Interest paid	\$ 9,108,022	\$ 7,645,867
Income tax paid	Income tax paid	2,180,634	2,900,000
Transfers from loans to other real estate owned	Transfers from loans to other real estate owned	115,965	27,000
Right of use assets obtained in exchange for new operating lease liabilities	Right of use assets obtained in exchange for new operating lease liabilities	504,682	—

See Notes to Consolidated Financial Statements

Richmond Mutual Bancorporation, Inc.

Notes to Consolidated Financial Statements

December 31, 2022 2023 and 2021 2022

(Table Dollar Amounts in Thousands, Except Per Share Amounts)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

On July 1, 2019, Richmond Mutual Bancorporation, Inc., a Delaware corporation ("RMB-Delaware"), completed its reorganization from a mutual holding company form of organization to a stock form of organization ("corporate reorganization"). RMB-Delaware, which owned 100% of First Bank Richmond (the "Bank" or "First Bank"), was succeeded by Richmond Mutual Bancorporation, Inc., a new Maryland corporation (the "Company"). As part of the corporate reorganization, First Mutual of Richmond, Inc.'s (the "MHC") ownership interest in RMB-Delaware was sold in a public offering. Gross proceeds from the offering were \$130.3 million. In conjunction with the corporate reorganization, the Company contributed 500,000 shares and \$1.25 million of cash to a newly formed charitable foundation, First Bank Richmond, Inc. Community Foundation (the "Foundation"). Additionally, a "liquidation account" was established for the benefit of certain depositors of the Bank in an amount equal to the MHC's ownership interest in the retained earnings of RMB-Delaware as of December 31, 2017 and March 31, 2019.

First Bank is an Indiana state-chartered commercial bank headquartered in Richmond, Indiana. The bank was originally established in 1887 as an Indiana state-chartered mutual savings and loan association and in 1935 converted to a federal mutual savings and loan association, operating under the name First Federal Savings and Loan Association of Richmond. In 1993, the bank converted to a state-chartered mutual savings bank and changed its name to First Bank Richmond, S.B. In 1998, the bank, in connection with its non-stock mutual holding company reorganization, converted to a national bank charter operating as First Bank Richmond, National Association. In July 2007, Richmond Mutual Bancorporation-Delaware, the bank's then current holding company, acquired Mutual Federal Savings Bank headquartered in Sidney, Ohio. Mutual Federal Savings Bank was operated independently as a separately chartered, wholly owned subsidiary of Richmond Mutual Bancorporation-Delaware until 2016 when it was combined with the bank through an internal merger transaction that consolidated both banks into a single, more efficient commercial bank charter. In 2017, the bank converted to an Indiana state-chartered commercial bank and changed its name to First Bank Richmond. The former Mutual Federal Savings Bank continues to operate in Ohio under the name Mutual Federal, a division of First Bank Richmond.

First Bank generates commercial, mortgage and consumer loans and leases, and receives deposits from customers located primarily in Wayne and Shelby Counties in Indiana, and Shelby, Miami, and Franklin Counties in Ohio. First Bank's loans and leases are generally secured by specific items of collateral including real property, consumer assets and business assets. When the word "loan" or "loans" is used in these financial statements it includes leases, unless the context indicates otherwise.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for **loan credit** losses, loan servicing rights, and fair values of financial instruments.

Consolidation - The consolidated financial statements include the accounts of the Company and First Bank and their direct and indirect subsidiaries after elimination of all material intercompany transactions.

Cash Equivalents - The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Investment Securities - Debt securities are classified as held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities held to maturity are carried at amortized cost. Debt securities not classified as held to maturity or not classified as trading are classified as available for sale. Debt securities available for sale are carried at fair value with unrealized gains and losses reported separately in accumulated other comprehensive income (loss), net of tax. Equity securities are carried at fair value with changes in unrealized gains and losses recognized through net income. Trading account securities are held for resale in anticipation of short-term market movements and are valued at fair value. Gains and losses, both realized and unrealized, are included in other income.

The Company accounts for recognition and presentation of **other-than-temporary impairment impaired securities** in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Code ("ASC") **320-10, 326**. When an impairment has occurred, it is determined whether or not the impairment is due to credit or non-credit related factors. If it is determined that the impairment is credit-related, then it must also be determined if the Company has the intent to sell the security or if it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either of these factors are present, then the impairment will be recognized in earnings with a corresponding adjustment to the amortized cost basis of the security. If the Company does not intend to sell a debt security and it is more likely than not that the Company sale of the security will not have to sell the security be required before recovery of its amortized cost basis, the present values of expected cash flows to be collected from the security will be compared against the amortized cost basis of the security. If the amortized cost basis of the security is greater than the present cash flows expected, a credit loss would exist and it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive loss. For held-to-maturity debt securities, would determine the amount of allowance, if any, that would be deemed needed. A needed allowance would result in an other-than-temporary impairment recorded in other comprehensive loss for the noncredit portion of a previous other-than-temporary impairment is amortized prospectively over the remaining life of the security allowance recognized on the basis of the timing of future estimated cash flows of the security. balance sheet with a corresponding adjustment to earnings.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

Purchased premiums and discounts on collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs) and other mortgage related securities are amortized or accreted using the effective interest method. The period of amortization used is estimated based on anticipated principal prepayments. Differences between anticipated and actual prepayments result in adjustments which are charged or credited to income as an adjustment to yield. For classification purposes, REMICs are grouped with mortgage-backed securities.

Leases - Lease financing consists of direct financing leases. Direct financing leases are carried at cost. Cost is defined as the total minimum lease payments receivable and the estimated residual value of the leased property, less the amount of unearned income. Unearned income on direct financing leases is recognized as income over the term of the lease using a method that approximates the interest method.

Loans - Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for **loan credit** losses on loans, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

For all loan classes, the accrual of interest is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. For all loan classes, the entire balance of the loan is considered past due if the minimum payment contractually required to be paid is not received by the contractual due date. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Management's general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. The Company's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

For all loan portfolio segments except residential and consumer loans, the Company promptly charges off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent loans, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges off residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to timeframes established by applicable regulatory guidance, which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value, less costs to sell when the loan is 120 days past due, charge-off of unsecured open-end loans when the loan is 90 days past due, and charge down to the net realizable value when other secured loans are 90 days past due. Loans at these respective delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans borrowers experiencing financial difficulty recognize interest income on an accrual basis at the renegotiated rate if or terms, provided the loan is in compliance with the modified terms, no principal reduction has been granted and terms. If determined that the modified loan or lease is less than the recorded investment in the loan, has demonstrated a charge-off is recognized to the ability to perform in accordance with the renegotiated terms allowance for a period of at least six months, credit losses on loans and leases.

Allowance for Loan and Lease Credit Losses - The allowance for credit losses is established for current expected credit losses on the Company's loan and lease losses is established as losses portfolios in accordance with ASC Topic 326. Losses are estimated to have occurred through a provision for loan and lease credit losses charged to income. Loan Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan credit losses is evaluated on a regular basis by management and is based upon management's periodic review of maintained at a level believed to be adequate to absorb credit losses within the collectibility of Company's loan and lease portfolio. In evaluating the loans in light of allowance, management considers all relevant information available, from internal and external sources relating to historical experience, the nature current conditions, and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral reasonable and prevailing economic conditions, supportable forecasts. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated collectively pooled and general individually evaluated components. The allocated component relates "Collectively pooled" refers to loans that and leases grouped based upon similar risk characteristics. Quantitative methodologies and qualitative adjustments are classified as impaired. For those applied to each pooled segment. The Company has identified eight segments of loans that and leases which are classified as impaired, an collectively pooled based on similar risk characteristics.

The allowance for credit losses on pooled loans is established when the discounted cash flows (or collateral value or observable market price) estimated based upon periodic review of the impaired loan and lease portfolio. The Company utilizes a cash flow ("CF") model to estimate the portion of quantitative allowance reserve for collectively pooled loans. CF models allow for effective incorporation of reasonable and supportable forecasts in a consistent manner. If inadequate information is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on historical charge-off experience by segment. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by available to perform CF modeling for a collective pool, the Company uses the Remaining Life Method ("RLM") as a substitute. The RLM uses periodic charge-off rates and applies those rates to the projected balances over the prior three years. Management believes remaining life of the three year historical loss experience methodology, on a weighted basis, loan.

Accrued interest receivable is appropriate in excluded from the current economic environment. Other adjustments (qualitative/environmental considerations) for each segment may be added to calculation of the allowance for credit losses, as the Company's policy is to write off accrued interest promptly when deemed uncollectible by reversing interest income.

Key inputs into the CF model include loan-level information, such as the amortized cost basis of individual loans, prepayment and curtailment rates for the collective pool, and forecasted loss drivers. The Company uses prepayment and curtailment rates based upon studies done using internal historical

information, or benchmarked rates from external sources when the Company's own historical data is not sufficient. When estimating for credit loss, the Company forecasts the first four quarters of the credit loss estimate and reverts to a long-run average of each considered factor. The Company develops its reasonable and supportable forecasts using economic data, such as gross domestic product and unemployment rate.

For all collectively pooled segments, qualitative adjustments are applied to capture differences in current or expected qualitative risk characteristics. In assessing estimated credit losses, management considers any changes in the following factors and how they relate to the Company's current lending environment: (i) lending policies, procedures, and strategies, (ii) the nature and volume of the portfolio, (iii) international, national, regional, and local conditions, (iv) the experience, depth, and ability of lending management, (v) the volume and severity of past due loans, (vi) the quality of the loan segment after an assessment review system, (vii) the underlying collateral, (viii) concentration risk, and (ix) the effect of internal or other external influences on factors.

Loans with different risk characteristics are individually evaluated for potential credit quality that losses and assigned individual reserves. These individually evaluated loans are removed from the pools and are not fully reflected included in the historical loss or risk rating data.

A loan is considered impaired when, based on collective evaluation. Individually analyzed loans may be identified due to current information and events, it is probable that such as non-accrual status, delinquency status or history, or other potential identifiers impacting the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms collectability of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and loan. Individual reserves are determined at the probability of collecting scheduled principal and interest payments when due loan-level based on the loan's current payment status and the borrower's financial condition including available sources an analysis of cash flows. 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 nonhomogeneous type loans such as commercial, nonowner residential 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 fair value of the collateral if the loan is collateral dependent. For impaired loans where the Company utilizes the discounted cash flows less costs to determine the level of impairment, the Company includes the entire change in the present value of cash flows as bad debt expense.

The fair values of collateral dependent impaired loans are based on independent appraisals of the collateral. In general, the Company acquires an updated appraisal upon identification of impairment and annually thereafter for commercial, commercial real estate and multi-family loans. If the most recent appraisal is over a year old, and a new appraisal is not performed, due to lack of comparable values sell, or other reasons, the existing appraisal is utilized and discounted based on the age of the appraisal, condition of the subject property, and overall economic conditions. After determining the collateral value as described, the fair value is calculated based on the determined collateral value, less selling expenses. The potential for outdated appraisal values is considered in the determination of the allowance for loan losses through an analysis of various trends and conditions including the local economy, trends in charge-offs and delinquencies, etc. and the related qualitative adjustments assigned by the Company.

Segments of loans with similar risk characteristics are collectively evaluated for impairment based on the segment's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

In the course of working with borrowers, the Company may choose to restructure the contractual terms of certain loans. In this scenario, the Company attempts to work-out an alternative payment schedule with the borrower in order to optimize collectability of the loan. Any loans that are modified are reviewed by the Company to identify if a troubled debt restructuring ("TDR") has occurred, which is when, for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms, or a combination of the two. If such efforts by the Company do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings are initiated. At any time prior to a sale of the property at foreclosure, the Company may terminate foreclosure proceedings if the borrower is able to work-out a satisfactory payment plan.

It is the Company's policy to have any restructured loans, which are on nonaccrual status prior to being restructured remain on nonaccrual status until six months of satisfactory borrower performance at which time management would consider its return to accrual status. If a loan was accruing at the time of restructuring, the Company reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

With regard to determination of the amount of the allowance for credit losses, troubled debt restructured loans are considered to be impaired. As a result, the determination of the amount of impaired loans for each portfolio segment within troubled debt restructurings is the same as detailed previously. observable market value.

Mortgage Loans Held for Sale – Mortgage loans originated and intended for sale in the secondary market are recorded at the lower of cost or fair value on an individual loan basis.

Premises and Equipment - Premises and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Federal Home Loan Bank (FHLB) stock - FHLB stock is a required investment for institutions that are members of the FHLB system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale - Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Mortgage Servicing Rights - Mortgage servicing rights on originated loans that have been sold are initially recorded at fair value. Capitalized mortgage servicing rights, which include purchased servicing rights, are amortized in proportion to and over the period of estimated servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate. For purposes of measuring impairment, the rights are stratified based on the predominant risk characteristics of the underlying loans. The predominant

characteristic currently used for stratification is type of loan. The amount of impairment recognized is the amount by which the capitalized mortgage servicing rights for a stratum exceed their fair value.

Low Income Housing Tax Credits (LIHTC) - The Company has invested in LIHTC through funds that assist corporations in investing in limited partnerships and limited liability companies that own, develop and operate low-income residential rental properties for purposes of qualifying for the LIHTC. These investments are accounted for under the proportional amortization method which recognizes the amortization of the investment in proportion to the tax credit and other tax benefits received.

Long-lived Asset Impairment - The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended **December 31, 2022**, **December 31, 2023** and **2021, 2022**.

Revenue Recognition - ASC 606, "Revenue from Contracts with Customers," provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance enumerates five steps that entities should follow in achieving this core principle. Revenue generated from financial instruments, including loans and investment securities, are not included in the scope of ASC 606.

Revenue-gathering activities that are within the scope of ASC 606 and that are presented as non-interest income in the Company's consolidated statements of income include:

- Service charges on deposit accounts – these include general service fees charged for deposit account maintenance and activity and transaction-based fees charged for certain services, such as debit card, wire transfer and overdraft activities. Revenue is recognized when the performance obligation is completed, which is generally after a transaction is completed or monthly for account maintenance services.
- Card fee income – this includes debit card fees charged based on the volume and number of debit card transactions. Revenue is recognized when the performance obligation is completed, which is generally after a transaction is completed or monthly for account maintenance services.

Income Tax - Income tax in the consolidated statements of operations includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes. The Company files consolidated income tax returns with its parent and subsidiary.

Uncertain Tax Positions - The Company has adopted the provisions of ASC 740, *Income Taxes*, concerning the accounting and disclosures for uncertain tax positions, previously deferred by ASC 740-10-65. As part of the implementation of this standard, management evaluated its current tax positions and determined the adoption of this standard had no material impact on the consolidated financial statements of the Company.

Share Based Compensation - At **December 31, 2022**, **December 31, 2023**, the Company had share-based compensation plans, which are described more fully in Note 14. All share-based payments are to be recognized as expense, based upon their fair values, in the financial statements over the vesting period of the awards. The Company has recorded approximately **\$619,000**, **\$653,000** and **\$728,000**, **\$619,000** in compensation expense relating to vesting of stock options, which are recognized as they occur, for the year ended **December 31, 2022**, **December 31, 2023** and **2021, 2022**, respectively. The Company has recorded approximately **\$974,000** and **\$920,000** in compensation expense relating to the vesting restricted stock awards for the years ended **December 31, 2023** and **2022**, respectively.

Advertising Expense - The Company's advertising costs are expensed as incurred.

Adoption of New Accounting Standards - In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses* (Topic 326). This ASU introduced the current expected credit loss, or "CECL", methodology, which requires earlier recognition of credit losses based upon historical experience, current conditions, and reasonable and supportable forecasts. The CECL methodology utilizes a life-of-loan credit loss estimation, with the objective of recognizing credit losses on financial assets as they are originated or acquired. The transition to CECL from the previous Incurred Loss Methodology became effective for the Company on January 1, 2023.

On January 1, 2023, the Company adopted CECL by recording a one-time adjustment from retained earnings of \$2.0 million, net of tax, into the allowance for credit losses on loans and leases. Prior to this one-time adjustment, the allowance for loan and lease losses totaled \$12.4 million at December 31, 2022. At January 1, 2023, the allowance for credit losses totaled \$15.1 million.

Additionally, as a part of CECL adoption, the Company established an allowance for credit losses on unfunded commitments. This allowance, which is included in other liabilities on the Consolidated Balance Sheets, is estimated based upon the loss rate for the loan or lease segment in which the loan or lease commitments would be classified if funded. The calculation is further adjusted by the estimation of funding probability. The Company recorded a one-time adjustment from retained earnings of \$1.8 million, net of tax, to establish the allowance for credit losses on unfunded commitments. At January 1, 2023, this allowance totaled \$2.4 million.

The following table summarizes the impact of the day-one adoption of CECL:

	December 31, 2023	CECL Adoption Impact	January 1, 2023
Allowance for Credit Losses:			
Commercial mortgage	\$ 4,776	\$ (395)	\$ 4,381
Commercial and industrial	1,291	360	1,651
Construction and development	2,855	784	3,639
Multi-family	1,955	(99)	1,856
Residential mortgage	76	1,439	1,515
Home equity	23	89	112
Direct financing leases	1,196	422	1,618
Consumer	241	64	305
Total Allowance for Credit Losses on Loans and Leases	\$ 12,413	\$ 2,664	\$ 15,077
Reserve for Unfunded Commitments	—	2,374	2,374
Total Reserve for Credit Losses	\$ 12,413	\$ 5,038	\$ 17,451
Retained Earnings			
Total Pre-tax Impact		\$ (5,038)	
Tax Effect		1,253	
Decrease to Retained Earnings		\$ (3,785)	

The allowance for credit losses on loans and leases and the allowance for credit losses on unfunded commitments are evaluated on a regular basis and maintained at levels that management believes to be adequate to absorb potential credit losses. Increases to the allowances are expensed through provisions for credit losses. Loans and leases, or portions thereof, that are determined not to be collectable are charged against the allowance for credit losses on loans and leases. Subsequent recoveries, if any, are credited to this allowance.

The Company did not record an allowance for available-for-sale securities at January 1, 2023 as a part of its day-one CECL adjustments. Management regularly assesses the available-for-sale portfolio for any potential credit-related impairments which may impact earnings.

With the adoption of CECL, held to maturity securities are required to have an established allowance for credit losses that represents a portion of the amortized cost basis of a financial asset that is not expected to be collectable. The Company regularly monitors the credit quality of securities held to maturity through the use of credit ratings. At the day-one adoption of CECL on January 1, 2023, the Company did not establish an allowance for credit losses on held to maturity securities, as the Company expects to collect the full amortized cost basis of its held to maturity securities portfolio.

Note 2: Accounting Pronouncements

In March 2020, the COVID-19 coronavirus was identified as a global pandemic and began affecting the health of large populations around the world. As a result of the spread of COVID-19, economic uncertainties arose which can ultimately affect the financial position, results of operations and cash flows of the Company, as well as the Company's customers. In response to economic concerns over COVID-19, in March 2020, the *Coronavirus Aid, Relief, and Economic Security Act* ("CARES Act") was passed into law by Congress. The CARES Act included relief for individual Americans, health care workers, small businesses and certain industries hit hard by the COVID-19 pandemic. The *2021 Consolidated Appropriations Act*, passed by Congress in December 2020, extended certain provisions of the CARES Act affecting the Company into 2021.

The CARES Act included several provisions designed to help financial institutions like the Company in working with their customers. Section 4013 of the CARES Act, as extended, allows a financial institution to elect to suspend generally accepted accounting principles and regulatory determinations with respect to qualifying loan modifications related to COVID-19 that would otherwise be categorized as a troubled debt restructuring ("TDR") until January 1, 2022. The Company has taken advantage of this provision to extend certain payment modifications to loan customers in need. As of December 31, 2021, the Company had no modified loans outstanding under the CARES Act guidance.

The CARES Act also approved the Paycheck Protection Program ("PPP"), administered by the Small Business Administration ("SBA") with funding provided by financial institutions. The 2021 Consolidated Appropriations Act approved a new round of PPP loans in 2021. The PPP provides loans to eligible businesses through financial institutions like First Bank, with loans being eligible for forgiveness of some or all of the principal amount by the SBA if the borrower meets certain requirements. The SBA guarantees repayment of the loans to First Bank if the borrower's loan is not forgiven and is then not repaid by the member. The Bank earns a 1% interest rate on PPP loans, plus a processing fee from the SBA for processing and originating a loan. The PPP expired on May 31, 2021. As of December 31, 2022, PPP loans outstanding totaled \$944,000.

The Jumpstart Our Business Startups Act or JOBS Act, (the "JOBS Act"), which was enacted in April 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company with total annual gross revenues of less than \$1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." The Company qualifies as and has elected to be an emerging growth company under the JOBS Act. An emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. The Company has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses* (Topic 326). The ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements.

In May 2019, the FASB issued ASU No. 2019-05, *Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief*. This ASU provides transition relief for entities adopting the FASB's credit losses standard, ASU No. 2016-13 and allows companies to irrevocably elect, upon adoption of ASU No. 2016-13, the fair value option for certain financial instruments. In April 2019, the FASB issued ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments". ASU No. 2019-04 clarifies certain aspects of accounting for credit losses, hedging activities, and financial instruments. In October 2019, the FASB voted to extend the implementation of ASU No. 2016-13 for certain financial institutions including smaller reporting companies. As a result, ASU 2016-13 will be became effective for the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022.

The Company adopted ASU No. 2016-13 on January 1, 2023. As a result of the adoption and day one measurement date of January 1, 2023 change in methodology from the incurred loss methodology to the current expected credit loss methodology ("CECL"), the Company expects to record a one-time cumulative-effect adjustment to of \$2.0 million from retained earnings, net of income taxes, tax, into the allowance for credit losses on the consolidated balance sheet. loans and leases. The allowance will increase between \$2.3 increased \$2.7 million, and \$3.0 or 21.5%, on January 1, 2023 from December 31, 2022 as a result of the adoption.

Additionally, as a part of the CECL adoption, the Company established an allowance for credit losses on unfunded commitments by recording a one-time adjustment of \$1.8 million from December 31, 2022. CECL also requires the establishment retained earnings, net of a reserve for potential losses from unfunded commitments that is recorded in other liabilities, separate from tax, into the allowance for credit losses which will be approximately \$1.8 on unfunded commitments. As of January 1, 2023, this allowance totaled \$2.4 million, as compared to no allowance at December 31, 2022. This allowance is reported in other liabilities on the Condensed Consolidated Balance Sheets.

\$2.5 million. Also, as required In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The ASU eliminates the accounting guidance for troubled debt restructured loans ("TDRs") by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Additionally, the ASU requires public business entities to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases. This ASU became effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, upon the Company's adoption of the CECL the Company reviewed the held-to-maturity debt securities portfolio and determined the expected losses were immaterial. amendments in ASU 2016-13.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU applies to contracts, hedging relationships and other transactions that reference the London Interbank Offer Rate ("LIBOR") or other rate

references expected to be discontinued because of reference rate reform. The ASU permits an entity to make necessary modifications to eligible contracts or transactions without requiring contract remeasurement or reassessment of a previous accounting determination. **This In December of 2022, the FASB issued ASU is effective for all entities as No. 2022-06 which extended the period of March 12, 2020 through time preparers can utilize the reference rate reform relief guidance in Topic 848. The guidance ensures the relief in Topic 848 covers the period of time during which a significant number of modifications may take place and the ASU defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024.** The Company does not expect the adoption of ASU No. 2020-04 to have a material impact on its consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-08, Receivables – Nonrefundable Fees and Other Costs. ASU No. 2020-08 clarifies that the Company should reevaluate whether a callable debt security is within the scope of paragraph 310-20-35-33 for each reporting period. ASU No. 2020-08 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted ASU No. 2020-08 on January 1, 2021. The adoption of ASU No. 2020-08 did not have a material impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. ASU No. 2019-12 provides that state franchise or similar taxes that are based, at least in part on an entity's income, be included in an entity's income tax recognized as income-based taxes. The ASU further clarifies that the effect of any change in tax laws or rates used in the computation of the annual effective tax rate are required to be reflected in the first interim period that includes the enactment date of the legislation. Technical changes to eliminate exceptions to Topic 740 related to intra-period tax allocations for entities with losses from continuing operations, deferred tax liabilities related to change in ownership of foreign entities, and interim-period tax allocations for businesses with losses where the losses are expected to be realized. The amendments in ASU No. 2019-12 are effective for public business entities with fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted ASU No. 2019-12 on January 1, 2021. The adoption of ASU No. 2019-12 did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This ASU contains some technical adjustments related to the fair value disclosure requirements of public companies. Included in this ASU is the additional disclosure requirement of unrealized gains and losses for the period in recurring level 3 fair value disclosures and the range and weighted average of significant unobservable inputs, among other technical changes. The Company adopted ASU No. 2018-13 on January 1, 2020. The adoption of ASU No. 2018-13 did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases, with the exception of short-term leases, at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. For the Company, the amendments in this update became effective for annual periods and interim periods within those annual periods beginning after December 15, 2021. Based on leases outstanding as of December 31, 2021, this standard did not have a material impact on the Company's balance sheet or income statement. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842), Targeted Improvements, which provide entities with an additional (and optional) transition method to adopt the new lease standard. Under this new transition method, an entity initially applies the new lease standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new lease standard will continue to be in accordance with current

GAAP (Topic 842, Leases). The amendments in ASU No. 2018-11 also provide lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if the non-lease components otherwise would be accounted for under the new revenue guidance (Topic 606) and certain criteria are met.

Note 3: Restriction on Cash and Due From Banks

At **December 31, 2022** **December 31, 2023**, the Company's cash accounts exceeded federally insured limits by approximately **\$596,000** **\$73,852**. The Company's cash balances with the Federal Reserve Bank and the Federal Home Loan Bank, which are not federally insured, totaled approximately **\$7,124,000** **\$8,219,000** at **December 31, 2022** **December 31, 2023**.

The Federal Reserve Board announced on March 15, 2020 the reduction of the reserve requirement ratios to zero percent effective March 26, 2020. This action eliminated the restriction on the Company's cash and cash equivalents for **December 31, 2022** **December 31, 2023**.

Note 4: Investment Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of securities are as follows:

		2022		2023	
		Gross	Gross		
		Amortized	Unrealized		
		Cost	Gains	Unrealized	Fair
			Losses	Value	Value

	Amortized Cost		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale	Available for sale					
U.S. treasury securities	U.S. treasury securities					
U.S. treasury securities	U.S. treasury securities	\$ 3,487	\$ —	\$ 27		\$ 3,460
SBA Pools	SBA Pools	6,768	1	634		6,135
Federal agencies	Federal agencies	15,000	—	2,352		12,648
State and municipal obligations	State and municipal obligations	171,495	4	34,457		137,042
Mortgage-backed securities - government-sponsored enterprises (GSE) residential	Mortgage-backed securities - government-sponsored enterprises (GSE) residential	139,626	—	23,644		115,982
Corporate obligations	Corporate obligations	11,500	—	1,867		9,633
		347,876	5	62,981		284,900
		337,174				
		337,174				
		337,174				
Held to maturity	Held to maturity					
State and municipal obligations	State and municipal obligations	6,672	17	112		6,577
		6,672	17	112		6,577
State and municipal obligations	State and municipal obligations					
State and municipal obligations	State and municipal obligations	4,950				
Total investment securities	Total investment securities	\$ 354,548	\$ 22	\$ 63,093		\$291,477
Total investment securities	Total investment securities					
Total investment securities	Total investment securities					

	2022				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	
Available for sale					
U.S. treasury securities	\$ 3,487	\$ —	\$ 27	\$ 3,460	
SBA Pools	6,768	1	634	6,135	

Federal agencies	15,000	—	2,352	12,648
State and municipal obligations	171,495	4	34,457	137,042
Mortgage-backed securities – government-sponsored enterprises (GSE) residential	139,626	—	23,644	115,982
Corporate obligations	11,500	—	1,867	9,633
	347,876	5	62,981	284,900
Held to maturity				
State and municipal obligations	6,672	17	112	6,577
	6,672	17	112	6,577
Total investment securities	\$ 354,548	\$ 22	\$ 63,093	\$ 291,477

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
SBA Pools	\$ 8,691	\$ 29	\$ 107	\$ 8,613
Federal agencies	15,000	—	274	14,726
State and municipal obligations	166,489	2,261	1,298	167,452
Mortgage-backed securities – government-sponsored enterprises (GSE) residential	164,629	712	2,831	162,510
Corporate obligations	4,250	2	28	4,224
Equity securities	13	—	—	13
	359,072	3,004	4,538	357,538
Held to maturity				
State and municipal obligations	9,041	147	2	9,186
	9,041	147	2	9,186
Total investment securities	\$ 368,113	\$ 3,151	\$ 4,540	\$ 366,724

The amortized cost and fair value of securities at **December 31, 2022** **December 31, 2023**, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		Held to Maturity		Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	\$ 2,380	\$ 2,373	\$ 1,258	\$ 1,250				
One to five years	15,989	15,067	3,609	3,558				
Five to ten years	43,524	39,024	915	922				
	Amortized Cost				Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less								
After one to five years								
After five to ten years								
After ten years	After ten years							
	146,357	112,454	890	847				
	208,250	168,918	6,672	6,577				
	203,951							

Mortgage-backed securities—GSE residential	Mortgage-backed securities—GSE residential	139,626	115,982	—	—
Totals	Totals	\$ 347,876	\$ 284,900	\$ 6,672	\$ 6,577
Totals					
Totals					

Securities with a carrying value of \$134,302,000, \$162,430,000 and \$136,463,000, \$134,302,000 were pledged at December 31, 2022, December 31, 2023 and 2021, 2022, respectively, to secure certain deposits and for other purposes as permitted or required by law.

Proceeds from sales of securities available for sale during years ended December 31, 2022 and 2021 were \$0 and \$5,297,000, respectively. Gross gains of \$0 and \$56,000 resulting from sales of available-for-sale securities were realized for the years ended December 31, 2022, December 31, 2023 and 2021, 2022. There were no gross losses realized from sales of available-for-sale securities for the years ended December 31, 2022, and 2021, 2022.

Certain investments in debt securities are reported in the consolidated financial statements and notes at an amount less than their historical cost. Total fair value of these investments at December 31, 2022, December 31, 2023 and 2021, 2022 was \$288,846,000, \$279,852,000 and \$223,842,000, \$288,846,000, which is approximately 99%, 97% and 61%, 99%, respectively, of the Company's available-for-sale and held-to-maturity investment portfolio.

Based on evaluation of available evidence, including recent declines, These declines primarily resulted from changes in market interest rates since their purchase.

The Company does not consider available-for-sale securities with unrealized losses to be experiencing credit rating information and information obtained from regulatory filings, management believes losses at December 31, 2023. Management considers it more likely than not that the declines in fair value for Company will not be required to sell these securities before recovery of the amortized cost basis, which may be the maturity date of the securities.

Held to maturity securities are temporary.

Should financial assets measured at amortized cost. With the impairment adoption of any other CECL, held to maturity securities become other-than-temporary, are required to have an established allowance for credit losses that represents the portion of the amortized cost basis of the investment will a financial asset that is not expected to be reduced collectable. The Company estimates expected credit losses on a collective basis by security type, with consideration given to historical information, credit ratings, and the resulting loss statistical probability of future losses.

The Company monitors the credit quality of securities held to maturity using credit ratings quarterly. As of December 31, 2023, there was no allowance for credit losses recognized in net income in on the period Company's securities held to maturity portfolio.

The following table summarizes the other-than-temporary impairment is identified, amortized cost of held to maturity securities by credit quality indicator as of December 31, 2023:

	State and municipal obligations
AA+	\$ 1,262
AA-	585
A+	815
BBB+	81
Not rated	2,207
	\$ 4,950

The Company has elected to exclude accrued interest receivable from the calculation of the allowance for credit losses.

The following tables show the Company'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, December 31, 2023 and 2021, 2022:

2022			2023		
Less Than 12 Months	12 Months or More	Total	Less Than 12 Months	12 Months or More	Total

Description of Securities	Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale	Available-for-sale													
U.S. treasury securities	U.S. treasury securities													
U.S. treasury securities	U.S. treasury securities													
U.S. treasury securities	U.S. treasury securities	\$ 3,460	\$ 27	\$ —	\$ —	\$ 3,460	\$ 27							
SBA Pools	SBA Pools	1,237	145	4,234	489	5,471	634							
Federal agencies	Federal agencies	—	—	12,648	2,352	12,648	2,352							
State and municipal obligations	State and municipal obligations	76,986	11,825	59,257	22,632	136,243	34,457							
Mortgage-backed securities – GSE	Mortgage-backed securities – GSE													
residential	residential	32,446	3,440	83,537	20,204	115,983	23,644							
Corporate obligations	Corporate obligations	7,044	1,456	2,589	411	9,633	1,867							
Total available-for-sale	Total available-for-sale	121,173	16,893	162,265	46,088	283,438	62,981							
Held-to-maturity	Held-to-maturity													
Held-to-maturity	Held-to-maturity													
State and municipal obligations	State and municipal obligations													
State and municipal obligations	State and municipal obligations													
State and municipal obligations	State and municipal obligations	4,995	108	413	4	5,408	112							
Total temporarily impaired securities	Total temporarily impaired securities	\$126,168	\$ 17,001	\$162,678	\$ 46,092	\$288,846	\$ 63,093							
Total	Total													
Total	Total													
Total	Total													

								2021												
								Less Than 12 Months				12 Months or More		Total						
								2022							2022					
								Less Than 12 Months							Less Than 12 Months				12 Months or More	
Description of Securities	Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses						
Available-for-sale	Available-for-sale																			
U.S. treasury securities																				
U.S. treasury securities																				
U.S. treasury securities																				
SBA Pools	SBA Pools	\$ 2,838	\$ 81	\$ 3,214	\$ 26	\$ 6,052	\$ 107													

Federal agencies	Federal agencies	14,726	274	—	—	14,726	274
State and municipal obligations	State and municipal obligations	74,235	1,044	7,809	254	82,044	1,298
Mortgage-backed securities – GSE residential	Mortgage-backed securities – GSE residential	111,104	2,576	6,523	255	117,627	2,831
Corporate obligations	Corporate obligations	2,972	28	—	—	2,972	28
Total available-for-sale	Total available-for-sale	205,875	4,003	17,546	535	223,421	4,538
Held-to-maturity	Held-to-maturity						
Held-to-maturity							
Held-to-maturity							
State and municipal obligations							
State and municipal obligations							
State and municipal obligations	State and municipal obligations	421	2	—	—	421	2
Total temporarily impaired securities		\$206,296	\$ 4,005	\$17,546	\$ 535	\$223,842	\$ 4,540
Total							
Total							
Total							

Federal Agency Obligations and U.S. Treasury Securities

The unrealized losses on the Company's investments in direct obligations of U.S. federal agencies and treasury securities were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. **Because the** **The** Company does not intend to sell the investments and it is not more likely than not the Company

will be required to sell the investments before recovery of their amortized cost basis, which may be **maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2022.** **maturity.**

SBA Pools and Mortgage-Backed Securities - GSE Residential

The unrealized losses on the Company's investment in SBA pools and mortgage-backed securities were caused by interest rate changes and illiquidity. The Company expects to recover the amortized cost basis over the term of the securities. **Because the** **The** decline in market value is attributable to changes in interest rates and not credit **quality, and because the** **quality.** **The** Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be **maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2022.** **maturity.**

State, Municipal, and Corporate Obligations

The unrealized losses on the Company's investments in securities of state, municipal, and corporate obligations were caused by interest rate **changes and illiquidity.** **changes.** The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. **Because the** **The** Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost basis, which may be **maturity.**

The Company expects the fair value of the securities as described above to recover as the securities approach their maturity the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2022, or reset date.

Note 5: Loans, Leases and Allowance

Categories of loans and leases at December 31, 2022 December 31, 2023 and 2021 2022 include:

	2022	2021
Commercial mortgage	\$ 298,087	\$ 261,202
Commercial and industrial	100,420	99,682
Construction and development	139,923	93,678
Multi-family	124,914	107,421
Residential mortgage	146,129	134,155
Home equity lines of credit	11,010	7,146
Leases	133,469	126,762
Consumer	21,048	15,905
	<u>975,000</u>	<u>845,951</u>
Less		
Allowance for loan and lease losses	12,413	12,108
Deferred loan fees	896	997
	<u>\$ 961,691</u>	<u>\$ 832,846</u>

The following tables present the balance in the allowance for loan and lease losses and the recorded investment in loans and leases based on portfolio segment and impairment method as of December 31, 2022 and 2021:

	2022								
	Commercial Mortgage	Commercial and Industrial	Construction and Development	Multi-Family	Residential Mortgage	Home Equity	Leases	Consumer	Total
Allowance for loan and lease losses:									
Balance, January 1	\$ 4,742	\$ 1,639	\$ 2,286	\$ 1,875	\$ 263	\$ 29	\$ 1,079	\$ 195	\$ 12,108
Provision (recovery) charged to expense	(19)	(478)	569	80	(200)	(16)	488	176	600
Charge-offs	—	—	—	—	(19)	—	(512)	(150)	(681)
Recoveries	53	130	—	—	32	10	141	20	386
Balance, December 31	<u>\$ 4,776</u>	<u>\$ 1,291</u>	<u>\$ 2,855</u>	<u>\$ 1,955</u>	<u>\$ 76</u>	<u>\$ 23</u>	<u>\$ 1,196</u>	<u>\$ 241</u>	<u>\$ 12,413</u>
Individually evaluated for impairment	\$ —	\$ 281	\$ 750	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,031
Collectively evaluated for impairment	<u>4,776</u>	<u>1,010</u>	<u>2,105</u>	<u>1,955</u>	<u>76</u>	<u>23</u>	<u>1,196</u>	<u>241</u>	<u>11,382</u>
Balance, December 31	<u>\$ 4,776</u>	<u>\$ 1,291</u>	<u>\$ 2,855</u>	<u>\$ 1,955</u>	<u>\$ 76</u>	<u>\$ 23</u>	<u>\$ 1,196</u>	<u>\$ 241</u>	<u>\$ 12,413</u>
Loans and Leases:									
Individually evaluated for impairment	\$ —	\$ 961	\$ 4,900	\$ —	\$ 113	\$ —	\$ —	\$ —	\$ 5,974
Collectively evaluated for impairment	<u>298,087</u>	<u>99,459</u>	<u>135,023</u>	<u>124,914</u>	<u>146,016</u>	<u>11,010</u>	<u>133,469</u>	<u>21,048</u>	<u>969,026</u>
Ending balance: December 31	<u>\$ 298,087</u>	<u>\$ 100,420</u>	<u>\$ 139,923</u>	<u>\$ 124,914</u>	<u>\$ 146,129</u>	<u>\$ 11,010</u>	<u>\$ 133,469</u>	<u>\$ 21,048</u>	<u>\$ 975,000</u>
	2021								

	Commercial Mortgage	Commercial and Industrial	Construction and Development	Multi-Family	Residential Mortgage	Home Equity	Leases	Consumer	Total
Allowance for loan and lease losses:									
Balance, January 1	\$ 4,628	\$ 2,271	\$ 1,068	\$ 1,039	\$ 323	\$ 18	\$ 1,054	\$ 185	\$ 10,586
Provision (recovery) charged to expense	111	(736)	1,218	836	(333)	11	282	41	1,430
Charge-offs	(26)	(28)	—	—	(102)	—	(474)	(106)	(736)
Recoveries	29	132	—	—	375	—	217	75	828
Balance, December 31	<u>\$ 4,742</u>	<u>\$ 1,639</u>	<u>\$ 2,286</u>	<u>\$ 1,875</u>	<u>\$ 263</u>	<u>\$ 29</u>	<u>\$ 1,079</u>	<u>\$ 195</u>	<u>\$ 12,108</u>
Individually evaluated for impairment	\$ —	\$ 299	\$ 750	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,049
Collectively evaluated for impairment	4,742	1,340	1,536	1,875	263	29	1,079	195	11,059
Balance, December 31	<u>\$ 4,742</u>	<u>\$ 1,639</u>	<u>\$ 2,286</u>	<u>\$ 1,875</u>	<u>\$ 263</u>	<u>\$ 29</u>	<u>\$ 1,079</u>	<u>\$ 195</u>	<u>\$ 12,108</u>
Loans and Leases:									
Individually evaluated for impairment	\$ 128	\$ 995	\$ 4,900	\$ —	\$ 119	\$ —	\$ —	\$ —	\$ 6,142
Collectively evaluated for impairment	261,074	98,687	88,778	107,421	134,036	7,146	126,762	15,905	839,809
Ending balance: December 31	<u>\$ 261,202</u>	<u>\$ 99,682</u>	<u>\$ 93,678</u>	<u>\$ 107,421</u>	<u>\$ 134,155</u>	<u>\$ 7,146</u>	<u>\$ 126,762</u>	<u>\$ 15,905</u>	<u>\$ 845,951</u>

	2023	2022
Commercial mortgage	\$ 341,633	\$ 298,087
Commercial and industrial	115,428	100,420
Construction and development	157,805	139,923
Multi-family	138,757	124,914
Residential mortgage	162,123	146,129
Home equity lines of credit	10,904	11,010
Leases	156,598	133,469
Consumer	23,264	21,048
	<u>1,106,512</u>	<u>975,000</u>
Less		
Allowance for credit losses	15,663	12,413
Deferred loan fees	776	896
	<u>\$ 1,090,073</u>	<u>\$ 961,691</u>

First Bank rates all loans and leases by credit quality using the following designations:

Grade 1 - Exceptional

Exceptional loans are top-quality loans to individuals whose financial credentials are well known to the Company. These loans have excellent sources of repayment, are well documented and/or virtually free of risk (i.e., CD secured loans).

Grade 2 - Quality Loans

These loans have excellent sources of repayment with no identifiable risk of collection, and they conform in all respects to Company policy and Indiana Department of Financial Institutions ("DFI") and Federal Deposit Insurance Corporation ("FDIC") regulations. Documentation exceptions are minimal or are in the process of being corrected and are not of a type that could subsequently expose the Company to risk of loss.

Grade 3 - Acceptable Loans

This category is for “average” quality loans. These loans have adequate sources of repayment with little identifiable risk of collection and they conform to Company policy and DFI/FDIC regulations.

Grade 4 - Acceptable but Monitored

Loans in this category may have a greater than average risk due to financial weakness or uncertainty but do not appear to require classification as special mention or substandard loans. Loans rated “4” need to be monitored on a regular basis to ascertain that the reasons for placing them in this category do not advance or worsen.

Grade 5 - Special Mention

Loans in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification. This special mention rating is designed to identify a specific level of risk and concern about an asset's quality. Although a special mention loan has a higher probability of default than a grade 1-4 or “pass” rated loan, its default is not imminent.

Grade 6 - Substandard

Loans in this category are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Substandard loans have a high probability of payment default, or they have other well-defined weaknesses. Such loans have a distinct potential for loss; however, an individual loan's potential for loss does not have to be distinct for the loan to be rated substandard.

The following are examples of situations that might cause a loan to be graded a “6”:

- Cash flow deficiencies (losses) jeopardize future loan payments;
- Sale of **noncollateral** **non-collateral** assets has become a primary source of loan repayment;
- The relationship has deteriorated to the point that sale of collateral is now the Company's primary source of repayment, unless this was the original source of loan repayment;
- The borrower is bankrupt or for any other reason future repayment is dependent on court action.

Grade 7 - Doubtful

A loan classified as doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain an operating entity. Because of high probability of loss, nonaccrual accounting treatment will be required for doubtful loans.

Grade 8 - Loss

Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets are not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the loan even though partial recovery may be affected in the future.

The risk characteristics of each loan portfolio segment are as follows:

Commercial and Industrial

Commercial and industrial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee.

Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Commercial Mortgage including Construction and Development

Loans in this segment include commercial loans, commercial construction loans, and multi-family loans. This segment also includes loans secured by 1-4 family residences which were made for investment purposes. Commercial real estate loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial real estate portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus nonowner-occupied loans.

Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Residential, Brokered Home Equity, and Consumer

Residential, brokered home equity, and consumer loans consist of three segments - residential mortgage loans, including brokered mortgage loans, home equity lines of credit, and personal loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Brokered mortgages are purchased residential mortgage loans meeting the Company's criteria established for originating residential mortgage loans. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Leases

Lease financing consists of direct financing leases and are used by commercial customers to finance capital purchases of equipment. The credit decisions for these transactions are based upon an assessment of the overall financial capacity of the applicant. A determination is made as to the applicant's financial condition and ability to repay in accordance with the proposed terms as well as an overall assessment of the risks involved.

The following tables present table presents the credit risk profile of the Company's loan portfolio based on rating category, payment activity, and origination year as of December 31, 2023:

	2023	2022	2021	2020	2019	Prior	Revolving loans amortized cost basis	Total
As of December 31, 2023:								
Commercial mortgage								
Pass	\$ 31,795	\$ 83,567	\$ 69,863	\$ 33,226	\$ 45,746	\$ 60,563	\$ 11,495	\$ 336,255
Special Mention	—	—	—	4,850	—	—	—	4,850
Substandard	—	—	—	—	—	528	—	528
Total Commercial mortgage	31,795	83,567	69,863	38,076	45,746	61,091	11,495	341,633
Current period gross charge-offs	—	—	—	—	—	—	—	—
Commercial and industrial								
Pass	38,721	13,509	13,390	4,348	1,727	9,430	30,287	111,412
Substandard	—	—	—	10	—	138	3,868	4,016
Total Commercial and industrial	38,721	13,509	13,390	4,358	1,727	9,568	34,155	115,428
Current period gross charge-offs	—	58	—	—	—	—	—	58
Construction and development								
Pass	36,868	81,715	30,383	2,981	111	847	—	152,905
Substandard	—	—	—	—	4,900	—	—	4,900
Total Construction and development	36,868	81,715	30,383	2,981	5,011	847	—	157,805

Current period gross charge-offs	—	—	—	—	—	—	—	—
Multi-family								
Pass	4,443	39,271	37,422	6,383	7,291	18,400	25,547	138,757
Total Multi-family	4,443	39,271	37,422	6,383	7,291	18,400	25,547	138,757
Current period gross charge-offs	—	—	—	—	—	—	—	—
Residential mortgage								
Pass	31,352	31,447	35,174	17,651	8,812	36,118	216	160,770
Substandard	—	—	—	—	92	1,261	—	1,353
Total Residential mortgage	31,352	31,447	35,174	17,651	8,904	37,379	216	162,123
Current period gross charge-offs	—	—	—	—	—	—	—	—
Home equity								
Pass	—	—	282	—	—	—	10,597	10,879
Substandard	—	—	—	—	—	—	25	25
Total Home equity lines of credit	—	—	282	—	—	—	10,622	10,904
Current period gross charge-offs	—	—	—	—	—	—	—	—
Direct financing leases								
Pass	76,018	41,838	24,675	10,264	2,895	462	—	156,152
Substandard	80	184	80	21	—	—	—	365
Doubtful	79	—	—	—	2	—	—	81
Total Direct financing leases	76,177	42,022	24,755	10,285	2,897	462	—	156,598
Current period gross charge-offs	105	276	459	85	11	1	—	937
Consumer								
Pass	9,775	8,223	3,713	840	358	279	—	23,188
Substandard	35	17	15	—	9	—	—	76
Total Consumer	9,810	8,240	3,728	840	367	279	—	23,264
Current period gross charge-offs	39	69	75	25	7	—	—	215
Total Loans and Leases	\$ 229,166	\$ 299,771	\$ 214,997	\$ 80,574	\$ 71,943	\$ 128,026	\$ 82,035	\$ 1,106,512
Total current period gross charge-offs	\$ 144	\$ 403	\$ 534	\$ 110	\$ 18	\$ 1	\$ —	\$ 1,210

The following table presents the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of December 31, 2022 and 2021:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2022						
Commercial mortgage	\$ 296,253	\$ 1,277	\$ 557	\$ —	\$ —	\$ 298,087
Commercial and industrial	92,620	2,605	5,195	—	—	100,420
Construction and development	135,023	—	4,900	—	—	139,923
Multi-family	124,914	—	—	—	—	124,914
Residential mortgage	144,190	—	1,939	—	—	146,129
Home equity lines of credit	10,958	—	52	—	—	11,010
Leases	133,254	152	34	29	—	133,469
Consumer	21,015	—	33	—	—	21,048
Total	\$ 958,227	\$ 4,034	\$ 12,710	\$ 29	\$ —	\$ 975,000

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
December 31, 2021						
Commercial mortgage	\$ 256,043	\$ 5,031	\$ 128	\$ —	\$ —	\$ 261,202

Commercial and industrial	91,082	7,191	1,409	—	—	99,682
Construction and development	88,778	—	4,900	—	—	93,678
Multi-family	107,421	—	—	—	—	107,421
Residential mortgage	132,223	—	1,932	—	—	134,155
Home equity lines of credit	7,097	—	49	—	—	7,146
Leases	126,707	—	13	42	—	126,762
Consumer	15,883	—	22	—	—	15,905
Total	\$ 825,234	\$ 12,222	\$ 8,453	\$ 42	\$ —	\$ 845,951

The Company evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2022 December 31, 2023 and 2021: 2022:

	2023						
	Delinquent Loans				Current	Total Portfolio Loans	Total Loans >90 Days Accruing
	30-59 Days	60-89 Days	90 Days and	Total Past			
	Past Due	Past Due	Over	Due			
Commercial mortgage	\$ —	\$ —	\$ —	\$ —	\$ 341,633	\$ 341,633	\$ —
Commercial and industrial	136	—	—	136	115,292	115,428	—
Construction and development	—	75	4,900	4,975	152,830	157,805	—
Multi-family	—	—	—	—	138,757	138,757	—
Residential mortgage	688	306	1,379	2,373	159,750	162,123	1,278
Home equity lines of credit	463	—	25	488	10,416	10,904	25
Leases	452	236	296	984	155,614	156,598	296
Consumer	292	148	76	516	22,748	23,264	76
Totals	\$ 2,031	\$ 765	\$ 6,676	\$ 9,472	\$ 1,097,040	\$ 1,106,512	\$ 1,675

	2022						
	Delinquent Loans				Current	Total Portfolio Loans	Total Loans >90 Days Accruing
	30-59 Days	60-89 Days	90 Days and	Total Past			
	Past Due	Past Due	Over	Due			
Commercial mortgage	\$ 26	\$ —	\$ —	\$ 26	\$ 298,061	\$ 298,087	\$ —
Commercial and industrial	—	—	2,202	2,202	98,218	100,420	1,285
Construction and development	—	—	4,900	4,900	135,023	139,923	—
Multi-family	—	—	—	—	124,914	124,914	—
Residential mortgage	272	129	1,938	2,339	143,790	146,129	1,825
Home equity lines of credit	—	—	30	30	10,980	11,010	30
Leases	204	25	—	229	133,240	133,469	—
Consumer	171	59	33	263	20,785	21,048	33
Totals	\$ 673	\$ 213	\$ 9,103	\$ 9,989	\$ 965,011	\$ 975,000	\$ 3,173

	2021						
	Delinquent Loans				Current	Total Portfolio Loans	Total Loans >90 Days Accruing
	30-59 Days	60-89 Days	90 Days and	Total Past			
	Past Due	Past Due	Over	Due			
Commercial mortgage	\$ 29	\$ —	\$ 128	\$ 157	\$ 261,045	\$ 261,202	\$ —
Commercial and industrial	33	579	366	978	98,704	99,682	—
Construction and development	55	96	4,900	5,051	88,627	93,678	—

Multi-family	—	—	—	—	107,421	107,421	—
Residential mortgage	710	174	1,932	2,816	131,339	134,155	1,813
Home equity lines of credit	131	—	12	143	7,003	7,146	12
Leases	144	82	—	226	126,536	126,762	—
Consumer	59	30	22	111	15,794	15,905	22
Totals	\$ 1,161	\$ 961	\$ 7,360	\$ 9,482	\$ 836,469	\$ 845,951	\$ 1,847

The following tables present information on the Company's impaired Company's nonaccrual loans as of December 31, 2022 and 2021:

	2022				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					
Commercial mortgage	\$ —	\$ 59	\$ —	\$ 49	\$ 12
Commercial and industrial	366	567	—	366	—
Residential mortgage	113	241	—	116	4
	<u>\$ 479</u>	<u>\$ 867</u>	<u>\$ —</u>	<u>\$ 531</u>	<u>\$ 16</u>
Loans with a specific valuation allowance					
Commercial and industrial	\$ 595	\$ 643	\$ 281	\$ 607	\$ 18
Construction and development	4,900	4,900	750	4,900	—
	<u>\$ 5,495</u>	<u>\$ 5,543</u>	<u>\$ 1,031</u>	<u>\$ 5,507</u>	<u>\$ 18</u>
Total impaired loans					
Commercial mortgage	\$ —	\$ 59	\$ —	\$ 49	\$ 12
Commercial and industrial	961	1,210	281	973	18
Construction and development	4,900	4,900	750	4,900	—
Residential mortgage	113	241	—	116	4
Total impaired loans	<u>\$ 5,974</u>	<u>\$ 6,410</u>	<u>\$ 1,031</u>	<u>\$ 6,038</u>	<u>\$ 34</u>

leases at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Nonaccrual loans and leases without an allowance for credit			
	Nonaccrual loans and leases	losses	Nonaccrual loans and leases	
Commercial and industrial	\$ 1,241	\$ 1,202	\$ 961	
Construction and development	4,900	—	4,900	
Residential mortgage	101	101	113	
Direct financing leases	82	82	29	
Total nonaccrual loans and leases	<u>\$ 6,324</u>	<u>\$ 1,385</u>	<u>\$ 6,003</u>	

	2021				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					

Commercial mortgage	\$	128	\$	199	\$	—	\$	124	\$	36
Commercial and industrial		367		566		—		389		2
Residential mortgage		119		244		—		172		7
	\$	614	\$	1,009	\$	—	\$	685	\$	45
Loans with a specific valuation allowance										
Commercial and industrial	\$	628	\$	658	\$	299	\$	653	\$	31
Construction and development		4,900		4,900		750		3,920		—
	\$	5,528	\$	5,558	\$	1,049	\$	4,573	\$	31
Total impaired loans										
Commercial mortgage	\$	128	\$	199	\$	—	\$	124	\$	36
Commercial and industrial		995		1,224		299		1,042		33
Construction and development		4,900		4,900		750		3,920		—
Residential mortgage		119		244		—		172		7
Total impaired loans	\$	6,142	\$	6,567	\$	1,049	\$	5,258	\$	76

During the year ended December 31, 2023, the Company recognized \$57,000 of interest income on nonaccrual loans and leases.

The following table presents the Company's nonaccrual Company's amortized cost basis of collateral dependent loans, at December 31, 2022 and 2021: their respective collateral type, which are individually analyzed to determine expected credit losses:

		December 31, 2023					December 31, 2023	
	Commercial Real Estate			Commercial Real Estate	Residential Real Estate	Other	Total	Allowance on Collateral Dependent Loans
		2022	2021					
Commercial mortgage								
Commercial mortgage	Commercial mortgage	\$	—	\$	128			
Commercial and industrial	Commercial and industrial		961		995			
Construction and development	Construction and development		4,900		4,900			
Residential mortgage	Residential mortgage		113		119			
Leases			29		42			
Total								
Total								
Total								
		\$6,003	\$6,184					

Loan Modification Disclosures under ASU 2022-02

In certain situations, the Company may modify the terms of a loan or lease to a borrower experiencing financial difficulty. These modifications may include payment delays, term extensions, or interest-rate reductions. In some cases, combinations of modifications may be made to the same loan or lease. If a determination is made that a modified loan or lease has been deemed uncollectible, the loan or lease (or portion of the loan or lease) is charged-off, reducing the amortized cost basis of the loan or lease and adjusting the allowance for credit losses. At December 31, 2023, the Company had no modified loans or leases to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2023.

There were no modified loans and leases that had a payment default during the year ended December 31, 2023 and that were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

Troubled Debt Restructuring (TDR) Disclosures Prior to the Adoption of ASU 2022-02

During 2022 and 2021, the year ended December 31, 2022, there were no newly classified TDRs. For the year ended December 31, 2022, the Company recorded no charge-offs related to TDRs. As of December 31, 2022, TDRs had a related allowance of \$0. During the year ended December 31, 2022, there were no TDRs for which there was a payment default within the first 12 months of the modification.

Other Real Estate Owned

At December 31, 2022, December 31, 2023 and 2021, 2022, the balance of real estate owned included \$57,000, \$136,000 and \$27,000, \$57,000, respectively, of foreclosed residential real estate properties recorded as a result of obtaining physical possession of the property. At December 31, 2022, December 31, 2023 and 2021, 2022, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceeds were in process was \$470,000 and \$1,071,000, and \$885,000, respectively.

Direct Financing Leases

The following lists the components of the net investment in direct financing leases:

	2022	2021
Total minimum lease payments to be received	\$ 147,520	\$ 140,214
Initial direct costs	8,058	7,035
	155,578	147,249
Less: Unearned income	(22,109)	(20,487)
Net investment in leases	\$ 133,469	\$ 126,762

First Bank did not service any leases for the benefit of others totaled at December 31, 2022 and 2021, respectively. Historically, certain leases have also been sold with partial recourse. First Bank estimates and

	2023	2022
Total minimum lease payments to be received	\$ 177,952	\$ 147,520
Initial direct costs	9,702	8,058
	187,654	155,578
Less: Unearned income	(31,056)	(22,109)
Net investment in leases	\$ 156,598	\$ 133,469

records its obligation based upon historical loss percentages. At both December 31, 2022 and 2021, First Bank had no recourse obligations recorded or exposure on leases sold.

The following summarizes the future minimum lease payments receivable in subsequent years:

2023		\$ 54,309
2024	2024	42,244
2025	2025	28,664
2026	2026	16,250
2027	2027	5,438
2028		
Thereafter	Thereafter	615
		\$ 147,520
		\$
		\$
		\$

Allowance for Credit Losses on Loans and Leases

The allowance for credit losses on loans and leases is established for current expected credit losses on the Company's loan and lease portfolios in accordance with ASC Topic 326. This requires significant judgement to estimate credit losses measured on a collective pool basis when similar risk characteristics exist, and for loans evaluated individually. The Company estimates expected future losses for the loan's entire contractual term, taking into account expected payments when

appropriate. The allowance is an estimation based on management's evaluation of expected losses related to the Company's financial assets measured at amortized cost. It considers relevant available information from internal and external sources relating to the historical loss experience, current conditions and reasonable and supportable forecasts for the Company's outstanding loan and lease balances.

The Company utilizes a cash flow analysis method of estimating expected losses, which relies on key inputs and assumptions. Significant factors affecting the calculation are the segmenting of loans and leases based upon similar risk characteristics, applied loss rates based upon reasonable and supportable forecasts, and contractual term adjustments, including prepayment and curtailment adjustments. To ensure the allowance is maintained at an adequate level, a detailed analysis is performed on a quarterly basis, with an appropriate provision made to adjust the allowance.

The Company has elected to exclude accrued interest receivable from the calculation of the allowance for credit losses, as it is the Company's policy to write off accrued interest in a timely manner as it is deemed uncollectible by reversing interest income.

The Company categorizes its loan portfolios into eight segments, as discussed above, based on similar risk characteristics. Loans within each segment are collectively evaluated using either a CF methodology or the RLM. When estimating for credit loss, the Company forecasts the first four quarters of the credit loss estimate and reverts to a long-run average of each considered factor. The Company developed its reasonable and supportable forecasts using economic data, such as gross domestic product and unemployment rate.

Qualitative adjustments are applied to each collectively segmented pool to appropriately capture differences in current or expected qualitative risk characteristics. When evaluating the estimation for expected credit losses, the Company evaluates these qualitative adjustments for any changes in:

- lending policies, procedures, and strategies,
- the nature and volume of the loan and lease portfolio,
- international, national, regional, and local conditions,
- the experience, depth, and ability of lending management,
- the volume and severity of past due loans,
- the quality of the loan review system,
- the underlying collateral,
- concentration risk, and
- the effect of other external factors.

The following tables summarize changes in the allowance for credit losses by segment for the year ended December 31, 2023:

	Balances, December 31, 2022	Impact of adopting ASC 326	Balances, January 1, 2023 Post-ASC 326 adoption	Provision for (reversal of) credit losses	Charge-offs	Recoveries	Balances, December 31, 2023
Commercial mortgage	\$ 4,776	\$ (395)	\$ 4,381	\$ 261	\$ —	\$ 13	\$ 4,655
Commercial and industrial	1,291	360	1,651	(390)	(58)	78	1,281
Construction and development	2,855	784	3,639	244	—	—	3,883
Multi-family	1,955	(99)	1,856	(67)	—	—	1,789
Residential mortgage	76	1,439	1,515	129	—	37	1,681
Home equity	23	89	112	(10)	—	—	102
Direct financing leases	1,196	422	1,618	925	(937)	349	1,955
Consumer	241	64	305	172	(215)	55	317
Total	\$ 12,413	\$ 2,664	\$ 15,077	\$ 1,264	\$ (1,210)	\$ 532	\$ 15,663

Economic Outlook

Due to the future-focused nature of the calculation for the allowance on credit losses, management must make significant assumptions. Estimating an appropriate allowance requires management to use relevant forward-looking information drawn from reasonable and supportable forecasts. Economic factors are a consequential part of these forecasts, and as such are evaluated periodically for developments that may impact the financial institution's allowance for credit losses in the loan and lease portfolio.

As of December 31, 2023, the primary economic factors affecting the Company's loan and lease portfolio are persistent inflation, higher interest rates, a weakened economic growth and unemployment outlook, and continuing geopolitical risk. These key factors will continue to adversely impact the Company's loan and lease portfolio into 2024.

In addition, market liquidity continues to impact the economic environment and could potentially further tighten credit conditions in the future.

The Company remains committed to three growth market regions: Columbus, Ohio, Dayton/Springfield, Ohio, and Indianapolis, Indiana. As high-growth areas, these market regions specialize in commercial real estate loans. The respective forecasts for these markets are described below:

- **Columbus, Ohio** - The market region is forecasting estimated job growth to be stable with slight growth in certain sectors in 2024. Although the forecasted unemployment rate for the region has slightly increased, the region still remains slightly below the national unemployment rate estimate.
- **Dayton/Springfield, Ohio** - The economic outlook for this market region remains positive, as the region is experiencing steady growth in multiple economic and housing sectors. Although concerns about a recession are still present, the region's economic outlook for 2024 is mostly bullish. Furthermore, the region continues to have one of the lowest unemployment rates in the state.
- **Indianapolis, Indiana** - The market region continues to forecast estimated job growth to be flat in 2024. This is primarily due to inflation, elevated interest rates, and unemployment forecasts. Certain economic sections may see slight growth.

The Company's assumption of a potential future economic slowdown could have an adverse impact on the loan and lease portfolio and specifically, the allowance for credit losses in the future. However, there are various potential outcomes, and the variances could be significant and volatile. As a result, the Company's future economic estimates may fluctuate in 2024.

Allowance for Loan Losses under prior GAAP ("Incurred Loss Method")

Prior to the adoption of ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326) on January 1, 2023, the Company maintained an allowance for loan and lease losses in accordance with the Incurred Loss Method.

The following table summarizes changes in the allowance for loan and lease losses under the Incurred Loss Method by segment for the year ended December 31, 2022:

	Balance, beginning of period	Provision (reversal) for losses	Charge-offs	Recoveries	Balance, end of period
Year Ended December 31, 2022:					
Commercial mortgage	\$ 4,742	\$ (19)	\$ —	\$ 53	\$ 4,776
Commercial and industrial	1,639	(478)	—	130	1,291
Construction and development	2,286	569	—	—	2,855
Multi-family	1,875	80	—	—	1,955
Residential mortgage	263	(200)	(19)	32	76
Home equity	29	(16)	—	10	23
Leases	1,079	488	(512)	141	1,196
Consumer	195	176	(150)	20	241
Total	\$ 12,108	\$ 600	\$ (681)	\$ 386	\$ 12,413

The following table presents the balance in the allowance for loan and lease losses and the recorded investment in loans and leases based on portfolio segment and impairment method under the incurred loss method as of December 31, 2022:

	Allowance for loan and lease losses:			Loans and leases:		
	Individually evaluated for impairment	Collectively evaluated for impairment	Balance, December 31	Individually evaluated for impairment	Collectively evaluated for impairment	Balance, December 31
As of December 31, 2022:						
Commercial mortgage	\$ —	\$ 4,776	\$ 4,776	\$ —	\$ 298,087	\$ 298,087
Commercial and industrial	281	1,010	1,291	961	99,459	100,420
Construction and development	750	2,105	2,855	4,900	135,023	139,923

Multi-family	—	1,955	1,955	—	124,914	124,914
Residential mortgage	—	76	76	113	146,016	146,129
Home equity	—	23	23	—	11,010	11,010
Leases	—	1,196	1,196	—	133,469	133,469
Consumer	—	241	241	—	21,048	21,048
Total	\$ 1,031	\$ 11,382	\$ 12,413	\$ 5,974	\$ 969,026	\$ 975,000

The following table presents the Company's impaired loans and specific valuation allowance at December 31, 2022 under the Incurred Loss Method:

	December 31, 2022				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans and Leases	Interest Income Recognized
Impaired loans without a specific valuation allowance					
Commercial mortgage	\$ —	\$ 59	\$ —	\$ 49	\$ 12
Commercial and industrial	366	567	—	366	—
Residential mortgage	113	241	—	116	4
	<u>\$ 479</u>	<u>\$ 867</u>	<u>\$ —</u>	<u>\$ 531</u>	<u>\$ 16</u>
Impaired loans with a specific valuation allowance					
Commercial and industrial	\$ 595	\$ 643	\$ 281	\$ 607	\$ 18
Construction and development	4,900	4,900	750	4,900	—
	<u>\$ 5,495</u>	<u>\$ 5,543</u>	<u>\$ 1,031</u>	<u>\$ 5,507</u>	<u>\$ 18</u>
Total impaired loans					
Commercial mortgage	\$ —	\$ 59	\$ —	\$ 49	\$ 12
Commercial and industrial	961	1,210	281	973	18
Construction and development	4,900	4,900	750	4,900	—
Residential mortgage	113	241	—	116	4
Total impaired loans	<u>\$ 5,974</u>	<u>\$ 6,410</u>	<u>\$ 1,031</u>	<u>\$ 6,038</u>	<u>\$ 34</u>

Allowance for Credit Losses on Unfunded Commitments

The allowance for credit losses on unfunded commitments is included in other liabilities on the Condensed Consolidated Balance Sheets. The estimate of expected losses on unfunded commitments is calculated based on the loss rate for the loan or lease segment in which the loan or lease commitments would be classified if funded, adjusted for the estimate of funding probability. Additional provisions applied to the allowance are recognized in the provision for credit losses on the Consolidated Statements of Income.

The following table details activity in the allowance for credit losses on unfunded commitments during the year ended December 31, 2023:

	Year Ended December 31, 2023
Balance, December 31, 2022	\$ —
Impact of adopting ASC 326	2,374
Reversal of provision for credit losses	(732)
Balance, December 31, 2023	<u>\$ 1,642</u>

Note 6: Premises and Equipment

	2022	2021
2023	2023	2022
Cost	Cost	
Land		

Land			
Land	Land	\$ 3,061	\$ 3,061
Buildings	Buildings	15,616	15,501
Furniture and equipment	Furniture and equipment	7,592	8,044
Computer software	Computer software	1,264	1,955
Construction in progress	Construction in progress	470	307
Total cost	Total cost	28,003	28,868
Accumulated depreciation and amortization	Accumulated depreciation and amortization	(14,335)	(14,521)
Net	Net	\$ 13,668	\$ 14,347
Net			
Net			

Note 7: Leases

The Company enters into leases for certain retail branches, land, and office space. Operating leases are included in other assets and the lease liability is included in other liabilities in our balance sheets. The Company does not have any finance leases.

Right-of-use **Lease right-of-use** (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate at commencement date in determining the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Company's leases are generally for periods of five to 15 years with various renewal options. The exercise of such lease renewal options is not included in the present value of lease obligations unless it is reasonably certain that the option will be exercised. The Company has lease agreements which contain both lease and non-lease components such as common area maintenance charges, real estate taxes, and insurance. Non-lease components are not included in the measurement of the lease liability and are recognized in expense when incurred. The Company has elected not to recognize short-term leases, with original lease terms of twelve months or less, on the Company's balance sheet. Certain of the Company's lease arrangements include rental payments adjusted periodically for inflation. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Supplemental balance sheet information related to leases is presented in the table below as of **December 31, 2022**; **December 31, 2023** and **2022**:

	2022	
Operating lease assets	\$	505
Total lease assets	\$	505
Operating lease liabilities	\$	507
Total lease liabilities	\$	507
Weighted average remaining lease term (years)		
Operating leases		8.2
Weighted average discount rate		
Operating leases		3.37 %
	2023	2022
Operating lease assets	\$ 450	\$ 505
Total lease ROU assets	\$ 450	\$ 505

Operating lease liabilities	\$	457	\$	507
Total lease liabilities	\$	457	\$	507
Weighted average remaining lease term (years)				
Operating leases		7.2		8.2
Weighted average discount rate				
Operating leases		3.37 %		3.37 %

The table below presents the components of lease expense for the year/years ended December 31, 2022: December 31, 2023 and 2022:

		2022	
Lease cost:			
Operating lease cost	\$	83	
Total lease cost:	\$	83	
		2023	2022
Lease cost:			
Operating lease cost	\$	90	\$ 83
Total lease cost:	\$	90	\$ 83

Supplemental cash flow information related to leases is presented in the tables below.

Maturity of lease liabilities	Maturity of lease liabilities	
2023	\$	65
2024		
2024		
2024	2024	68
2025	2025	69
2026	2026	72
2027	2027	72
2028 and after		239
2028		
2029 and after		
Total lease payments	Total lease payments	\$ 585
Less: Present value discount	Less: Present value discount	78
Present value of lease liabilities	Present value of lease liabilities	\$ 507

Note 8: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others totaled \$222,217,000 and \$226,634,000 at December 31, 2023 and \$226,260,000 at December 31, 2022 and 2021, 2022, respectively.

The aggregate fair value of capitalized servicing rights at December 31, 2022 December 31, 2023 and 2021 2022 totaled approximately \$2,012,000 \$1,945,000 and \$1,647,000, \$2,012,000, respectively. Comparable market values and a valuation model that calculates the present value of future cash flows were used to estimate fair value. For purposes of measuring impairment, risk characteristics including product type, investor type and interest rates, were used to stratify the originated mortgage-servicing rights.

	2022	2021	
	2023		2022
Servicing Rights	Servicing Rights		
Balances, beginning of period			

Balances, beginning of period			
Balances, beginning of period	Balances, beginning of period	\$2,027	\$1,732
Servicing rights capitalized	Servicing rights capitalized	209	708
Amortization of servicing rights	Amortization of servicing rights	(224)	(413)
Balances, end of period	Balances, end of period	2,012	2,027
Valuation allowances	Valuation allowances		
Valuation allowances			
Valuation allowances			
Balances, beginning of period			
Balances, beginning of period			
Balances, beginning of period	Balances, beginning of period	380	20
Additions	Additions	111	538
Reductions	Reductions	(491)	(178)
Balances, end of period	Balances, end of period	—	380
Servicing Rights, net	Servicing Rights, net	\$2,012	\$1,647
Servicing Rights, net			
Servicing Rights, net			

Note 9: Deposits

		2022	2021		
2023				2023	2022
Demand deposits	Demand deposits	\$ 414,870	\$419,106		
Savings deposits	Savings deposits	129,640	113,510		
Brokered certificates	Brokered certificates	257,889	121,751		
Certificates and other time deposits greater than \$250,000	Certificates and other time deposits greater than \$250,000	43,757	61,296		
Other certificates and time deposits	Other certificates and time deposits	159,105	184,512		
		\$1,005,261	\$900,175		
	\$				

Certificates maturing in years ending December 31:

2023	\$314,283
------	-----------

2024		
2024		
2024	2024	98,631
2025	2025	35,739
2026	2026	8,044
2027	2027	3,614
2028		
Thereafter	Thereafter	440
		<u>\$460,751</u>
		\$
		=
		\$
		=
		\$
		=

Note 10: Federal Home Loan Bank Advances

First Bank has Federal Home Loan Bank advances, with interest rates ranging from 0.61% to 4.74% 5.56%.

The maturities of FHLB advances at December 31, 2022 December 31, 2023 are as follows:

FHLB Advances		FHLB Advances
		FHLB Advances
2023		\$ 27,000
2024		
2024		
2024	2024	31,000
2025	2025	16,000
2026	2026	18,000
2027	2027	—
2028		
Thereafter	Thereafter	88,000
		<u>\$ 180,000</u>
		\$
		=
		\$
		=
		\$
		=

First mortgage loans and investment securities totaling \$332,818,000 \$521,564,000 and \$349,821,000 \$332,818,000 were pledged as collateral for FHLB advances at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Certain advances are subject to restrictions or penalties in the event of prepayment.

FHLB advances totaling \$88,000,000 \$55,000,000 are subject to an option by the FHLB to put the entire advance to a periodic adjustable rate on the lock-out date. The adjustable rate would be for the remaining term at a predetermined rate based on SOFR. If the FHLB exercises its option to convert the advance to an adjustable rate, the advance will be prepayable at the Company's option, at par and without a penalty.

The Bank has an available line of credit with the FHLB totaling \$10,000,000. The line of credit expires April 2023; however, it is renewed 2024, renews annually and bears interest at a rate equal to the current variable advance rate. At December 31, 2022 December 31, 2023, the current interest rate was 4.74% 5.76%. There were no amounts outstanding on the line at December 31, 2022 December 31, 2023 or 2021, 2022.

Note 11: Income Tax

	2022	2021
2023		
2022		

Income tax expense (benefit)	Income tax expense (benefit)		
Currently payable	Currently payable		
Currently payable	Currently payable		
Federal	Federal		
Federal	Federal		
Federal	Federal	\$1,987	\$ (15)
State	State	(51)	182
Deferred	Deferred		
Federal	Federal	633	2,330
Federal	Federal		
Federal	Federal		
State	State	214	(62)
Total income tax expense	Total income tax expense	\$2,783	\$2,435
Total income tax expense	Total income tax expense		
Total income tax expense	Total income tax expense		
Reconciliation of federal statutory to actual tax expense	Reconciliation of federal statutory to actual tax expense		
Reconciliation of federal statutory to actual tax expense	Reconciliation of federal statutory to actual tax expense		
Reconciliation of federal statutory to actual tax expense	Reconciliation of federal statutory to actual tax expense		
Reconciliation of federal statutory to actual tax expense	Reconciliation of federal statutory to actual tax expense		
Federal statutory income tax at 21%	Federal statutory income tax at 21%		
Federal statutory income tax at 21%	Federal statutory income tax at 21%		
Federal statutory income tax at 21%	Federal statutory income tax at 21%		
Federal statutory income tax at 21%	Federal statutory income tax at 21%	\$3,307	\$2,852
Tax-exempt interest	Tax-exempt interest	(730)	(628)
Effect of state income taxes	Effect of state income taxes	128	95
ESOP	ESOP	167	167
Cash surrender value - life insurance	Cash surrender value - life insurance	(18)	(20)
Low income housing tax credit	Low income housing tax credit	(12)	(136)

Small insurance captive premiums	Small insurance captive premiums	(131)	—
Stock compensation			
Other	Other	72	105
Actual tax expense	Actual tax expense	\$2,783	\$2,435
Actual tax expense			
Actual tax expense			

A cumulative deferred tax asset is included in other assets. The components of the asset are as follows:

		2022	2021	2023
Assets	Assets			
Allowance for loan losses		\$ 3,031	\$2,956	
Allowance for credit losses				
Allowance for credit losses				
Allowance for credit losses				
Net operating loss carryforward	Net operating loss carryforward	106	1,243	
Nonaccrual interest	Nonaccrual interest	74	76	
Investment basis	Investment basis	4	4	
Deferred compensation	Deferred compensation	488	462	
Deferred compensation				
Deferred compensation				
Stock compensation				
Unrealized loss on securities available for sale	Unrealized loss on securities available for sale	13,223	322	
Charitable contributions	Charitable contributions	632	933	
Other	Other	1,634	1,017	
Total assets	Total assets	19,192	7,013	
Liabilities	Liabilities			
Liabilities				
Liabilities				
FHLB stock dividend	FHLB stock dividend	164	175	
FHLB stock dividend				
FHLB stock dividend				
Fixed assets				
State taxes	State taxes	152	193	
State taxes				
State taxes				

2022

Mortgage-servicing rights	Mortgage-servicing rights	491	402
Prepaid assets			
Other	Other	437	349
Total liabilities	Total liabilities	1,244	1,119
Net deferred tax asset	Net deferred tax asset	\$17,948	\$5,894
Net deferred tax asset			
Net deferred tax asset			

Certain immaterial revisions have been made to the 2022 financial statements for a deferred tax asset related to the Company's reorganization transaction that occurred in 2019. Accordingly, the balance of the Company's deferred tax asset, which is included in other assets on the consolidated balance sheet, was reduced by \$593,730 for the period ended December 31, 2022 with a corresponding reduction in retained earnings. These revisions did not have a significant impact on the financial statement line items impacted.

As of December 31, 2022 December 31, 2023, the Company had approximately \$3,011,000 \$2,600,000 of federal charitable contribution carryforwards, which will begin to expire in 2024, and no federal or state net operating loss carryforwards. carryforwards of \$3,975,000, which will begin to expire in 2041.

At December 31, 2022 December 31, 2023 and 2021, 2022, the Company determined that it is more likely than not that the deferred tax assets will be realized, largely based on available tax planning strategies and its projections of future taxable income. Therefore, no valuation reserve was recorded at December 31, 2022 December 31, 2023 and 2021, 2022. The determination of the realizability of the deferred tax assets is highly subjective and dependent upon judgment concerning the evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies and assessments of current and future economic and business conditions. Positive evidence includes current positive earnings trends and the probability that taxable income will be generated in future periods, while negative evidence includes any cumulative losses in the current year and prior two years and general business and economic trends. Failure to achieve sufficient projected taxable income might affect the ultimate realization of the net deferred tax assets.

Note 12: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, included in stockholders' equity, are as follows:

		2022	2021	2023	2022
Net unrealized loss on available-for-sale securities	Net unrealized loss on available-for-sale securities	\$(62,976)	\$(1,534)		
Tax benefit	Tax benefit	13,225	322		
Net-of-tax amount	Net-of-tax amount	\$(49,751)	\$(1,212)		

Note 13: Commitments and Contingent Liabilities

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying consolidated financial statements. First Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. First Bank uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated statements of financial condition.

Financial instruments whose contract amounts represent credit risk as of December 31, 2022 December 31, 2023 and 2021, 2022, were as follows:

		2022	2021	2023	2022
Commitments to extend credit	Commitments to extend credit	\$278,946	\$195,891		

Commitments to extend credit	
Commitments to extend credit	
Standby letters of credit	Standby letters of credit
	\$ 1,696 \$ 3,528

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 subsidiary evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the subsidiary upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include residential real estate, income-producing commercial properties, or other assets of the borrower.

Standby letters of credit are conditional commitments issued by the subsidiary to guarantee the performance of the customer to a third party.

Note 14: Benefit Plans

401(k).

The Company has a retirement savings 401(k) plan, in which substantially all employees may participate. The Company matches employees' contributions at the rate of 50 percent for the first 6 percent of base salary contributed by participants. The Company's expense for the plan was ~~\$227,000~~ \$237,000 and ~~\$226,000~~ \$227,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Employee Stock Ownership Plan

As part of the reorganization and related stock offering, the Company established an Employee Stock Ownership Plan ("ESOP") covering substantially all employees. The ESOP acquired 1,082,130 shares of Company common stock at an average price of \$13.59 per share on the open market with funds provided by a loan from the Company. The Company is obligated at the option of each beneficiary to repurchase shares of the ESOP upon the beneficiary's termination or after retirement. Dividends on unallocated shares used to repay the loan for the Company are recorded as a reduction of the loan or accrued interest, as applicable.

Dividends on allocated shares paid to participants are reported as compensation expense. Unearned ESOP shares, which are not vested, are excluded from the computation of average shares outstanding for earnings per share calculation. Accordingly, ~~\$12,193,000~~ \$11,458,000 and ~~\$12,928,000~~ \$12,193,000 of common stock acquired by the ESOP was shown as a reduction of stockholders' equity at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively. Shares are released to participants proportionately as the loan is repaid.

ESOP expense for the years ended December 31, 2022 December 31, 2023 and 2021 2022 was ~~\$799,000~~ \$612,000 and ~~\$796,000~~ \$799,000, respectively.

December 31, 2023				December 31, 2023		December 31, 2022	
		December 31, 2022	December 31, 2021				
Earned ESOP shares							
Earned ESOP shares							
Earned ESOP shares	Earned ESOP shares	184,882	130,775				
Unearned ESOP shares	Unearned ESOP shares	897,248	951,355				
Total ESOP shares	Total ESOP shares	1,082,130	1,082,130				
Quoted per share price	Quoted per share price	\$ 13.01	\$ 16.05				
Quoted per share price							

Stock Option Plan. On October 1, 2020, the Company awarded options to purchase 1,095,657 shares of common stock under the 2020 EIP with an exercise price \$10.53 per share, the fair value of a share of the Company's common stock on the date of the grant, to eligible participants. On April 1, 2021, the Company awarded options to purchase 8,000 shares of common stock under the 2020 EIP with an exercise price of \$13.86 per share, the fair value of the Company's common stock on the date of the grant, to eligible participants. The options awarded vest in five equal annual installments with the first vesting occurring on June 30, 2021. Forfeited options may be awarded to other eligible recipients in future grants until the 2020 EIP terminates in September 2030. A net-settle stock option exercise may occur by the option holder by withholding the exercise price from the number of shares that would otherwise be delivered upon a cash exercise of the option. The withheld shares are canceled and no longer available for future grant.

The following table summarizes the stock option activity in the 2020 EIP during the year ended **December 31, 2022** **December 31, 2023**.

2023				2023	
Number of Shares		Number of Shares		Weighted-Average Exercise Price	
2022					
		Number of Shares	Weighted-Average Exercise Price		
Balance at beginning of year					
Balance at beginning of year					
Balance at beginning of year	Balance at beginning of year	1,050,961	\$ 10.56		
Granted	Granted	—	—		
Exercised	Exercised	—	—		
Forfeited/expired	Forfeited/expired	—	—		
Balance at end of year	Balance at end of year	1,050,961	10.56		
Exercisable at end of year	Exercisable at end of year	413,120	\$ 10.56		

The fair value of options granted is estimated on the date of grant using a Black Scholes model with the following assumptions:

	April 1, 2021
Dividend yields	1.90 %
Volatility factors of expected market price of common stock	26.98 %
Risk-free interest rates	1.16 %
Expected life of options	6.1 years

A summary of the status of the Company stock option shares as of **December 31, 2022** **December 31, 2023** is presented below.

Shares		Shares		Weighted Average Grant Date Fair Value	
		Shares	Weighted Average Grant Date Fair Value		
Non-vested, beginning of year					
Non-vested, beginning of year					
Non-vested, beginning of year	Non-vested, beginning of year	850,458	\$ 2.91		
Vested	Vested	(212,617)	2.91		

Granted	Granted	—	—
Forfeited	Forfeited	—	—
Non-vested, end of year	Non-vested, end of year	637,841	\$ 2.91

Total compensation cost recognized in the income statement for option-based payment arrangements during 2023 and 2022 was \$653,000 and 2021 was \$619,000, and \$728,000, and the related tax benefit recognized was \$69,000, \$76,000 and \$80,000, \$69,000, respectively. As of December 31, 2022, December 31, 2023, unrecognized compensation expense related to the stock option awards was \$1.5 million, \$890,000.

Note 15: Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income allocated to common stock by the weighted average number of common shares outstanding during the period which excludes the participating securities. Diluted EPS includes the dilutive effect of additional potential common shares from stock compensation awards, but excludes awards considered participating securities. ESOP shares are not considered outstanding for EPS until they are earned. The following table presents the computation of basic and diluted EPS for the periods indicated (in thousands, except for share and per share data):

		For the Year Ended December 31, 2022	For the Year Ended December 31, 2021	For the Year Ended December 31, 2023	For the Year Ended December 31, 2022
Net income	Net income	\$ 12,965	\$ 11,145		
Net income					
Net income					
Shares outstanding for Basic EPS:	Shares outstanding for Basic EPS:				
Average shares outstanding	Average shares outstanding				
Average shares outstanding	Average shares outstanding	12,001,527	12,731,735		
Less: average restricted stock award shares not vested	Less: average restricted stock award shares not vested	304,246	390,365		
Less: average unearned ESOP Shares	Less: average unearned ESOP Shares	930,787	984,893		
Shares outstanding for Basic EPS	Shares outstanding for Basic EPS	10,766,494	11,356,477		
Additional Dilutive Shares	Additional Dilutive Shares	291,684	275,855		
Additional Dilutive Shares					
Shares outstanding for Diluted EPS					
Shares outstanding for Diluted EPS					

Shares outstanding for Diluted EPS	Shares outstanding for Diluted EPS	11,058,178	11,632,332
Basic EPS	Basic EPS	\$ 1.20	\$ 0.98
Basic EPS			
Basic EPS			
Diluted EPS	Diluted EPS	\$ 1.17	\$ 0.96

Note 16: Dividend and Capital Restrictions

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. Generally, the Bank's payment of dividends is limited to net income for the current year plus the two preceding calendar years, less capital distributions paid over the comparable **time** period. The Bank's payment of dividends is also subject to the restrictions of the capital conservation buffer as discussed in Note 17.

Note 17: Regulatory Capital

First Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, First Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, First Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require First Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of **December 31, 2022** **December 31, 2023**, that First Bank meets all capital adequacy requirements to which it is subject.

As of **December 31, 2022** **December 31, 2023**, the most recent notification from the regulators categorized First Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, First Bank must maintain minimum total risk-based capital, Tier I risk-based capital, common equity Tier I risk-based capital and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed First Bank's category.

First Bank's actual and required capital amounts and ratios are as follows:

		Actual		Minimum for Capital Adequacy Purposes		Minimum to be Categorized as "Well-Capitalized" Under Prompt Corrective Action Provisions			
		Amount	Ratio	Amount	Ratio	Amount	Ratio		
As of December 31, 2022									
		Actual		Actual		Minimum for Capital Adequacy Purposes		Minimum to be Categorized as "Well-Capitalized" Under Prompt Corrective Action Provisions	
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
								Minimum to be Categorized as "Well-Capitalized" Under Prompt Corrective Action Provisions	
								As of December 31, 2023	
Total capital (to risk-weighted assets)									
Total capital (to risk-weighted assets)									

[illegible]

[illegible]

The above minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including share repurchases, dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was 2.50% of total risk weighted assets at both **December 31, 2022** **December 31, 2023** and **December 31, 2021** **December 31, 2022**. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital.

Note 18: Related Party Transactions

The Company has entered into transactions with certain directors, executive officers and its affiliates or associates (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers. The aggregate amount of loans to such related parties at December 31, 2022, December 31, 2023 and 2021/2022 was approximately \$7,988,000, \$8,624,000 and \$9,080,000, \$7,988,000, respectively.

Annual activity consisted of the following:

	2022	2021	2023	2022
Balance, beginning of the year				
Balance, beginning of the year				
Balance, beginning of the year	Balance, beginning of the year	\$ 9,080	\$ 9,111	
New loans	New loans	—	—	
Change in composition	Change in composition	—	(28)	

Repayments	Repayments	(1,092)	(3)
Balance, end of the year	Balance, end of the year	\$7,988	\$9,080

Deposits from related parties held by the Company at December 31, 2022 December 31, 2023 and 2021 2022 totaled \$5,317,000 \$2,702,000 and \$5,499,000, \$5,317,000, respectively.

Note 19: Fair Values of Financial Instruments

Fair value 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 December 31, 2023 and 2021: 2022:

		Fair Value Measurements Using			Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022							
Fair Value		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
December 31, 2023							
Available-for-sale securities		Available-for-sale securities					
Available-for-sale securities							
U.S. Treasury securities							
U.S. Treasury securities							

U.S. Treasury securities	U.S. Treasury securities	\$ 3,460	\$ 3,460	\$ —	\$ —
SBA Pools	SBA Pools	6,135	—	6,135	—
Federal agencies	Federal agencies	12,648	—	12,648	—
State and municipal obligations	State and municipal obligations	137,042	—	137,042	—
Mortgage-backed securities - GSE residential	Mortgage-backed securities - GSE residential	115,982	—	115,982	—
Corporate obligations	Corporate obligations	9,633	—	9,633	—
		<u>\$284,900</u>	<u>\$ 3,460</u>	<u>\$ 281,440</u>	<u>\$ —</u>

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical			
		Significant Other Significant			
		Observable Unobservable			
		Fair Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
December 31, 2021					

Fair Value Measurements Using

				Quoted Prices in Active Markets for Identical Assets (Level 1)					Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		
Fair Value				Fair Value									
December 31, 2022													
Available- for-sale securities	Available- for-sale securities												
Available-for-sale securities													
Available-for-sale securities													
U.S. Treasury securities													
U.S. Treasury securities													
U.S. Treasury securities													
SBA Pools	SBA Pools	\$	8,613	\$	—	\$	8,613	\$	—				
Federal agencies	Federal agencies		14,726		—		14,726		—				
State and obligations	State and municipal obligations		167,452		—		167,452		—				

Mortgage-backed securities - GSE residential	Mortgage-backed securities - GSE residential	162,510	—	162,510	—
Corporate obligations	Corporate obligations	4,224	—	4,224	—
Equity securities		13	13	—	—
		<u>\$357,538</u>	<u>\$ 13</u>	<u>\$ 357,525</u>	<u>\$ —</u>
		\$	=	\$	=
		\$	=	\$	=
		\$	=	\$	=

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended **December 31, 2022** **December 31, 2023**.

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy, which includes equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include agency securities, obligations of state and political subdivisions, mortgage-backed securities, and SBA pools. Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on the investment securities' relationship to other benchmark quoted investment securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 **and 2021**: **As of December 31, 2023, there were no assets or liabilities measured at fair value on a nonrecurring basis.**

		Fair Value Measurements Using				Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical				Significant Other Observable			
		Fair Value				Fair Value			
		Assets (Level 1)				Inputs (Level 2)			
		Significant Unobservable Inputs (Level 3)				Significant Unobservable Inputs (Level 3)			
December 31, 2022	December 31, 2022								
Impaired loans, collateral dependent		\$ 314	\$ —	\$ —	\$ 314				
Collateral dependent loans									
Collateral dependent loans									
Collateral dependent loans									

Mortgage-servicing rights	Mortgage-servicing rights	2,012	—	—	2,012
December 31, 2021					
Impaired loans, collateral dependent		\$4,587	\$	—	\$ 4,587
Mortgage-servicing rights		1,647	—	—	1,647

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-Dependent Impaired Loans and Leases, Net of Allowance for Loan and Lease Credit Losses

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by management. Appraisals are reviewed for accuracy and consistency by management. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by management by comparison to historical results.

Loans for which it is probable that the Company will not collect all principal and interest due according to contractual terms are measured for impairment.

Allowable methods for determining the amount of impairment include estimating fair value using the fair value of the collateral for collateral-dependent loans.

Mortgage Servicing Rights

Mortgage-servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models having significant inputs of discount rate, prepayment speed and default rate. Due to the nature of the valuation inputs, mortgage-servicing rights are classified within Level 3 of the hierarchy.

Mortgage-servicing rights are tested for impairment on a yearly quarterly basis by obtaining an independent valuation. The valuation is reviewed by management for accuracy and for potential impairment.

Unobservable (Level 3) Inputs

The following tables present the fair value measurement of assets recognized in the accompanying consolidated balance sheets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021. As of December 31, 2023, there were no assets measured at fair value on a nonrecurring basis.

Fair Value at December 31, 2022				
	Valuation Technique	Unobservable Inputs	Range	
Collateral-dependent impaired loans	Appraisal	Marketability discount	0%-42%	

Fair Value at December 31, 2022					Fair Value at December 31, 2022					Valuation Technique					Unobservable Inputs					Range				
Collateral-dependent loans					Collateral-dependent loans	\$314				Appraisal					Marketability discount					0% - 42%				
Mortgage-servicing rights	Mortgage-servicing rights	\$2,012	Discounted cash flow	Discount rate	10%	Mortgage-servicing rights	\$2,012	Discounted cash flow		Discounted cash flow					Discount rate					10%				

	Fair Value at December 31, 2021	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent impaired loans	\$4,587	Appraisal	Marketability discount	0% - 39%
Mortgage-servicing rights	\$1,647	Discounted cash flow	Discount rate	10%

Fair Value of Financial Instruments

The following tables present estimated fair values of the Company's financial instruments at **December 31, 2022**, **December 31, 2023** and **2021, 2022**.

		Quoted Prices in Active Markets for Identical Assets Carrying Value				Significant Other Observable Inputs (Level 2)				Significant Unobservable Inputs (Level 3)			
December 31, 2022													
December 31, 2023													
Financial assets													
Financial assets													
Financial assets	Financial assets	Carrying Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Carrying Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Carrying Value	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Cash and cash equivalents	Cash and cash equivalents	\$ 15,922	\$ 15,922	\$ —	\$ —								
Interest-earning time deposits		490	—	490	—								
Cash and cash equivalents													
Cash and cash equivalents													
Available-for-sale securities													
Available-for-sale securities													
Available-for-sale securities	Available-for-sale securities	284,900	3,460	281,440	—								
Held-to-maturity securities	Held-to-maturity securities	6,672	—	6,577	—								
Loans held for sale	Loans held for sale	474	—	—	433								
Loans and leases receivable, net	Loans and leases receivable, net	961,691	—	—	883,169								

Federal Reserve and FHLB stock	Federal Reserve and FHLB stock	9,947	—	9,947	—
Interest receivable	Interest receivable	4,710	—	4,710	—
Financial liabilities	Financial liabilities				
Deposits	Deposits	1,005,261	—	996,375	—
Deposits	Deposits				
FHLB advances	FHLB advances	180,000	—	174,426	—
Interest payable	Interest payable	1,369	—	1,369	—

		Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Carrying Value			
December 31, 2021				

	Carrying Value	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022					
Financial assets					
Financial assets					
Cash and cash equivalents	Cash and cash equivalents \$ 23,038	\$ 23,038	\$ —	\$ —	—
Cash and cash equivalents					
Cash and cash equivalents					
Interest-earning time deposits					
Available-for-sale securities	Available-for-sale securities 357,538	13	357,525		—
Held-to-maturity securities	Held-to-maturity securities 9,041	—	9,186		—

Loans held for sale	Loans held for sale	558	—	—	555
Loans and leases receivable, net	Loans and leases receivable, net	832,846	—	—	833,975
Federal Reserve and FHLB stock	Federal Reserve and FHLB stock	9,992	—	9,992	—
Interest receivable	Interest receivable	4,193	—	4,193	—
Financial liabilities	Financial liabilities				
Deposits	Deposits	900,175	—	900,528	—
Deposits					
Deposits					
FHLB advances	FHLB advances	180,000	—	185,065	—
Interest payable	Interest payable	258	—	258	—

While these estimates of fair value are based on management's judgment of the most appropriate factors, there is no assurance that were the Company to have disposed of such items at **December 31, 2022** **December 31, 2023** and **2021, 2022**, the estimated fair values would necessarily have been achieved at that date, since market values may differ depending on various circumstances. The estimated fair values at **December 31, 2022** **December 31, 2023** and **2021, 2022** should not necessarily be considered to apply at subsequent dates.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Cash and Cash Equivalents, Interest-Earning Time Deposits and Federal Reserve and Federal Home Loan Bank Stock – The carrying amount approximates fair value.

Held-to-Maturity Securities – Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans and Leases – The fair value of loans and leases is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of accrued interest approximates its fair value.

Deposits – Deposits include demand deposits, savings accounts, NOW accounts and money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Interest Receivable and Interest Payable – The carrying amount approximates fair value.

Federal Home Loan Bank Advances – Rates currently available to the Company for borrowings with similar terms and remaining maturities are used to estimate the fair value of existing debt.

Note 20: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

		Condensed Balance Sheets		
		2022	2021	2023
Assets	Assets			
	Cash and cash equivalents			
	Cash and cash equivalents			

Cash and cash equivalents	Cash and cash equivalents	\$ 26,229	\$ 21,545
Investment in subsidiaries	Investment in subsidiaries	103,520	156,269
Other assets	Other assets	5,625	4,950
Total assets	Total assets	<u>\$135,374</u>	<u>\$182,764</u>
Other Liabilities	Other Liabilities	\$ 2,396	\$ 2,283
Stockholders' Equity	Stockholders' Equity	<u>132,978</u>	<u>180,481</u>
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	<u>\$135,374</u>	<u>\$182,764</u>

Condensed Statements of Income and Comprehensive (Loss) Income			
Condensed Statements of Income and Comprehensive Income (Loss)			
Condensed Statements of Income and Comprehensive Income (Loss)	2022	2021	2023
Income:	Income:		2022
Dividends from bank subsidiary			
Dividends from bank subsidiary			
Dividends from bank subsidiary	Dividends from bank subsidiary	\$ 20,000	\$10,000
Other income	Other income	439	464
Total income	Total income	20,439	10,464
Other expenses	Other expenses	3,264	3,329
Income before income tax benefit and undistributed subsidiary income (loss)		17,175	7,135
Income tax expense (benefit)		(632)	(639)
(Loss) income before income tax benefit and undistributed subsidiary (loss) income			
Income tax benefit			
Equity in undistributed income of subsidiaries (dividends in excess of net income):	Equity in undistributed income of subsidiaries (dividends in excess of net income):		

Bank subsidiary	Bank subsidiary	(5,472)	3,371
Bank subsidiary			
Bank subsidiary			
Captive subsidiary	Captive subsidiary	630	—
Net income		<u>\$ 12,965</u>	<u>\$ 11,145</u>
Comprehensive (loss) income		<u>\$ (35,574)</u>	<u>\$ 6,224</u>
Net (loss) income			
Comprehensive income (loss)			

Condensed Statements of Cash Flows

		2022	2021	2023	2022
Operating Activities	Operating Activities				
Net income	Net income	\$ 12,965	\$ 11,145		
Net income					
Net income					
Adjustments to reconcile net income to net cash from operating activities:	Adjustments to reconcile net income to net cash from operating activities:				
Dividends in excess of net income (equity in undistributed net income of subsidiaries)	Dividends in excess of net income (equity in undistributed net income of subsidiaries)				
Dividends in excess of net income (equity in undistributed net income of subsidiaries)					
Dividends in excess of net income (equity in undistributed net income of subsidiaries)	Dividends in excess of net income (equity in undistributed net income of subsidiaries)	4,842	(3,371)		
ESOP expense	ESOP expense	799	796		
Stock based compensation	Stock based compensation	1,539	1,811		
Changes in other assets and other liabilities	Changes in other assets and other liabilities	(944)	(509)		
Net cash provided by operating activities		19,201	9,872		
Net cash (used in) provided by operating activities					
Investing Activities	Investing Activities				

Capitalization of subsidiary			
Capitalization of subsidiary			
Capitalization of subsidiary	Capitalization of subsidiary	(250)	—
Net cash used in investing activities	Net cash used in investing activities	(250)	—
Financing Activities	Financing Activities		
Dividends paid			
Dividends paid			
Dividends paid	Dividends paid	(4,408)	(9,277)
Repurchase of common stock	Repurchase of common stock	(9,859)	(11,914)
Proceeds from stock option exercises	Proceeds from stock option exercises	—	128
Net cash used in financing activities	Net cash used in financing activities	(14,267)	(21,063)
Net Change in Cash and Cash Equivalents	Net Change in Cash and Cash Equivalents	4,684	(11,191)
Cash and Cash Equivalents, Beginning of Period	Cash and Cash Equivalents, Beginning of Period	21,545	32,736
Cash and Cash Equivalents, End of Period	Cash and Cash Equivalents, End of Period	<u>\$ 26,229</u>	<u>\$ 21,545</u>

The prior year income statement and cash flow presented above were revised to conform with the presentation of current year financial statements. As a result, the following changes were made to the 2021 statements:

- Dividends received from subsidiary are presented in total income.
- Equity in undistributed income of subsidiaries reflects the difference in subsidiary income and dividends received.
- No investing activities are reported in the Condensed Statement of Cash Flows.

The above changes had no effect on 2021 Net Income.

Note 21: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk. Other significant estimates and concentrations not discussed in those footnotes include:

General Litigation – The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Note 22: Subsequent Events

Subsequent events have been evaluated through **March 31, 2023** **March 29, 2024**, which is the date the consolidated financial statements were issued.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Act")) as of **December 31, 2022** **December 31, 2023**, was carried out under the supervision and with the participation of our Chief Executive Officer (**principal executive officer**), Chief Financial Officer (**principal financial officer**) and several other members of our senior management. Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures in effect as of **December 31, 2022** **December 31, 2023**, were effective. We intend to continually review and evaluate the design and effectiveness of the Company's disclosure controls and procedures and to improve the Company's controls and procedures over time and to correct any deficiencies that we may discover in the future. The goal is to ensure that senior management has timely access to all material financial and non-financial information concerning the Company's business. While we believe the present design of the disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures.

(b) Internal Control Over Financial Reporting

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Richmond Mutual Bancorporation is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. There are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and circumvention or overriding of controls. Accordingly, even an effective system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of **December 31, 2022** **December 31, 2023**. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on this assessment, we concluded that, as of **December 31, 2022** **December 31, 2023**, the Company's internal control over financial reporting was effective based on those criteria.

(c) Changes in Internal Controls over Financial Reporting

As required by Rule 13a-15(d), our management, including our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any changes occurred during the quarter ended **December 31, 2022** **December 31, 2023** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Act) that occurred during the quarter ended **December 31, 2022** **December 31, 2023**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We do not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by override of the control. The design of any control procedure is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

(a) None.

(b) During the year ended December 31, 2023, there were no Rule 10b5-1 trading arrangements (as defined in Item 408(a) of Regulation S-K) or non-Rule 10b5-1 trading arrangements (as defined in Item 408(c) of Regulation S-K) adopted or terminated by any director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

Information concerning our directors is incorporated herein by reference from the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held in May 2023, 2024, a copy of which will be filed with the SEC not later than 120 days after the close of the fiscal year.

Executive Officers

Information concerning our executive officers is contained under the heading "Information About Our Executive Officers" under Part I, Item 1 of this Form 10-K and is incorporated herein by reference.

Delinquent Section 16 Reports

Information concerning the Company's directors and executive officers and any delinquent reports under Section 16(a) of the Act is incorporated herein by reference from the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held in May 2023, a copy of which will be filed with the SEC not later than 120 days after the close of the fiscal year. None.

Code of Ethics

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, and person performing similar functions, and to all of our other employees and our directors. You may obtain a copy of the code of ethics free of charge by writing to the Corporate Secretary of Richmond Mutual Bancorporation, Inc., 31 North 9th Street, Richmond, Indiana 47374 or by calling (765) 962-2581. In addition, the code of ethics is available on our websites at www.firstbankrichmond.com or www.mutualfederal.com by clicking the link "About Us," then scrolling down and clicking the link "Investor Relations."

Corporate Governance

Nominating Procedures. There have been no material changes to the procedures by which shareholders may recommend nominees to our Board of Directors since last disclosed to shareholders.

Audit Committee and Audit Committee Financial Expert. We have an Audit Committee that is appointed by the Board of Directors to provide assistance to the Board in fulfilling its oversight responsibility relating to the integrity of our consolidated financial statements and the financial reporting processes, the systems of internal accounting and financial controls, compliance with legal and regulatory requirements, the annual independent audit of our consolidated financial statements, the independent auditors' qualifications and independence, the performance of our internal audit function and independent auditors and any other areas of potential financial risk to the Company specified by our Board of Directors. The Audit Committee also is responsible for the appointment, retention and oversight of our independent auditors, including pre-approval of all audit and non-audit services to be performed by the independent auditors. During 2022, 2023, the Audit Committee was comprised of Directors Jeffrey A. Jackson (Chair), Kathryn Girten, and Harold T. Hanley III, and Lindley S. Mann, each of whom was "independent" as that term is defined for audit committee members in the Nasdaq Rules. The Board of Directors has determined that Director Jackson is an "audit committee financial expert" as defined in Item 407(e) of Regulation S-K of the Securities and Exchange Commission and that all of the Audit Committee members meet the financial literacy requirements under the NASDAQ listing standards. Additional information concerning the Audit Committee is incorporated herein by reference from the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held in May 2023, 2024 (except for information contained under the heading "Report of the Audit Committee"), a copy of which will be filed with the SEC not later than 120 days after the close of the fiscal year.

Item 11. Executive Compensation

Information concerning executive compensation is incorporated herein by reference from the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held in May 2023, 2024, a copy of which will be filed with the SEC not later than 120 days after the close of the fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

(a) Securities Authorized for Issuance under Stock-Based Compensation Plans

The following table sets forth information as of December 31, 2022, December 31, 2023 with respect to the Company's equity incentive plan which was approved by the Company's shareholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan ⁽¹⁾
Equity Incentive Plan approved by security holders	1,050,961	\$ 10.56	336,984
Equity Incentive Plan not approved by security holders	—	—	—
Total	1,050,961	\$ 10.56	336,984

(1) Includes 87,979 shares available for issuance for stock awards, other than awards of stock options and stock appreciation rights.

(b) Security Ownership of Certain Beneficial Owners

Information concerning security ownership of certain beneficial owners is incorporated herein by reference from the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held in May 2023, 2024, a copy of which will be filed with the SEC not later than 120 days after the close of the fiscal year.

(c) Security Ownership of Management

Information concerning security ownership of management is incorporated herein by reference from the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held in May 2023, 2024, a copy of which will be filed with the SEC not later than 120 days after the close of the fiscal year.

(d) Changes in Control

Management is not aware of any arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of Richmond Mutual Bancorporation, Inc.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information concerning certain relationships and related transactions, our independent directors and our audit and nominating committee charters is incorporated herein by reference from the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held in May 2023, 2024, a copy of which will be filed with the SEC not later than 120 days after the close of the fiscal year.

Item 14. Principal Accountant Fees and Services

Information concerning principal accountant fees and services is incorporated herein by reference from the Company's definitive proxy statement for its Annual Meeting of Shareholders to be held in May 2023, 2024, a copy of which will be filed with the SEC not later than 120 days after the close of the fiscal year.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) List of Financial Statements

The following documents are filed as part of this Form 10-K:

Report of Independent Registered Public Accounting Firm (PCAOB ID 686)
Consolidated Balance Sheets at December 31, 2022 December 31, 2023 and 2021 2022
Consolidated Statements of Income for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022
Consolidated Statements of Comprehensive Loss Income (Loss) for the Years December 31, 2022 December 31, 2023 and 2021 2022
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022
Consolidated Statements of Cash Flows for the Years Ended December 31, 2022 December 31, 2023 and 2021 2022
Notes to Consolidated Financial Statements

(a)(2) List of Financial Statement Schedules:

All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable.

(a)(3) List of Exhibits:

(b) Exhibits:

- [3.1 Charter of Richmond Mutual Bancorporation, Inc. \(incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1 \(Commission File No. 333-230184\)\)](#)
- [3.2 Bylaws of Richmond Mutual Bancorporation, Inc. \(incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1 \(Commission File No. 333-230184\)\)](#)
- [4.1 Form of Common Stock Certificate of Richmond Mutual Bancorporation, Inc. \(incorporated by reference to Exhibit 4.0 of the Company's Registration Statement on Form S-1 \(Commission File No. 333-230184\)\)](#)
- [4.2 Description of Registrant's Securities \(incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 \(Commission File No. 001-38956\)\)](#)
- [10.1^{\(1\)} Form of Non-Qualified Deferred Compensation Plan for Garry Kleer \(incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-1 \(Commission File No. 333-230184\)\)](#)
- [10.2^{\(1\)} Richmond Mutual Bancorporation, Inc. 2020 Equity Incentive Plan \(included as Appendix A to the Registrant's definitive proxy statement filed with the SEC on July 28, 2020 \(Commission File No. 001-38956\) and incorporated herein by reference\).](#)
- [10.3^{\(1\)} Form of Incentive Stock Option Award Agreement under the 2020 Equity Incentive Plan \(incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-8 \(Commission File No. 333-248862\)\).](#)
- [10.4^{\(1\)} Form of Non-qualified Stock Option Award Agreement under the 2020 Equity Incentive Plan \(incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form S-8 \(Commission File No. 333-248862\)\).](#)
- [10.5^{\(1\)} Form of Restricted Stock Award Agreement under the 2020 Equity Incentive Plan \(incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-8 \(Commission File No. 333-248862\)\).](#)
- [21.0 Subsidiaries of the Registrant](#)
- [23.0 Consent of Independent Registered Public Accounting Firm](#)
- [24.0 Power of Attorney \(set forth on signature page\)](#)
- [31.1 Rule 13a-14\(a\) Certifications \(Chief Executive Officer\)](#)
- [31.2 Rule 13a-14\(a\) Certifications \(Chief Financial Officer\)](#)
- [32.0 Section 1350 Certifications](#)

[97.0 Policy Relating to Recovery of Erroneously Awarded Compensation](#)

- 101.0 The following materials for the year ended **December 31, 2022** **December 31, 2023**, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders' Equity (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements
- 104.0 Cover Page Interactive Data (embedded within the Inline XBRL document)

(1) Management contract or compensatory plan or arrangement.

(c) Financial Statements Schedules

None

Item 16. Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**RICHMOND MUTUAL BANCORPORATION, INC., a
Maryland corporation**

Date: **March 31, 2023** March 29, 2024

By: /s/ Garry D. Kleer

Garry D. Kleer

Chairman of the Board, President and Chief Executive Officer (*Duly Authorized Representative*)

POWER OF ATTORNEY

We, the undersigned officers and directors of Richmond Mutual Bancorporation, Inc., hereby severally and individually constitute and appoint Garry D. Kleer and **Donald A. Benziger, Bradley M. Glover**, and each of them, the true and lawful attorneys and agents of each of us to execute in the name, place and stead of each of us (individually and in any capacity stated below) any and all amendments to this Annual Report on Form 10-K and all instruments necessary or advisable in connection therewith and to file the same with the Securities and Exchange Commission, each of said attorneys and agents to have the power to act with or without the others and to have full power and authority to do and perform in the name and on behalf of each of the undersigned every act whatsoever necessary or advisable to be done in the premises as fully and to all intents and purposes as any of the undersigned might or could do in person, and we hereby ratify and confirm our signatures as they may be signed by our said attorneys and agents or each of them to any and all such amendments and instruments.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Garry D. Kleer Garry D. Kleer	Chairman of the Board, President and Chief Executive Officer (<i>Principal Executive Officer</i>)	March 31, 2023 29, 2024
/s/ Donald A. Benziger Bradley M. Glover Donald A. Benziger Bradley M. Glover	Executive Vice President and Chief Financial Officer (<i>Principal Financial and Accounting Officer</i>)	March 31, 2023 29, 2024
/s/ E. Michael Blum E. Michael Blum	Director	March 31, 2023 29, 2024
/s/ Harold T. Hanley III Harold T. Hanley III	Director	March 31, 2023 29, 2024
/s/ Jeffrey A. Jackson Jeffrey A. Jackson	Director	March 31, 2023 29, 2024
/s/ Lindley S. Mann Lindley S. Mann	Director	March 31, 2023
/s/ Kathryn Girten Kathryn Girten	Director	March 31, 2023 29, 2024
/s/ M. Lynn Wetzel M. Lynn Wetzel	Director	March 31, 2023 29, 2024

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EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

<u>Parent</u>	<u>Subsidiary</u>	<u>Percentage Ownership</u>	<u>State of Incorporation or Organization</u>
Richmond Mutual Bancorporation, Inc.	First Bank Richmond	100%	Indiana
Richmond Mutual Bancorporation, Inc.	First Insurance Management, Inc.	100%	Nevada
First Bank Richmond	FB Richmond Holding, Inc.	100%	Nevada
FB Richmond Holdings, Inc.	FB Richmond Properties, Inc.	100%	Delaware

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-248862 333-248862) of Richmond Mutual Bancorporation, Inc. (the "Company") of our report dated March 31, 2023 March 29, 2024, on our audits of the consolidated financial statements of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and for the years then ended, which report is included (or incorporated by reference) in this Annual Report on Form 10-K.

/s/ FORVIS, LLP (Formerly BKD, LLP)

FORVIS, LLP

Indianapolis, Indiana

March 31, 2023 29, 2024

EXHIBIT 31.1

RULE 13A-14(A) 13a-14(a) CERTIFICATION

I, Garry D. Kleer, certify that:

- I have reviewed this Annual Report on Form 10-K of Richmond Mutual Bancorporation, Inc. (the "Company");
- Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
- The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) [Paragraph omitted] Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Exchange Act Rule 13a-14(a); generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 31, 2023 March 29, 2024

By: /s/ Garry D. Kleer

Garry D. Kleer

President and Chief Executive Officer

EXHIBIT 31.2

RULE 13A-14(A) 13a-14(a) CERTIFICATION

I, Donald A. Benziger, Bradley M. Glover, certify that:

1. I have reviewed this Annual Report on Form 10-K of Richmond Mutual Bancorporation, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) [Paragraph omitted in accordance with Exchange Act Rule 13a-14(a)];
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: ~~March 31, 2023~~ March 29, 2024

By: /s/ Donald A. Benziger Bradley M. Glover
~~Donald A. Benziger Bradley M. Glover~~
Executive Vice President and Chief Financial Officer

EXHIBIT 32

SECTION 1350 CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 each of the undersigned hereby certifies in his or her capacity as an officer of Richmond Mutual Bancorporation, Inc. (the "Company") that the Annual Report of the Company on Form 10-K for the year ended ~~December 31, 2022~~ December 31, 2023, fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934, as amended, and that the information contained in such report fairly represents, in all material respects, the financial statements included in such report.

Date: ~~March 31, 2023~~ March 29, 2024

/s/ Garry D. Kleer
Garry D. Kleer
President and Chief Executive Officer

Date: ~~March 31, 2023~~ March 29, 2024

/s/ Donald A. Benziger Bradley M. Glover
~~Donald A. Benziger Bradley M. Glover~~
Executive Vice President and
Chief Financial Officer

EXHIBIT 97

RICHMOND MUTUAL BANCORPORATION, INC.

COMPENSATION RECOVERY POLICY

The Board of Directors (the "Board") of Richmond Mutual Bancorporation, Inc. (the "Company") believes that it is in the best interests of the Company and its shareholders to adopt this Compensation Recovery Policy (the "Policy"), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below). This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated under the Exchange Act ("Rule 10D-1") and Nasdaq Listing Rule 5608 (the "Listing Standards").

1. Administration

Except as specifically set forth herein, this Policy shall be administered by the Company's Compensation Committee (the "Administrator"). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and the Company and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with Company counsel, the full Board or such other committees of the Board, such as the Company's Audit Committee, as may be necessary or appropriate.

Subject to any limitation of applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

2. Definitions

As used in this Policy, the following definitions shall apply:

“Accounting Restatement” means an accounting restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as “Big R” restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as “little r” restatements).

“Administrator” has the meaning set forth in Section 1 hereof.

“Applicable Period” means the three completed fiscal years immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of the

Company authorized to take such action if Board action is not required, concludes (or reasonably should have concluded) that an Accounting Restatement is required or (ii) the date a regulator, court or other legally authorized entity directs the Company to undertake an Accounting Restatement. The “Applicable Period” also includes any transition period (that results from a change in the Company's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence; except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year.

“Covered Executives” means the Company's current and former executive officers, as determined by the Administrator in accordance with the definition of “executive officer” set forth in Rule 10D-1 and the Listing Standards.

“Erroneously Awarded Compensation” has the meaning set forth in Section 5 of this Policy.

“Financial Reporting Measure” is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure and includes “non-GAAP” measures for purposes of Regulation G promulgated under the Exchange Act. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return (“TSR”); revenues; net income; operating income; operating net income, operating pre-tax pre-provision income, tangible book value, tangible book value per share, profitability or growth of one or more reportable segments; financial ratios (e.g., yield on loans, rates on deposits, efficiency ratio, nonperforming loans to total loans, nonperforming assets to total assets, loans to assets ratio, loans to deposits ratio); liquidity measures (e.g., capital, operating cash flow); return measures (e.g., net interest margin, return on assets, return on equity); earnings measures (e.g., earnings per share); any of such financial reporting measures relative to a peer group, where the Company's financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Company's financial statements or included in a filing with the Securities and Exchange Commission.

“Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is “received” for purposes of this Policy in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period. Examples of “Incentive-Based Compensation” include, but are not limited to: non-equity incentive plan awards that are earned based wholly or in part on satisfying a Financial Reporting Measure performance goal; bonuses paid from a “bonus pool,” the size of which is determined based wholly or in part on satisfying a Financial Reporting Measure performance goal; other cash awards based on satisfaction of a Financial Reporting Measure performance goal; restricted stock awards, restricted stock units, performance share awards or units, stock options and stock appreciation rights that are granted or become vested based wholly or in part on satisfying a Financial

Reporting Measure performance goal; and proceeds received upon the sale of shares acquired through an incentive plan that were granted or vested based wholly or in part on satisfying a Financial Reporting Measure performance goal. Examples of compensation that is not “incentive-based compensation” include, but are not limited to: salaries

(except to the extent a salary increase is earned wholly or in part based on the attainment of a Financial Reporting Measure performance goal); bonuses paid solely at the discretion of the Compensation Committee or Board that are not paid from a “bonus pool” that is determined by satisfying a Financial Reporting Measure performance goal; bonuses paid solely upon satisfying one or more subjective standards (e.g., demonstrated leadership) and/or completion of a specified employment period; non-equity incentive plan awards earned solely upon satisfying one or more strategic measures (e.g., consummating a merger or branch acquisition or divestiture), or operational measures (e.g., opening a specified number of branches, completion of a project, increase in market share); and equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent solely upon completion of a specified employment period and/or attaining one or more nonfinancial reporting measures.

3. Covered Executives; Incentive-Based Compensation

This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange. This Policy does not apply to Incentive-Based Compensation received by a Covered Executive (x) while that person was serving in a non-executive capacity prior to becoming a Covered Executive or (y) who is a Covered Executive on the date on which the Company is required to prepare an Accounting Restatement but who was not a Covered Executive at any time during the performance period for which the Incentive-Based Compensation is received.

4. Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting Restatement

In the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, relating to the Applicable Period.

5. Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of “Erroneously Awarded Compensation” subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had such compensation been determined based on the restated amounts.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation. By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based

Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market ("Nasdaq") and the Covered Executive.

6. Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for reasonably promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code of 1986, as amended ("IRC") and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan, program or contract, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Compensation Committee of the Board has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- a. The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq;
- b. Recovery would violate any law of the United States that was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on a violation of law, the Administrator must satisfy the applicable opinion and disclosure requirements of Rule 10D-1 and the Listing Standards; or
- c. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the IRC and the regulations thereunder.

7. Make No Additional Payments

In no event shall the Company be required to award Covered Executives an additional payment if the Accounting Restatement results in a higher Incentive-Based Compensation payment.

8. No Indemnification or Reimbursement of Covered Executives

Notwithstanding the terms of any other policy, program, agreement or arrangement, in no event will the Company or any of its affiliates indemnify or reimburse a Covered Executive for any loss under this Policy and in no event will the Company or any of its affiliates pay premiums or reimburse the Covered Executive for premiums he or she paid on any insurance policy that would cover a Covered Executive's potential obligations with respect to Erroneously Awarded Compensation under this Policy.

9. Administrator Indemnification

Any members of the Administrator, and any other members of the Board or officers of the Company who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

10. Effective Date; Retroactive Application

This Policy shall be effective as of December 1, 2023 (the "Effective Date"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded or granted to Covered Executives prior to the Effective Date. Without limiting the generality of Section 6 hereof, and subject to applicable law, the Administrator may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date. This Policy shall supersede and replace any existing policy regarding compensation recovery previously approved by the Board.

11. Acknowledgement by Covered Executives; Condition to Eligibility for Incentive-Based Compensation

The Company will provide notice and seek acknowledgement of this Policy from each Covered Executive in the form attached hereto as Exhibit A, provided that the failure to provide such notice or obtain such acknowledgement will have no impact on the applicability or enforceability of this Policy. After the Effective Date, the Company must be in receipt of a Covered Executive's acknowledgement as a condition to such Covered Executive's eligibility to receive Incentive-Based Compensation awarded or received after such date. All Incentive-Based Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive-Based Compensation and any other vesting conditions applicable to such Incentive-Based Compensation are satisfied.

12. Amendment; Termination

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed.

13. Other Recoupment Rights; Company Claims

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

14. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

15. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's Annual Report on Form 10-K.

EXHIBIT A

TO BE SIGNED BY THE COMPANY'S EXECUTIVE OFFICERS:

Compensation Recovery Policy Acknowledgment

The undersigned agrees and acknowledges that I am fully bound by, and subject to, all of the terms and conditions of Richmond Mutual Bancorporation, Inc. Compensation Recovery Policy (as it may be amended, restated, supplemented or otherwise modified from time to time, (the "Policy"). In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern. In the event it is determined by the Administrator that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.

By: _____

[Name]

[Title]

Date

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