



First  
Neighborhood  
Bank

# 2022

ANNUAL REPORT

2022



## Message from the Chairman of the Board

First Neighborhood Bank and West-Central Bancorp, Inc. experienced another profitable and safe year during 2022. We maintained slow and steady growth with consistent earnings compared to prior years.

Our annual report will show an upward improvement in the net interest margin with continued excellent credit quality. We anticipate significant improvement in 2023 earnings as the margins continue to improve along with well managed expense controls in place.

The bank and holding company face challenges in maintaining and hiring quality talent. One major negative impact of COVID was the ability to allow individuals to work remotely, creating coverage and quality of service issues as we try to compete for employees with other industries including the government sector. Community banks our size requires face to face interaction with our customers in order to compete. We are excited about our young talent but continue to make this challenge a priority.

The management and board of directors are actively exploring all options to continue to maximize the value of your investment.

As always, our 2022 Annual Report is available for your viewing on our website. Increases in earnings will again be dependent on loan growth. We are excited about the future of all of the markets that we are located.

The Board of Directors and management again ask you, the shareholders, to work with us to improve our investment by establishing First Neighborhood Bank as your primary bank, if you haven't already done so. Our online banking products make it easy for you to bank with us, even when you are not in the neighborhood.

Please join us on Tuesday, March 21, 2023 for our annual shareholders meeting in Spencer.

Respectfully,

A handwritten signature in blue ink that reads "David M. Righter".

**David M. Righter**  
*Chairman of the Board*  
February 22, 2023

The annual report can be viewed on our website:

<https://www.firstneighborhoodbank.com/about-us/investor-relations>

Under About Us/Investor Relations/Annual Reports, click on 2022 FNB Annual Report (pdf).

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**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**

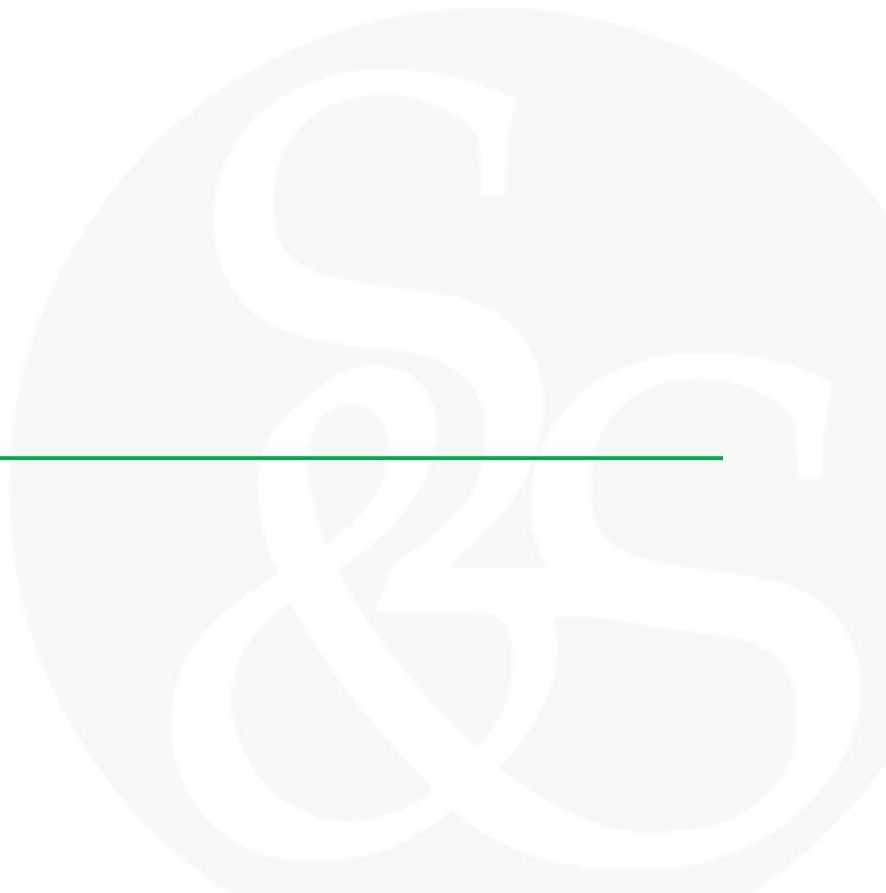
**SPENCER, WEST VIRGINIA**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2022**



A Professional Limited Liability Company



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
West-Central Bancorp, Inc. and Subsidiaries  
Spencer, West Virginia

### Opinion

We have audited the accompanying consolidated financial statements of West-Central Bancorp, Inc. and its Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of West-Central Bancorp, Inc. and its Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of West-Central Bancorp, Inc. and its Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the year ended December 31, 2022, West-Central Bancorp, Inc. and its Subsidiaries implemented Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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



Charleston, West Virginia  
February 14, 2023

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

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	2022	2021
<b>ASSETS</b>		
Cash and due from banks	\$ 4,773,445	\$ 4,235,134
Interest-earning deposits in other banks	417,579	407,966
Federal funds sold	8,290,000	18,850,000
Cash and cash equivalents	13,481,024	23,493,100
Time deposits	2,750,000	3,500,000
Investment securities		
Debt securities available-for-sale, at fair value	51,864,166	44,896,321
Other securities	68,300	71,300
Loans	85,692,626	82,061,571
Less: allowance for loan losses	(1,018,183)	(1,002,817)
Loans - net	84,674,443	81,058,754
Accrued interest receivable	425,961	288,926
Premises and equipment - net	2,993,617	2,549,569
Operating lease right-of-use assets	160,813	-
Other real estate owned	725,000	725,000
Cash surrender value - bank owned life insurance	3,440,142	3,388,306
Deferred income taxes	2,462,280	548,600
Other assets	160,788	216,525
<b>Total assets</b>	<b>\$ 163,206,534</b>	<b>\$ 160,736,401</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Demand - noninterest-bearing	\$ 66,527,347	\$ 54,501,413
Demand - interest-bearing	31,134,542	33,531,540
Savings	26,043,549	26,156,987
Time	26,250,781	28,541,554
Total deposits	149,956,219	142,731,494
Advance payments from borrowers for taxes and insurance	106,759	104,496
Accrued interest payable	20,962	16,663
Operating lease liabilities	160,813	-
Other liabilities	1,291,754	1,341,700
Total liabilities	151,536,507	144,194,353
Shareholders' equity		
Common stock (par value \$1.00; 5,000,000 shares authorized; 350,860 shares issued; 184,423 and 184,453 shares outstanding as of December 31, 2022 and 2021, respectively)	350,860	350,860
Additional paid in capital	1,597,246	1,597,246
Retained earnings	19,368,115	18,952,423
Less: treasury stock, at cost (166,437 and 166,407 shares as of December 31, 2022 and 2021, respectively)	(4,210,269)	(4,208,079)
Accumulated other comprehensive income (loss)	(5,435,925)	(150,402)
Total shareholders' equity	11,670,027	16,542,048
<b>Total liabilities and shareholders' equity</b>	<b>\$ 163,206,534</b>	<b>\$ 160,736,401</b>

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

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

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**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2022**

	2022	2021	2020
Interest income			
Interest and fees on loans	\$ 3,648,963	\$ 3,740,740	\$ 4,113,342
Interest on deposits in other banks	90,664	90,807	136,228
Interest on federal funds sold	82,178	7,573	36,403
Interest and dividends on investment securities	925,669	780,307	809,114
Total interest income	<u>4,747,474</u>	<u>4,619,427</u>	<u>5,095,087</u>
Interest expense			
Interest on deposits	159,014	331,323	737,718
Total interest expense	<u>159,014</u>	<u>331,323</u>	<u>737,718</u>
Net interest income	4,588,460	4,288,104	4,357,369
Provision for loan losses	5,100	-	40,000
Net interest income after provision for loan losses	<u>4,583,360</u>	<u>4,288,104</u>	<u>4,317,369</u>
Noninterest income			
Service charges and fees	512,024	460,388	471,023
Increase in cash surrender value - bank owned life insurance	51,658	51,589	55,080
Net realized gains (losses) from sales of investment debt securities available-for-sale	-	34,274	142,601
Other income	81,618	82,499	88,191
Total noninterest income	<u>645,300</u>	<u>628,750</u>	<u>756,895</u>
Noninterest expense			
General and administrative			
Compensation and benefits	2,421,973	2,203,462	2,332,028
Occupancy and equipment	673,029	588,462	579,578
FDIC assessment	44,000	35,500	18,000
Data processing	497,736	494,499	504,024
Other expenses	865,986	793,240	770,986
Total noninterest expense	<u>4,502,724</u>	<u>4,115,163</u>	<u>4,204,616</u>
Income before income tax expense	725,936	801,691	869,648
Income tax expense	125,806	59,714	91,892
<b>Net income</b>	<b><u>\$ 600,130</u></b>	<b><u>\$ 741,977</u></b>	<b><u>\$ 777,756</u></b>
Net income available for common shareholders	\$ 600,130	\$ 741,977	\$ 777,756
Per common share data			
Net income	3.25	4.02	4.22
Cash dividends declared	1.00	1.00	1.00
Average common shares outstanding	184,448	184,453	184,453

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



**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2022**

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	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net income	<u>\$ 600,130</u>	<u>\$ 741,977</u>	<u>\$ 777,756</u>
Other comprehensive income (loss)			
Unrealized gains (losses) on investment debt securities available-for-sale arising during the year	(7,240,523)	(796,639)	744,622
Adjustment for income tax (expense) benefit	<u>1,955,000</u>	<u>215,746</u>	<u>(201,502)</u>
	<u>(5,285,523)</u>	<u>(580,893)</u>	<u>543,120</u>
Reclassification adjustment for (gains) losses on investment debt securities available-for-sale included in net income	-	(34,274)	(142,601)
Adjustment for income tax expense (benefit)	<u>-</u>	<u>9,254</u>	<u>38,502</u>
	<u>-</u>	<u>(25,020)</u>	<u>(104,099)</u>
Other comprehensive income (loss), net of income tax	<u>(5,285,523)</u>	<u>(605,913)</u>	<u>439,021</u>
<b>Comprehensive income (loss)</b>	<b><u><u>\$ (4,685,393)</u></u></b>	<b><u><u>\$ 136,064</u></u></b>	<b><u><u>\$ 1,216,777</u></u></b>

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

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2022**

	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2019	\$ 350,860	\$ 1,597,246	\$ 17,801,596	\$ (4,208,079)	\$ 16,490	\$ 15,558,113
Comprehensive income	-	-	777,756	-	439,021	1,216,777
Cash dividends declared (\$1.00 per share)	-	-	(184,453)	-	-	(184,453)
Balance at December 31, 2020	350,860	1,597,246	18,394,899	(4,208,079)	455,511	16,590,437
Comprehensive income	-	-	741,977	-	(605,913)	136,064
Cash dividends declared (\$1.00 per share)	-	-	(184,453)	-	-	(184,453)
Balance at December 31, 2021	350,860	1,597,246	18,952,423	(4,208,079)	(150,402)	16,542,048
Comprehensive income (loss)	-	-	600,130	-	(5,285,523)	(4,685,393)
Cash dividends declared (\$1.00 per share)	-	-	(184,438)	-	-	(184,438)
Purchase of treasury stock (30 shares)	-	-	-	(2,190)	-	(2,190)
<b>Balance at December 31, 2022</b>	<b>\$ 350,860</b>	<b>\$ 1,597,246</b>	<b>\$ 19,368,115</b>	<b>\$ (4,210,269)</b>	<b>\$ (5,435,925)</b>	<b>\$ 11,670,027</b>

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

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2022**

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	2022	2021	2020
Cash flows from operating activities			
Net income	\$ 600,130	\$ 741,977	\$ 777,756
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Depreciation	200,191	170,083	166,315
Provision for loan losses	5,100	-	40,000
Provision for deferred income tax	41,320	(3,820)	(25,605)
Amortizations (accretions) on investment securities - net	215,205	205,757	231,602
Net realized (gains) losses from sales of investment debt securities available-for-sale	-	(34,274)	(142,601)
Amortization of deferred gain on sale-leaseback transaction	(33,756)	(33,756)	(33,756)
Net realized (gains) losses from disposal of premises and equipment	29,279	-	-
Net realized (gains) losses from sales of other real estate owned	-	-	10,000
(Increase) decrease in accrued interest receivable	(137,035)	165,021	(65,063)
(Increase) decrease in cash surrender value - bank owned life insurance	(51,658)	(51,589)	(55,080)
(Increase) decrease in other assets	216,550	(30,363)	186,364
(Increase) decrease in right-of-use operating lease asset	(160,813)	-	-
Increase (decrease) in accrued interest payable	4,299	(42,643)	(23,512)
Increase (decrease) in other liabilities	(177,181)	(26,198)	11,461
Increase (decrease) in operating lease liability	160,813	-	-
Total adjustments	312,314	318,218	300,125
Net cash provided (used) by operating activities	912,444	1,060,195	1,077,881
Cash flows from investing activities			
Net (increase) decrease in time deposits	750,000	1,500,000	-
Purchases of investment debt securities available-for-sale	(17,079,091)	(4,995,798)	(47,618,150)
Proceeds from maturities and calls of investment debt securities available-for-sale	1,995,000	5,256,667	15,440,000
Proceeds from principle payments on investment debt securities available-for-sale	660,518	293,625	1,919,183
Proceeds from sales of investment debt securities available-for-sale	-	7,490,941	6,061,471
Purchases of Federal Home Loan Bank stock	(400)	(4,600)	(800)
Redemptions of Federal Home Loan Bank stock	3,400	400	-
Net (increase) decrease in loans	(3,620,789)	(232,896)	7,688,488
Proceeds from sales of other real estate owned	-	-	25,000
Capital expenditures	(673,518)	(347,919)	(187,389)
Net cash provided (used) by investing activities	(17,964,880)	8,960,420	(16,672,197)
Cash flows from financing activities			
Net increase (decrease) in total deposits	7,224,725	2,235,052	14,072,862
Net increase (decrease) in advance payments from borrowers for taxes and insurance	2,263	16,018	(8,745)
Purchases of treasury stock	(2,190)	-	-
Cash dividends paid	(184,438)	(184,453)	(184,453)
Net cash provided (used) by financing activities	7,040,360	2,066,617	13,879,664
Net increase (decrease) in cash and cash equivalents	(10,012,076)	12,087,232	(1,714,652)
Cash and cash equivalents at beginning of year	23,493,100	11,405,868	13,120,520
<b>Cash and cash equivalents at end of year</b>	<b>\$ 13,481,024</b>	<b>\$ 23,493,100</b>	<b>\$ 11,405,868</b>

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

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2022**  
**(Continued)**

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	<u>2022</u>	<u>2021</u>	<u>2020</u>
Supplemental schedule of noncash investing and financing activities			
Loans transferred to other real estate owned	\$ -	\$ -	\$ 725,000
Supplemental disclosure of cash flows information			
Cash paid during the year for			
Interest	\$ 154,715	\$ 373,966	\$ 761,230
Income taxes	\$ 37,856	\$ 37,164	\$ 40,997

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES**

Nature of operations - West-Central Bancorp, Inc. (the Bancorp) is a bank holding company whose wholly owned bank subsidiary, First Neighborhood Bank, Inc. (the Bank), is a commercial bank with operations in Spencer, Parkersburg, and Ripley, West Virginia. The Bank provides retail and commercial loans and deposit services principally to customers in Roane, Wood, and Jackson counties in West Virginia and surrounding counties. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the West Virginia Division of Financial Institutions and the Federal Deposit Insurance Corporation (FDIC). The Bancorp's other subsidiary, West Central Insurance, LLC, had no significant operations during the years ended December 31, 2022, 2021, and 2020.

Basis of financial statement presentation - The accounting and reporting policies of the Bancorp and its Subsidiaries conform with accounting principles generally accepted in the United States of America and with general practices followed within the banking industry.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of West-Central Bancorp, Inc. and its Subsidiaries, First Neighborhood Bank, Inc. and West Central Insurance, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of estimates - The preparation of financial statements 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. Estimates, such as the allowance for loan losses, are based on known facts and circumstances. Estimates are revised by management in the period such facts and circumstances change. Actual results could differ from those estimates.

Comprehensive income - Accounting principles require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities, are reported as a separate component of the shareholders' equity section of the balance sheets. Such items, along with net income, are components of comprehensive income.

Presentation of cash flows - For the purpose of reporting cash flows, the Bancorp and its Subsidiaries have defined cash and cash equivalents as those amounts included in the consolidated balance sheets captions "Cash and due from banks" and "Interest-earning deposits in other banks," which have original maturities of ninety (90) days or less, and "Federal funds sold." Generally, federal funds are sold for one-day periods.

Investment securities - It is the policy of the Bank to prohibit the use of their respective investment accounts to maintain a trading account or to speculate in securities that would demonstrate management's intent to profit from short-term price movements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Debt securities are classified as held-to-maturity when management has both the intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts computed by the interest method. There are no securities classified as held-to-maturity in the accompanying consolidated financial statements.

Debt securities not classified as held-to-maturity or as trading are classified as available-for-sale. Securities available-for-sale are carried at estimated fair value based on information provided by a third party pricing service, with unrealized gains and losses, net of the deferred income tax effect, reported in accumulated other comprehensive income. Realized gains and losses on debt securities available-for-sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of income tax, in other comprehensive income. The cost of securities sold is determined on the specific-identification method. Purchase premiums are amortized to the earliest call date, while discounts on purchased debt securities are accreted to maturity. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method.

Declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans - The Bank grants commercial, mortgage, and installment loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout West Virginia. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans are stated at the amount of unpaid principal balances, less the allowance for loan losses.

Interest on loans is accrued based on principal amounts outstanding.

Allowance for loan losses - The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio. The Bank uses a disciplined process and methodology to establish the allowance for loan losses each quarter. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to the (1) commercial portfolio, (2) mortgage portfolio, and (3) installment portfolio.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to, or release balances from, the allowance for loan losses. The Bank's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends driving statistically modeled reserves. Individual loan risk ratings are evaluated based on each situation by experienced senior credit officers.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Troubled debt restructurings (TDRs) - A restructuring of debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The determination of whether a concession has been granted includes an evaluation of the debtor's ability to access funds at a market rate for debt with similar risk characteristics and among other things, the significance of the modification relative to unpaid principal or collateral value of the debt, and/or the significance of a delay in the timing of payments relative to the frequency of payments, original maturity date or the expected duration of the loan. The most common concessions granted generally include one or more modifications to the terms of the debt such as a reduction in the interest rate for the remaining life of the debt, an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or reduction of the unpaid principal or interest. All TDRs are considered impaired loans.

Premises and equipment - Land is carried at cost. Bank buildings and equipment are carried at cost, less accumulated depreciation. Depreciation is computed primarily using the straight-line, 150% declining balance, or double declining balance methods for financial reporting purposes over the estimated useful lives of the respective assets, which range from 3 to 10 years for equipment and 10 to 50 years for buildings and improvements. Useful lives are revised when a change in life expectancy becomes apparent.

Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations as realized.

Leases - Leases are evaluated at inception to determine if an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the consolidated balance sheets. The Bank has no finance leases. Short-term leases (i.e. leases with an initial term of twelve months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the consolidated balance sheet. Operating lease ROU assets represent the Bank's right to use an underlying asset for the lease term, and operating lease liabilities represent the Bank'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 the future lease payments over the lease term. The leases do not provide an implicit rate, so the Bank uses the risk-free rate of return based on the information available at commencement date as the discount rate in determining the present value of lease payments. The discount rate is reevaluated upon lease modification. The operating lease ROU asset also includes initial direct costs and prepaid lease payments made, if any, less lease incentives, if any. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Other real estate owned - Real estate acquired through, or in lieu of, loan foreclosure is held-for-sale and is initially recorded at the lower of the Bank's cost (book value) or fair value less estimated selling costs at the date of foreclosure. Any writedowns based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management, and any subsequent writedowns are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower new fair value less costs to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding the property are expensed. The portion of interest costs relating to development of real estate is capitalized.

Advertising - The Bancorp and its Subsidiaries' policy is to expense advertising costs as incurred. Advertising expense for the years ended December 31, 2022, 2021, and 2020 were \$78,521, \$84,004, and \$68,048, respectively.

Income taxes - Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of debt securities available-for-sale, supplemental employee benefit plans, subsequent loss writedowns on other real estate owned, the allowance for loan losses, and accumulated depreciation for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. Valuation limitation reserves are established, as deemed necessary, and adjusted periodically on certain deferred tax assets to reflect estimated recoverability of the asset in a reasonable time period. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Bancorp and its Subsidiaries file consolidated federal and state tax returns. Tax allocation arrangements between the Bancorp and its Subsidiaries follow the policy of determining federal and state income taxes as if the Subsidiaries filed separate federal and state income tax returns.

Employee benefit plans - The Bank has a profit-sharing plan and an employee stock ownership plan (ESOP), which covers substantially all employees. The amount of the contributions to the plans is at the discretion of the Bank's Board of Directors.

Earnings per share - Earnings per share of common stock are computed based upon the weighted-average number of shares of common stock outstanding during the period. The weighted-average shares outstanding were 184,448, 184,453, and 184,453 shares for the years ended December 31, 2022, 2021, and 2020, respectively. During each of the three years in the period ended December 31, 2022, the Bancorp did not have any potentially dilutive securities.

Fair value measurements - The Bancorp and its Subsidiaries follow the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurements*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

Revenue from contracts with customers - In the ordinary course of business, the Bancorp and its Subsidiaries recognize income from various revenue generating activities. Certain revenues are generated from contracts with customers where such revenues are recognized when, or as, services or products are transferred to customers for amounts to which the Bancorp and its Subsidiaries expect to be entitled. Certain specific policies related to revenue recognition from contracts with customers include:

*Services fees*

Service fees include charges related to depository accounts under standard service agreements. Fees are generally recognized as services are delivered to or consumed by the customer or as penalties are assessed.

*Credit and Debit Card Revenue*

Credit and debit card revenue includes interchange fees from credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Bancorp and its Subsidiaries record interchange fees as services are provided. Transaction and account management fees are recognized as services are provided, except for annual fees which are recognized over the applicable period. The costs of related loyalty rewards programs are netted against interchange revenue as a direct cost of the revenue generating activity.

Date of management's review of subsequent events - Management has evaluated the accompanying consolidated financial statements for subsequent events and transactions through February 14, 2023, the date these financial statements were available for issue, based on FASB ASC 855, *Subsequent Events*, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

Accounting Standards Adopted in 2022 - In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which modifies the guidance used by lessors and lessees to account for leasing transactions. It is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years beginning after December 15, 2022. The Bancorp and its Subsidiaries adopted ASU 2016-02 using the optional transition method, which allows for the prospective application of the standard. In addition, the Bancorp and its Subsidiaries elected practical expedients permitted under the transition guidance permitting the Bancorp and its Subsidiaries to not reassess historical lease classification, prior conclusions relating to initial direct costs, and whether any expired or existing contracts are or contain leases. For lease agreements with lease and non-lease components, the Bancorp and its Subsidiaries elected the practical expedient to account for them as a single lease component. Upon adoption of ASU 2016-02, which was effective for the Bancorp and its Subsidiaries on January 1, 2022, the Bancorp and its Subsidiaries recognized operating lease ROU assets of \$266,637 and operating lease liabilities of \$266,637. Adoption did not have a material effect on consolidated net income and had no effect on consolidated cash flows. See Note 17 – Leasing Arrangements.

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 2 - RESTRICTION ON CASH AND DUE FROM BANKS

The Bank met the requirement to maintain reserve funds by either cash on hand or cash on deposit with the Federal Reserve Bank as of December 31, 2022 and 2021.

NOTE 3 - INVESTMENT SECURITIES

The amortized cost, gross unrealized gains, gross unrealized losses, and fair values of investment securities as of December 31, 2022 and 2021 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>December 31, 2022</u>				
Debt securities available-for-sale				
U.S. government and federal agencies	\$ 17,828,386	\$ -	\$ (3,041,059)	\$ 14,787,327
U.S. treasuries	13,019,003	-	(866,190)	12,152,813
Mortgage-backed securities	7,064,439	-	(911,016)	6,153,423
State, county, and municipal – nontaxable	17,195,160	17,854	(1,800,732)	15,412,282
State, county, and municipal – taxable	4,204,103	-	(845,782)	3,358,321
Total	<u>\$ 59,311,091</u>	<u>\$ 17,854</u>	<u>\$ (7,464,779)</u>	<u>\$ 51,864,166</u>
<u>December 31, 2021</u>				
Debt securities available-for-sale				
U.S. government and federal agencies	\$ 16,827,662	\$ -	\$ (535,485)	\$ 16,292,177
U.S. treasuries	3,994,175	-	(15,113)	3,979,062
Mortgage-backed securities	2,735,120	-	(59,125)	2,675,995
State, county, and municipal – nontaxable	16,829,640	507,511	(38,172)	17,298,979
State, county, and municipal – taxable	4,716,126	10,148	(76,166)	4,650,108
Total	<u>\$ 45,102,723</u>	<u>\$ 517,659</u>	<u>\$ (724,061)</u>	<u>\$ 44,896,321</u>

The caption “Other securities” in the consolidated balance sheets consists of Federal Home Loan Bank stock. This restricted equity security is carried at cost since it may only be sold back to the Federal Home Loan Bank or another member at par value.

NOTE 3 - INVESTMENT SECURITIES (Continued)

Information pertaining to investment securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<u>December 31, 2022</u>						
Debt securities available-for-sale						
U.S. government and federal agencies	\$ 970,946	\$ (29,054)	\$ 13,816,381	\$ (3,012,005)	\$ 14,787,327	\$ (3,041,059)
U.S. treasuries	8,447,735	(579,447)	3,705,078	(286,743)	12,152,813	(866,190)
Mortgage-backed securities	4,072,411	(536,389)	2,081,012	(374,627)	6,153,423	(911,016)
State, county, and municipal – nontaxable	11,678,189	(1,116,934)	2,600,523	(683,798)	14,278,712	(1,800,732)
State, county, and municipal – taxable	-	-	3,358,321	(845,782)	3,358,321	(845,782)
	-	-	3,358,321	(845,782)	3,358,321	(845,782)
Total	\$ 25,169,281	\$ (2,261,824)	\$ 25,561,315	\$ (5,202,955)	\$ 50,730,596	\$ (7,464,779)
<u>December 31, 2021</u>						
Debt securities available-for-sale						
U.S. government and federal agencies	\$ 5,678,154	\$ (153,907)	\$ 10,614,023	\$ (381,578)	\$ 16,292,177	\$ (535,485)
U.S. treasuries	3,979,062	(15,113)	-	-	3,979,062	(15,113)
Mortgage-backed securities	998,559	(2,844)	1,677,436	(56,281)	2,675,995	(59,125)
State, county, and municipal – nontaxable	-	-	1,995,718	(38,172)	1,995,718	(38,172)
State, county, and municipal – taxable	2,147,428	(41,341)	994,770	(34,825)	3,142,198	(76,166)
	2,147,428	(41,341)	994,770	(34,825)	3,142,198	(76,166)
Total	\$ 12,803,203	\$ (213,205)	\$ 15,281,947	\$ (510,856)	\$ 28,085,150	\$ (724,061)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Impairment is evaluated considering numerous factors and their relative significance varies from case to case. Factors considered include the length of time and extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; and the intent and ability to retain the security in order to allow for an anticipated recovery in fair value.

As of December 31, 2022, the seventy (70) debt securities with unrealized losses have depreciated approximately 12.83% from the Bank's amortized cost basis. These securities are predominately rated investment grade securities and the unrealized losses are due to the current interest rate environment and not due to any underlying credit concerns of the issuers. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies or by a state or political subdivision, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future, if classified as available-for-sale, no declines are deemed to be other-than-temporary.

NOTE 3 - INVESTMENT SECURITIES (Continued)

The amortized cost and fair values of securities as of December 31, 2022, are summarized by contractual maturity as follows:

	Debt Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ -	\$ -
Due after one year through five years	18,757,931	17,297,724
Due after five years through ten years	20,259,200	17,085,046
Due after ten years	20,293,960	17,481,396
 Total	\$ 59,311,091	\$ 51,864,166

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.

Securities pledged to secure public deposits and for other purposes required or permitted by law had a carrying value of \$5,619,246 and \$6,531,572 as of December 2022 and 2021, respectively.

The following is a summary of the proceeds from sales of investment debt securities available-for-sale and the related gross realized gains and losses:

	Proceeds	Gross Realized Gains	Gross Realized Losses
Year ended December 31, 2022	\$ -	\$ -	\$ -
2021	7,490,941	94,048	(59,774)
2020	6,061,471	142,601	-

NOTE 4 - BANK OWNED LIFE INSURANCE

The Bank invested in whole life insurance contracts on the lives of four (4) current and former officers who have provided positive consent allowing the Bank to be named beneficiary of these insurance contracts. These policies are recorded at their cash surrender values, which are presented in the consolidated balance sheets as "Cash surrender value - bank owned life insurance." These contracts are insurance products of Nationwide Insurance and NFP Executive Benefits and consist of seven (7) policies. These policies have a stated aggregate death benefit as of December 31, 2022 and 2021 of \$5,559,261 and \$5,579,400, respectively, and aggregate cash surrender values of \$3,440,142 and \$3,388,306 as of December 31, 2022 and 2021, respectively.

These policies were funded by premium payments of \$2,292,680. Cash surrender value increases to the carrying amounts of the policies are recognized as income of \$51,658, \$51,589, and \$55,080 for the years ended December 31, 2022, 2021, and 2020, respectively.

NOTE 5 - LOANS

The composition of recorded investment in loans by segment is as follows:

	December 31,	
	2022	2021
Commercial	\$ 47,771,545	\$ 48,791,678
Mortgage	34,361,042	30,492,107
Installment	3,560,039	2,777,786
Total loans	85,692,626	82,061,571
Less: allowance for loan losses	(1,018,183)	(1,002,817)
Loans - net	\$ 84,674,443	\$ 81,058,754

As of December 31, 2022 and 2021, overdrafts from deposit accounts of \$31,111 and \$13,597, respectively, are included within the appropriate loan segment above.

As of December 31, 2022, the Bank had direct extensions of credit to entities in the oil and gas industry totaling approximately \$1,962,648, and unfunded commitments to lend totaling \$1,581,396. These outstanding loans consist of installment contracts repayable over periods ranging from 1 to 120 months, generally secured by liens on equipment; and line-of-credit arrangements payable on demand, secured primarily by one or more of the following: pledges of accounts receivable or inventories, real estate, or personal guarantees. The Bank evaluates each such customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based upon management's credit evaluation. The Bank had no concentrations in direct extensions of credit to entities in the oil and gas industry as of December 31, 2021.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law on March 27, 2020. The CARES Act established the Paycheck Protection Program (PPP), to be administered by the U.S. Small Business Administration (SBA), whereby certain small businesses are eligible for a loan with an interest rate of 1% to fund payroll expenses, rent, and related costs. The PPP loan may be forgiven if the funds are used for payroll and other qualified expenses.

The commercial loan segment includes loans originated through the recently created SBA PPP loans. Credit risk is heightened as this SBA program mandates that these loans require no collateral and no guarantors of the loans. However, the loans are backed by a full guaranty of the SBA, so long as the loans were originated in accordance with the program guidelines. Additionally, these loans are eligible for full forgiveness by the SBA so long as the borrowers comply with the program guidelines as it pertains to their eligibility to borrow these funds, as well as their use of the funds. The Bancorp and its Subsidiaries originated 0 and 21 PPP loans with original balances of \$0 and \$1,975,303 and outstanding balances of \$0 and \$28,250 as of December 31, 2022 and 2021, respectively.

Under the terms of the program, the SBA will pay the lender a processing fee tiered by the size of the loan. The Bancorp and its Subsidiaries recognized \$0 and \$95,364 in PPP loan related processing fees, net of associated expenses, during the years ended December 31, 2022 and 2021, respectively.

NOTE 5 - LOANS (Continued)

In the ordinary course of business, the Bancorp and its Subsidiaries have and expect to continue to have transactions, including borrowings, with its officers, directors, and their affiliates. In the opinion of management, such transactions were on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the time of comparable transactions with other customers and did not involve more than a normal credit risk of collectability or present any other unfavorable features to the Bancorp and its Subsidiaries. Loans to such borrowers are summarized as follows:

	December 31,	
	2022	2021
Balance at beginning of year	\$ 6,838,839	\$ 6,110,490
Repayments	(608,507)	(567,697)
Borrowings	46,309	1,296,046
Change in status	(333,514)	-
	\$ 5,943,127	\$ 6,838,839

NOTE 6 - CREDIT QUALITY

Management monitors the credit quality of loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of the loan.

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when full collection of the principal and interest is jeopardized, the loan is placed on nonaccrual. The accrual of interest income generally is discontinued when a loan becomes 90 days or more past due as to principal or interest, unless the loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days). When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. The Bank's method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or to apply the cash receipt to principal when the ultimate collectability of the principal is in doubt. Management may elect to continue the accrual of interest when the estimated net realized value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection. Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest have been paid.

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 6 - CREDIT QUALITY (Continued)

The following table sets forth the Bank's age analysis of its past due loans, segregated by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Total Current	Total Financing Receivables	Recorded Investment >90 Days & Accruing
<u>December 31, 2022</u>							
Secured by real estate							
Construction	\$ -	\$ -	\$ -	\$ -	\$ 2,465,587	\$ 2,465,587	\$ -
Farmland	-	-	-	-	941,390	941,390	-
Residential	38,754	-	-	38,754	42,646,790	42,685,544	-
Commercial	250,813	-	-	250,813	21,092,897	21,343,710	-
Commercial and industrial							
Consumer	-	-	-	-	13,651,882	13,651,882	-
Government	20,020	18,521	-	38,541	4,227,066	4,265,607	-
	-	-	-	-	338,906	338,906	-
<b>Total</b>	<b>\$ 309,587</b>	<b>\$ 18,521</b>	<b>\$ -</b>	<b>\$ 328,108</b>	<b>\$ 85,364,518</b>	<b>\$ 85,692,626</b>	<b>\$ -</b>
<u>December 31, 2021</u>							
Secured by real estate							
Construction	\$ -	\$ -	\$ -	\$ -	\$ 1,350,595	\$ 1,350,595	\$ -
Farmland	-	-	-	-	94,639	94,639	-
Residential	17,145	104,556	-	121,701	43,234,267	43,355,968	-
Commercial	-	-	-	-	20,054,340	20,054,340	-
Commercial and industrial							
Consumer	5,173	137,951	-	143,124	12,421,053	12,564,177	-
Government	557	100	2,350	3,007	4,263,427	4,266,434	2,350
	-	-	-	-	375,418	375,418	-
<b>Total</b>	<b>\$ 22,875</b>	<b>\$ 242,607</b>	<b>\$ 2,350</b>	<b>\$ 267,832</b>	<b>\$ 81,793,739</b>	<b>\$ 82,061,571</b>	<b>\$ 2,350</b>

The Bank generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach a certain number of days past due.

The Bank had no nonaccrual loans as of December 31, 2022 and 2021.

There were no loans modified as TDRs during the years ended December 31, 2022 and 2021.

There have been no loans modified as TDRs within the previous twelve months that have subsequently defaulted as of December 31, 2022.

As of December 31, 2022, there are no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

NOTE 6 - CREDIT QUALITY (Continued)

The Bank assigns credit quality indicators of pass, special mention, substandard, doubtful, and loss to its loans. The loans are internally assigned a grade based on a combination of the known creditworthiness of the borrower and on the loan's delinquency status. The Bank updates these grades on a quarterly basis.

A loan classified as pass has strong asset quality and liquidity along with a multi-year track record of profitability.

A loan classified as special mention has potential weaknesses that deserve management's close attention. If left unmonitored, these potential weaknesses may result in deterioration of the repayment prospects for such loans or in the borrower's credit position at some future date. Adverse economic or market conditions may also support a special mention rating. Other nonfinancial reasons for rating a credit exposure as special mention can include known borrower problems, pending litigation, or lending agreement issues.

A loan classified as substandard contains weaknesses that, if left uncorrected, create some degree of doubt as to the likelihood of full collection of principal and interest. These loans require intensive supervision by management. Such loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants.

A loan classified as doubtful exhibits all the weaknesses inherent in one classified as substandard with the additional characteristic that the weaknesses make its collection in full, based on currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the credit, its classification as loss is deferred at the present time. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain operationally solvent. Specific pending events may include mergers, acquisitions, liquidations, capital injections, the perfection of liens of additional collateral, the valuation of collateral, and refinancing. Loans classified as doubtful are also considered impaired. Generally, consumer credit exposures are charged off prior to being classified as doubtful.

A loan classified as a loss is considered uncollectible. This classification does not guarantee that the loan has no recovery or salvage value, but rather it is not practical or desirable to defer charging off the loan even though partial recovery may be affected in the future.



**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 6 - CREDIT QUALITY (Continued)

The following table sets forth the Bank's credit quality indicators information, segregated by class of loans:

	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
<u>December 31, 2022</u>						
Secured by real estate						
Construction	\$ 2,465,587	\$ -	\$ -	\$ -	\$ -	\$ 2,465,587
Farmland	941,390	-	-	-	-	941,390
Residential	42,501,289	-	184,255	-	-	42,685,544
Commercial	21,246,998	-	96,712	-	-	21,343,710
Commercial and industrial	13,512,023	139,859	-	-	-	13,651,882
Consumer	4,265,607	-	-	-	-	4,265,607
Government	338,906	-	-	-	-	338,906
<b>Total</b>	<b><u>\$ 85,271,800</u></b>	<b><u>\$ 139,859</u></b>	<b><u>\$ 280,967</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 85,692,626</u></b>
<u>December 31, 2021</u>						
Secured by real estate						
Construction	\$ 1,219,105	\$ 131,490	\$ -	\$ -	\$ -	\$ 1,350,595
Farmland	94,639	-	-	-	-	94,639
Residential	42,646,250	503,720	205,998	-	-	43,355,968
Commercial	19,577,667	358,227	118,446	-	-	20,054,340
Commercial and industrial	12,319,099	36,850	208,228	-	-	12,564,177
Consumer	4,266,434	-	-	-	-	4,266,434
Government	375,418	-	-	-	-	375,418
<b>Total</b>	<b><u>\$ 80,498,612</u></b>	<b><u>\$ 1,030,287</u></b>	<b><u>\$ 532,672</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 82,061,571</u></b>

NOTE 6 - CREDIT QUALITY (Continued)

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Typically, such loans have exhibited a sustained period of delinquency or there have been significant events (such as bankruptcy, eminent foreclosure, or natural disasters) that impact repayment probability. Impairment is evaluated on an individual loan basis. Consistent with the Bank's existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

The following table sets forth the Bank's impaired loans information, segregated by class of loan:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
<u>December 31, 2022</u>					
With no related allowance recorded					
Secured by real estate					
Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	7,185	7,185	-	12,088	994
Commercial and industrial	-	-	-	-	-
Consumer	-	-	-	-	-
Government	-	-	-	-	-
With an allowance recorded					
Secured by real estate					
Construction	-	-	-	-	-
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer	-	-	-	-	-
Government	-	-	-	-	-
<b>Total</b>	<u>\$ 7,185</u>	<u>\$ 7,185</u>	<u>\$ -</u>	<u>\$ 12,088</u>	<u>\$ 994</u>

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 6 - CREDIT QUALITY (Continued)

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
<u>December 31, 2021</u>					
With no related allowance recorded					
Secured by real estate					
Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	16,991	16,991	-	21,532	1,718
Commercial and industrial	-	-	-	-	-
Consumer	5,945	5,945	-	8,316	519
Government	-	-	-	-	-
With an allowance recorded					
Secured by real estate					
Construction	-	-	-	-	-
Farmland	-	-	-	-	-
Residential	-	-	-	-	-
Commercial	-	-	-	-	-
Commercial and industrial	-	-	-	-	-
Consumer	-	-	-	-	-
Government	-	-	-	-	-
Total	<u>\$ 22,936</u>	<u>\$ 22,936</u>	<u>\$ -</u>	<u>\$ 29,848</u>	<u>\$ 2,237</u>

NOTE 7 - ALLOWANCE FOR LOAN LOSSES

The following is an analysis of the allowance for loan losses for the years ended:

	December 31,		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 1,002,817	\$ 1,027,825	\$ 897,930
Loans charged off	(14,842)	(39,275)	(23,135)
Recoveries of loans previously charged off	25,108	14,267	113,030
Provision for loan losses	5,100	-	40,000
Balance at end of year	<u>\$ 1,018,183</u>	<u>\$ 1,002,817</u>	<u>\$ 1,027,825</u>

NOTE 7 - ALLOWANCE FOR LOAN LOSSES (Continued)

The allowance for loan losses is management's estimate of the probable loan losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance for loan losses and the appropriate provision for loan losses is based upon a quarterly evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows, estimated losses on pools of loans based on historical loss experience, and consideration of current economic trends, all of which are susceptible to constant and significant change. Allocations are made for specific loans based upon management's estimate of the borrowers' ability to repay and other factors impacting collectability. Other loans not specifically reviewed are segregated by portfolio segment and allocations are made based upon historical loss percentages adjusted for current environmental factors. The environmental factors considered for each of the portfolio segments include estimated probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet fully manifested themselves in loss allocation factors. In addition, a portion of the allowance account is for the inherent imprecision in the allowance for loan losses analysis. During 2022, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged off amounts are credited to the allowance for loan losses. When a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to management to charge off all or a portion of that loan.

Generally, any unsecured commercial loan that has reached 180 days delinquent in payment of interest must be charged off in full. If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is six months delinquent. Any commercial loan, secured or unsecured, on which a principal or interest payment has not been made within 90 days, is reviewed monthly for appropriate action.

First mortgage residential real estate loans, which are well-secured and in process of collection are to be charged off on or before becoming 365 days past due. Home equity and improvement loans are to be reviewed before they become 180 days past due, and are to be charged off unless they are well-secured and in process of collection. If well-secured and in process of collection, charge-off can be deferred until the loan is 365 days past due.

Consumer loans that are past due 120 cumulative days from the contractual due date are charged off. Any consumer loan on which a principal or interest payment has not been made within 90 days is reviewed monthly for appropriate action.

The Bancorp and its Subsidiaries have credit risk on PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded, or serviced, the SBA may deny the Bank's liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency.

The Bank considers the allowance for loan losses of \$1,018,183 and \$1,002,817 adequate to cover loan losses inherent in the loan portfolio as of December 31, 2022 and 2021, respectively. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 - ALLOWANCE FOR LOAN LOSSES (Continued)

	<u>Commercial</u>	<u>Mortgage</u>	<u>Installment</u>	<u>Unallocated</u>	<u>Total</u>
<u>December 31, 2022</u>					
Allowance for loan losses					
Beginning balance	\$ 542,890	\$ 167,707	\$ 22,452	\$ 269,768	\$ 1,002,817
Charge-offs	(14,842)	-	-	-	(14,842)
Recoveries	1,396	13,805	9,907	-	25,108
Provision	(11,448)	13,296	(2,811)	6,063	5,100
Ending balance	<u>517,996</u>	<u>194,808</u>	<u>29,548</u>	<u>275,831</u>	<u>1,018,183</u>
Ending balance - individually evaluated for impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance - collectively evaluated for impairment	<u>517,996</u>	<u>194,808</u>	<u>29,548</u>	<u>275,831</u>	<u>1,018,183</u>
Financing receivables					
Ending balance	<u>47,771,545</u>	<u>34,361,042</u>	<u>3,560,039</u>		<u>85,692,626</u>
Ending balance - individually evaluated for impairment	<u>7,185</u>	<u>-</u>	<u>-</u>		<u>7,185</u>
Ending balance - collectively evaluated for impairment	<u>\$ 47,764,360</u>	<u>\$ 34,361,042</u>	<u>\$ 3,560,039</u>		<u>\$ 85,685,441</u>
<u>December 31, 2021</u>					
Allowance for loan losses					
Beginning balance	\$ 542,464	\$ 174,778	\$ 32,556	\$ 278,027	\$ 1,027,825
Charge-offs	(7,539)	(13,850)	(17,886)	-	(39,275)
Recoveries	9,840	-	4,427	-	14,267
Provision	(1,875)	6,779	3,355	(8,259)	-
Ending balance	<u>542,890</u>	<u>167,707</u>	<u>22,452</u>	<u>269,768</u>	<u>1,002,817</u>
Ending balance - individually evaluated for impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance - collectively evaluated for impairment	<u>542,890</u>	<u>167,707</u>	<u>22,452</u>	<u>269,768</u>	<u>1,002,817</u>
Financing receivables					
Ending balance	<u>48,791,678</u>	<u>30,492,107</u>	<u>2,777,786</u>		<u>82,061,571</u>
Ending balance - individually evaluated for impairment	<u>16,991</u>	<u>-</u>	<u>5,945</u>		<u>22,936</u>
Ending balance - collectively evaluated for impairment	<u>\$ 48,774,687</u>	<u>\$ 30,492,107</u>	<u>\$ 2,771,841</u>		<u>\$ 82,038,635</u>

**NOTE 8 - ACCRUED INTEREST RECEIVABLE**

Accrued interest receivable consists of the following:

	December 31,	
	2022	2021
Time deposits	\$ 9,605	\$ 11,884
Investment securities	223,310	192,686
Loans	193,046	84,356
<b>Total</b>	<b>\$ 425,961</b>	<b>\$ 288,926</b>

**NOTE 9 - PREMISES AND EQUIPMENT**

The major categories of premises and equipment are as follows:

	December 31,	
	2022	2021
Land	\$ 922,931	\$ 812,555
Building and improvements	3,271,853	2,780,395
Furniture, fixtures, and equipment	2,056,172	1,912,168
Automobile	69,809	69,809
Construction in progress	-	227,840
<b>Total cost</b>	6,320,765	5,802,767
<b>Less: accumulated depreciation</b>	<b>(3,327,148)</b>	<b>(3,253,198)</b>
<b>Net</b>	<b>\$ 2,993,617</b>	<b>\$ 2,549,569</b>

Depreciation expense for the years ended December 31, 2022, 2021, and 2020 totaled \$200,191, \$170,083 and \$166,315, respectively.

**NOTE 10 - OTHER REAL ESTATE OWNED**

The following is a summary of activity of other real estate owned, expected to be disposed of in the near term, for the years ended:

	December 31,	
	2022	2021
Balance at beginning of year	\$ 725,000	\$ 725,000
Total foreclosed properties for disposition	725,000	725,000
Total basis of other real estate owned sold	-	-
Balance at end of year	\$ 725,000	\$ 725,000

Subsequent writedowns and realized gains and losses on the sale of other real estate owned are recognized in the "Other expense" caption in the consolidated statements of income.

**NOTE 11 - DEPOSITS**

Time deposits issued in denominations that meet or exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 or more totaled \$2,586,629 and \$3,166,021 as of December 31, 2022 and 2021, respectively.

As of December 31, 2022, the maturity distribution of time deposits is as follows:

2023	\$ 13,945,542
2024	6,097,128
2025	2,236,847
2026	2,483,399
2027 and thereafter	1,487,865
Total	\$ 26,250,781

The Bank held related party deposits of approximately \$31,531,000 and \$24,820,000 as of December 31, 2022 and 2021, respectively.

**NOTE 12 - SHORT-TERM BORROWINGS**

The Bank has obtained unsecured, uncommitted, borrowing facilities for the purchase of federal funds in the amounts of \$4,500,000 from SouthState Bank, N.A. (SSB) and \$5,000,000 from Pacific Coast Bankers' Bank (PCBB). Any borrowings bear an interest rate which is determined at the time of each advance. Requests for advances under these facilities are subject to SSB and PCBB's sole and absolute discretion, including, without limitation, the availability of funds. There were no borrowings outstanding as of December 31, 2022 and 2021, respectively.

The Bank is a member of the Federal Home Loan Bank of Pittsburgh (FHLB). As a member, the Bank has an open line of credit commitment from the FHLB. Any advances bear interest at the interest rate posted by the FHLB on the day of the borrowing and are subject to change daily. Any advances are secured by a blanket lien on certain loans secured by 1 to 4 family mortgages made by the Bank and other eligible collateral. As of December 31, 2022, no loans were pledged for collateral. In addition, the Bank has a maximum borrowing capacity with the FHLB of approximately \$48,956,650 based on qualifying loan collateral. As of December 31, 2022 and 2021, there were no borrowings outstanding.

**NOTE 13 - INCOME TAXES**

The consolidated provision for income taxes consists of the following for the years ended:

	December 31,		
	2022	2021	2020
Current			
Federal	\$ 56,858	\$ 42,731	\$ 88,937
State	27,628	20,803	28,560
	84,486	63,534	117,497
Deferred			
Federal	33,375	(3,085)	(20,680)
State	7,945	(735)	(4,925)
	41,320	(3,820)	(25,605)
Total income tax expense	\$ 125,806	\$ 59,714	\$ 91,892



NOTE 13 - INCOME TAXES (Continued)

The consolidated provision for income taxes differs from the amounts computed by applying the U.S. federal statutory income tax rates to income before income tax expense as a result of the following:

	December 31,					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Federal statutory tax rate	\$ 152,447	21.0%	\$ 168,355	21.0%	\$ 182,626	21.0%
Tax-exempt interest	(77,898)	(10.7)	(87,608)	(10.9)	(79,825)	(9.2)
Increase in cash surrender value of life insurance	(10,848)	(1.5)	(10,834)	(1.4)	(11,567)	(1.3)
State income taxes, net of federal tax benefit	28,103	3.9	15,854	2.0	18,672	2.1
Nondeductible expenses	2,245	0.3	4,107	0.5	3,291	0.4
Effect of other items	31,757	4.4	(30,160)	(3.8)	(21,305)	(2.5)
<b>Reported effective tax rate</b>	<b><u>\$ 125,806</u></b>	<b><u>17.4%</u></b>	<b><u>\$ 59,714</u></b>	<b><u>7.4%</u></b>	<b><u>\$ 91,892</u></b>	<b><u>10.5%</u></b>

Deferred income taxes reflect the impact of “temporary differences” between amounts of assets and liabilities for financial reporting purposes and such amounts as measured for tax purposes. Deferred tax assets and liabilities represent the future tax return consequences of temporary differences, which will either be taxable or deductible when the related assets and liabilities are recovered or settled.

Management believes that the Bank will generate sufficient future taxable income to realize the deferred tax assets. Management continually reviews the need for a valuation allowance and will recognize tax benefits only as reassessment indicates that it is more likely than not that the benefits will be realized.

Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

NOTE 13 - INCOME TAXES (Continued)

The tax effects of temporary differences which give rise to the Bancorp's deferred tax assets and liabilities are as follows:

	December 31,	
	2022	2021
Deferred tax assets		
Allowance for loan losses	\$ 199,508	\$ 195,513
Employee benefit plans	266,142	266,251
Deferred gain on sale-leaseback	13,165	21,941
Unrealized losses on investment debt securities available-for-sale	2,011,000	56,000
Accumulated depreciation	-	8,895
	2,489,815	548,600
Deferred tax liabilities		
Accumulated depreciation	(27,535)	-
	(27,535)	-
Net deferred tax assets	\$ 2,462,280	\$ 548,600

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Bancorp and its Subsidiaries and recognize a tax liability (or asset) if the Bancorp and its Subsidiaries have taken an uncertain position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed tax positions taken by the Bancorp and its Subsidiaries, and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Bancorp files income tax returns in the United States federal jurisdiction and West Virginia state jurisdiction, and is subject to examination of those filings by the authorities representing those jurisdictions. There are no current examinations in process for any filings, and management believes that the Bancorp is not subject to audit for any years prior to 2019.

NOTE 14 - EMPLOYEE BENEFIT PLANS

Profit sharing and employee stock ownership plans - The Bank has a defined contribution profit sharing plan covering substantially all employees. The Bank's contributions under the profit sharing plan are funded with a trustee and are contingent upon the Bank achieving a minimum earnings level.

The Bank has an Employee Stock Ownership Plan (ESOP) which enables eligible employees to acquire shares of the Bancorp's common stock. The cost of the ESOP is borne by the Bank through annual contributions to an Employee Stock Ownership Trust, the trustees of which are also members of the Bancorp and its Subsidiary Bank's Board of Directors. The expense recognized by the Bank is based on cash contributed or committed to be contributed by the Bank to the ESOP during the year. Dividends made by the Bancorp to the ESOP are reported as a reduction to retained earnings. The ESOP owns 20,722 shares of the Bancorp's common stock as of December 31, 2022, all of which are considered outstanding for earnings per share computations. The Bank's Board of Directors elected to terminate the ESOP effective December 17, 2021 and all contributions ceased after this date.

**NOTE 14 - EMPLOYEE BENEFIT PLANS (Continued)**

The amount of the contributions to the profit-sharing plan and the ESOP (prior to termination of the plan as of December 17, 2021) are determined at the discretion of the Bank's Board of Directors in compliance with Internal Revenue Service limitations. Contributions have historically been made in the amount of 10% of the Bank's income before profit-sharing, ESOP, and income taxes. In the event this calculated contribution exceeds the amount allowable under current Internal Revenue Service regulations, the excess is distributed to the employees in the form of a cash bonus. Contributions to the plans, for the years ended December 31, 2022, 2021, and 2020, were \$73,100, \$86,300, and \$93,650, respectively.

Executive supplemental income plan - The Bank has entered into a nonqualified supplemental income plan with certain current and former senior officers that provide these participating officers with an income benefit payable at retirement age or death. The liabilities accrued for the Executive Supplemental Income Plan as of December 31, 2022 and 2021, were \$1,023,625 and \$1,024,044, respectively, which are included in other liabilities in the accompanying consolidated balance sheets. In addition, the Bank has purchased certain insurance contracts to fund the liabilities arising under this plan. As of December 31, 2022 and 2021, the cash surrender value of these insurance contracts was \$3,440,142 and \$3,388,306, respectively.

**NOTE 15 - RESTRICTIONS ON BANK DIVIDENDS**

The payment of dividends to shareholders by the Bancorp is not encumbered by any restrictive provisions. There are, however, limitations set by law on the amount of funds available to the Bancorp from its Subsidiary Bank. Dividends may be paid out of funds legally available subject to the restrictions set forth in West Virginia Code, Section 31-A-4-25, which provides that prior approval of the West Virginia Commissioner of Financial Institutions is required if the total of all dividends declared by a state bank in any calendar year will exceed the bank's net profits for that year combined with its retained net profits for the preceding two years. The amount of funds legally available for distribution of dividends by the Bank to the Bancorp without prior approval from regulatory authorities for 2022 was approximately \$1,680,964, less \$184,438, which was distributed by December 31, 2022.

**NOTE 16 - REGULATORY CAPITAL MATTERS**

Banks and bank holding companies are subject to regulatory capital requirements administered by their primary federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Management believes, as of December 31, 2022 and 2021, that the Bancorp and the Bank meet all the capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. As of December 31, 2022 and 2021, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

NOTE 16 - REGULATORY CAPITAL MATTERS (Continued)

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

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

Under the final rule, an eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restrictions. As of December 31, 2022, both the Bancorp and Bank were qualifying community banking organizations as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

NOTE 16 - REGULATORY CAPITAL MATTERS (Continued)

The following tables present the Bancorp and the Bank's actual and required capital amounts and capital ratios as of December 31, 2022 and 2021, respectively.

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount (Thousands)	Ratio	Amount (Thousands)	Ratio
<u>As of December 31, 2022</u>				
Leverage – (Tier 1 capital to average total assets)				
Consolidated	\$ 17,106	10.99%	\$ N/A	≥ N/A
Subsidiary Bank	\$ 16,966	10.90%	\$ 14,013	≥ 9.00%

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount (Thousands)	Ratio	Amount (Thousands)	Ratio
<u>As of December 31, 2021</u>				
Leverage – (Tier 1 capital to average total assets)				
Consolidated	\$ 16,692	10.86%	\$ N/A	≥ N/A
Subsidiary Bank	\$ 16,578	10.78%	\$ 13,067	≥ 8.50%

NOTE 17 - LEASING ARRANGEMENTS

During 2019, the Bank entered into a sales arrangement with a related party for the sale of the Spencer main bank building. Certain owners of the related party are either directors or shareholders of the Bancorp. Simultaneous with the closing of the sale, the Bank entered into a lease transaction with the related party to lease a portion of the building. Under the arrangement, the building, with a net book value of \$81,178, was sold for \$250,000 and leased back under a five year operating lease. The Bank received cash of \$100,000 at the time of sale and the remaining purchase price of \$150,000 was financed by the Bank. As a result of the transaction, a gain in the amount of \$168,822 has been deferred and will be recognized over the term of the related lease agreement. As of December 31, 2022 and 2021, a deferred gain in the amount of \$50,634 and \$84,390, respectively, is reported in the "Other liabilities" caption on the consolidated balance sheets. The portion of the gain recognized by the Bank for the years ended December 31, 2022 and 2021 was \$33,756 and \$33,756, respectively. Under the terms of the operating lease agreement, the Bank is required to make a fixed monthly payment of \$9,000 over the term of five years.

The Bank accounts for this lease as an operating lease under ASU 2016-02, *Leases (Topic 842)*. The consolidated balance sheets present operating lease ROU assets of \$160,813 and operating lease liabilities of \$160,813 as of December 31, 2022.

Operating lease cost is recognized on a straight-line basis over the lease term and is included in occupancy and equipment expenses within noninterest expenses on the consolidated statements of income. Net operating lease cost for the year ended December 31, 2022 was \$108,000. Rent expense for the year ended December 31, 2021 was \$107,616.

As of December 31, 2022, the weighted average remaining lease term was 1.5 years, and the weighted average discount rate was 1.04% for operating leases recognized in the consolidated financial statements.

NOTE 17 - LEASING ARRANGEMENTS (Continued)

Future minimum lease commitments under operating leases as of December 31, 2022 are as follows:

<u>December 31,</u>	
2023	\$ 108,000
2024	<u>54,000</u>
Total	<u>\$ 162,000</u>

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

The Bancorp and its Subsidiary Bank have an executive benefit agreement with the current Executive Vice President. This agreement contains change in control provisions that would entitle the officer to receive a multiple of his annual compensation if there is a change in control in the Bancorp (as defined) and a termination of his employment under certain circumstances. The maximum contingent liability under this agreement approximates \$128,000 as of December 31, 2022.

The Bank has contracted with a third-party service center to perform substantially all electronic data processing services for the Bank. Pursuant to this agreement, certain payments may become due if the agreement is terminated before March 2028. As of December 31, 2022, the contingent liability to the Bank's service center is estimated to be approximately \$1,747,000 plus the actual costs incurred in connection with the termination.

The Bank is involved in various legal actions arising in the ordinary course of business. In the opinion of management and counsel, there are no legal actions pending at the time of the audit report.

As a participating lender in the SBA PPP, the Bancorp and its Subsidiaries are subject to additional risks of litigation from customers or other parties regarding processing of loans for the PPP and risks that the SBA may not fund some or all PPP loan guarantees.

From time to time, the Bank maintains cash balances in other financial institutions exceeding the Federal Deposit Insurance Corporation's insured balance of up to \$250,000.

**NOTE 19 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

In the normal course of business, the Bank has outstanding commitments, contingent liabilities, and other financial instruments that are not reflected in the accompanying consolidated financial statements. These include commitments to extend credit, standby letters of credit, and overdraft protection, which are some of the instruments used by the Bank to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for these commitments is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments.

Commitments to extend credit - The Bank has outstanding firm commitments to extend credit as follows:

	December 31, 2022			December 31, 2021		
	Fixed Rate	Variable Rate	Total	Fixed Rate	Variable Rate	Total
Real estate loans	\$ 307,094	\$ 956,749	\$ 1,263,843	\$ -	\$ 1,579,297	\$ 1,579,297
Installment loans	20,000	-	20,000	42,500	-	42,500
Commercial loans	-	1,724,600	1,724,600	-	2,773,926	2,773,926
Home equity loans	-	2,721,013	2,721,013	-	1,882,795	1,882,795
Commercial lines of credit	2,125,813	3,996,936	6,122,749	169,709	4,601,093	4,770,802
<b>Total</b>	<b>\$ 2,452,907</b>	<b>\$ 9,399,298</b>	<b>\$ 11,852,205</b>	<b>\$ 212,209</b>	<b>\$ 10,837,111</b>	<b>\$ 11,049,320</b>

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. Certain commitments have fixed expiration dates, or other termination clauses, and may require payment of a fee. Many of the commitments are expected to expire without being drawn upon, accordingly, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral or other security obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, equipment, or real estate.

Standby letters of credit - The Bank has commitments under standby letters of credit that totaled \$335,000 and \$335,000 as of December 31, 2022 and 2021, respectively.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. These letters of credit are generally uncollateralized.

Overdraft protection - The Bank has an overdraft privilege product with qualified individual transaction account holders providing automatic payment of overdrafts up to a specified amount based on the type of account, charging the standard overdraft fee. The Bank had commitments of \$907,785 and \$939,616 as of December 31, 2022 and 2021, respectively.

NOTE 20 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 asset or liability.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Accordingly, investment debt securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Bank may be required to record other assets at fair value on a nonrecurring basis, such as impaired loans and other real estate owned. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or writedowns of individual assets.



NOTE 20 - FAIR VALUE MEASUREMENTS (Continued)

The following describes the valuation techniques used to measure certain financial assets and liabilities recorded at fair value on a recurring basis in the financial statements.

Investment debt securities available-for-sale - Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange or traded by dealers or brokers in active over-the-counter markets. Level 2 securities include securities issued by government sponsored entities, mortgage-backed securities, and municipal bonds. Level 3 securities include those with unobservable inputs. Transfers between levels can occur due to changes in the observability of significant inputs.

The following are assets and liabilities that were accounted for or disclosed at fair value on a recurring basis:

	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2022</u>				
Debt securities available-for-sale				
U.S. government and federal agencies	\$ 14,787,327	\$ -	\$ 14,787,327	\$ -
U.S. treasuries	12,152,813	-	12,152,813	-
Mortgage-backed securities	6,153,423	-	6,153,423	-
State, county, and municipal - nontaxable	15,412,282	-	15,412,282	-
State, county, and municipal - taxable	3,358,321	-	3,358,321	-
<b>Total debt securities available-for-sale</b>	<b>\$ 51,864,166</b>	<b>\$ -</b>	<b>\$ 51,864,166</b>	<b>\$ -</b>
<u>December 31, 2021</u>				
Debt securities available-for-sale				
U.S. government and federal agencies	\$ 16,292,177	\$ -	\$ 16,292,177	\$ -
U.S. treasuries	3,979,062	-	3,979,062	-
Mortgage-backed securities	2,675,995	-	2,675,995	-
State, county, and municipal - nontaxable	17,298,979	-	17,298,979	-
State, county, and municipal - taxable	4,650,108	-	4,650,108	-
<b>Total debt securities available-for-sale</b>	<b>\$ 44,896,321</b>	<b>\$ -</b>	<b>\$ 44,896,321</b>	<b>\$ -</b>

NOTE 20 - FAIR VALUE MEASUREMENTS (Continued)

The following describes the valuation techniques used to measure certain assets and liabilities recorded at fair value on a nonrecurring basis in the financial statements.

Impaired loans - The Bank does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses may need to be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment. As of December 31, 2022, the fair value of substantially all of the impaired loans was estimated based on the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of the collateral, require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Bank records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank records the impaired loan as nonrecurring Level 3. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans.

Other real estate owned (OREO) - OREO consists of real estate acquired in foreclosure or other settlement of loans. Such assets are carried on the consolidated balance sheet at the lower of the investment in the real estate or its fair value less estimated selling costs. The fair value of OREO is determined on a nonrecurring basis generally utilizing current appraisals performed by an independent, licensed appraiser applying an income or market value approach using observable market data (Level 2). However, if a current appraisal is not available, the original appraised value is discounted, as appropriate, to compensate for the estimated depreciation in the value of the real estate since the date of its original appraisal. Such discounts are generally estimated based upon management's knowledge of sales of similar property within the applicable market area and its knowledge of other real estate market-related data as well as general economic trends (Level 3). Upon foreclosure, any fair value adjustment is charged against the allowance for loan losses. Subsequent fair value adjustments are recorded in the period incurred and included in other noninterest expense in the consolidated statements of income.

NOTE 20 - FAIR VALUE MEASUREMENTS (Continued)

The following are assets and liabilities that were accounted for or disclosed at fair value on a nonrecurring basis:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using:</u>		
		<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2022</u>				
Other real estate owned:				
Commercial	\$ 725,000	\$ -	\$ -	\$ 725,000
Total other real estate owned	<u>\$ 725,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,000</u>
<u>December 31, 2021</u>				
Other real estate owned:				
Commercial	\$ 725,000	\$ -	\$ -	\$ 725,000
Total other real estate owned	<u>\$ 725,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 725,000</u>

The quantitative information about Level 3 fair value measurements for assets and liabilities measured at fair value on a nonrecurring basis is as follows:

<u>Description</u>	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Significant Unobservable Input</u>
<u>December 31, 2022</u>			
Other real estate owned:			
Commercial	\$ 725,000	Appraisal of property	Appraisal adjustment
<u>December 31, 2021</u>			
Other real estate owned:			
Commercial	\$ 725,000	Appraisal of property	Appraisal adjustment

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 21 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY

The following financial statements reflect the financial position, results of operations, and cash flows of West-Central Bancorp, Inc. (Parent Company Only).

CONDENSED BALANCE SHEETS

	December 31,	
	2022	2021
<b>Assets</b>		
Cash and due from banks (all from subsidiary bank)	\$ 93,601	\$ 68,477
Investment in subsidiaries (equity basis)	11,576,426	16,473,571
<b>Total assets</b>	<b>\$ 11,670,027</b>	<b>\$ 16,542,048</b>
<b>Liabilities and shareholders' equity</b>		
Total liabilities	\$ -	\$ -
<b>Shareholders' equity</b>		
Common stock (par value \$1.00; 5,000,000 shares authorized; 350,860 shares issued; 184,423 and 184,453 shares outstanding as of December 31, 2022 and 2021, respectively)	350,860	350,860
Additional paid in capital	1,597,246	1,597,246
Retained earnings	19,368,115	18,952,423
Less: treasury stock, at cost (166,437 and 166,407 shares as of December 31, 2022 and 2021, respectively)	(4,210,269)	(4,208,079)
Accumulated other comprehensive income (loss)	(5,435,925)	(150,402)
<b>Total shareholders' equity</b>	<b>11,670,027</b>	<b>16,542,048</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 11,670,027</b>	<b>\$ 16,542,048</b>

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 21 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

CONDENSED STATEMENTS OF INCOME

	Years Ended December 31,		
	2022	2021	2020
Income			
Dividend income from subsidiaries	\$ 211,777	\$ 214,643	\$ 207,042
Total income	<u>211,777</u>	<u>214,643</u>	<u>207,042</u>
Expenses			
Other expenses	<u>25</u>	<u>10,050</u>	<u>50</u>
Total expenses	<u>25</u>	<u>10,050</u>	<u>50</u>
Income before income tax expense and equity in undistributed earnings of subsidiaries	211,752	204,593	206,992
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>
Income before equity in undistributed earnings of subsidiaries	211,752	204,593	206,992
Equity in undistributed earnings of subsidiaries	<u>388,378</u>	<u>537,384</u>	<u>570,764</u>
Net income	<u>\$ 600,130</u>	<u>\$ 741,977</u>	<u>\$ 777,756</u>

NOTE 21 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2022	2021	2020
Cash flows from operating activities			
Net income	\$ 600,130	\$ 741,977	\$ 777,756
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Equity in undistributed earnings of subsidiaries	(388,378)	(537,384)	(570,764)
Total adjustments	(388,378)	(537,384)	(570,764)
Net cash provided (used) by operating activities	211,752	204,593	206,992
Cash flows from financing activities			
Purchases of treasury stock	(2,190)	-	-
Cash dividends paid	(184,438)	(184,453)	(184,453)
Net cash provided (used) by financing activities	(186,628)	(184,453)	(184,453)
Net increase (decrease) in cash and cash equivalents	25,124	20,140	22,539
Cash and cash equivalents at beginning of year	68,477	48,337	25,798
Cash and cash equivalents at end of year	\$ 93,601	\$ 68,477	\$ 48,337

Principal sources of income for the Bancorp are dividends received from its Subsidiaries. State law imposes limitations on the payment of dividends by the Subsidiary Bank of the Bancorp. A dividend may not be paid if the total of all dividends declared by a bank in any calendar year is in excess of the current year's net profits combined with the retained net profits of the two preceding years unless the bank obtains regulatory approval.

Loans and extensions of credit must be secured in specified amounts. The Bancorp had no borrowings outstanding from its Subsidiary Bank as of December 31, 2022.

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 21 - CONDENSED FINANCIAL INFORMATION - PARENT COMPANY ONLY (Continued)

The Bancorp accounts for its investments in its Subsidiaries by the equity method. During the years ended December 31, 2022, 2021, and 2020, changes in the investments were as follows:

	West Central Insurance, LLC	First Neighborhood Bank, Inc.
Percent to total shares	100%	100%
Balance at December 31, 2019	\$ 46,610	\$ 15,485,705
Add (deduct)		
Equity in net income	22,589	755,217
Equity in other comprehensive income	-	439,021
Dividends declared	(22,589)	(184,453)
Balance at December 31, 2020	46,610	16,495,490
Add (deduct)		
Equity in net income	30,140	721,837
Equity in other comprehensive income (loss)	-	(605,913)
Dividends declared	(30,140)	(184,453)
Balance at December 31, 2021	46,610	16,426,961
Add (deduct)		
Equity in net income	27,339	572,816
Equity in other comprehensive income (loss)	-	(5,285,523)
Dividends declared	(27,339)	(184,438)
Balance at December 31, 2022	\$ 46,610	\$ 11,529,816

**SUPPLEMENTARY INFORMATION**



INDEPENDENT AUDITOR'S REPORT ON  
CONSOLIDATING INFORMATION

To the Board of Directors  
West-Central Bancorp, Inc. and Subsidiaries  
Spencer, West Virginia

We have audited the consolidated financial statements of West-Central Bancorp, Inc. and its Subsidiaries as of and for the year ended December 31, 2022, and our report thereon dated February 14, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 3 and 4. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Suttle & Stalnaker, PLLC*

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February 14, 2023

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**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2022**

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
<b>ASSETS</b>					
Cash and due from banks	\$ 93,601	\$ 4,773,445	\$ -	\$ (93,601)	\$ 4,773,445
Interest-earning deposits in other banks	-	417,579	-	-	417,579
Federal funds sold	-	8,290,000	-	-	8,290,000
Cash and cash equivalents	93,601	13,481,024	-	(93,601)	13,481,024
Time deposits	-	2,750,000	-	-	2,750,000
Investment securities					
Debt securities available-for-sale, at fair value	-	51,864,166	-	-	51,864,166
Other securities	-	68,300	-	-	68,300
Investment in subsidiaries	11,576,426	-	-	(11,576,426)	-
Loans	-	85,692,626	-	-	85,692,626
Less: allowance for loan losses	-	(1,018,183)	-	-	(1,018,183)
Loans - net	-	84,674,443	-	-	84,674,443
Accrued interest receivable	-	425,961	-	-	425,961
Premises and equipment - net	-	2,993,617	-	-	2,993,617
Operating lease right-of-use assets	-	160,813	-	-	160,813
Other real estate owned	-	725,000	-	-	725,000
Cash surrender value - bank owned life insurance	-	3,440,142	-	-	3,440,142
Deferred income taxes	-	2,462,280	-	-	2,462,280
Other assets	-	114,178	46,610	-	160,788
<b>Total assets</b>	<b>\$ 11,670,027</b>	<b>\$ 163,159,924</b>	<b>\$ 46,610</b>	<b>\$ (11,670,027)</b>	<b>\$ 163,206,534</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits					
Demand - noninterest-bearing	\$ -	\$ 66,620,948	\$ -	\$ (93,601)	\$ 66,527,347
Demand - interest-bearing	-	31,134,542	-	-	31,134,542
Savings	-	26,043,549	-	-	26,043,549
Time	-	26,250,781	-	-	26,250,781
Total deposits	-	150,049,820	-	(93,601)	149,956,219
Advance payments from borrowers for taxes and insurance	-	106,759	-	-	106,759
Accrued interest payable	-	20,962	-	-	20,962
Operating lease liabilities	-	160,813	-	-	160,813
Other liabilities	-	1,291,754	-	-	1,291,754
Total liabilities	-	151,630,108	-	(93,601)	151,536,507
Shareholders' equity					
Common stock	350,860	545,669	-	(545,669)	350,860
Additional paid in capital	1,597,246	1,500,000	-	(1,500,000)	1,597,246
Retained earnings	19,368,115	14,920,072	46,610	(14,966,682)	19,368,115
Less: treasury stock, at cost	(4,210,269)	-	-	-	(4,210,269)
Accumulated other comprehensive income (loss)	(5,435,925)	(5,435,925)	-	5,435,925	(5,435,925)
Total shareholders' equity	11,670,027	11,529,816	46,610	(11,576,426)	11,670,027
<b>Total liabilities and shareholders' equity</b>	<b>\$ 11,670,027</b>	<b>\$ 163,159,924</b>	<b>\$ 46,610</b>	<b>\$ (11,670,027)</b>	<b>\$ 163,206,534</b>

Refer to the auditor's report on consolidating information.

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF INCOME**  
**YEAR ENDED DECEMBER 31, 2022**

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
<b>Interest income</b>					
Interest and fees on loans	\$ -	\$ 3,648,963	\$ -	\$ -	\$ 3,648,963
Interest on deposits in other banks	-	90,664	-	-	90,664
Interest on federal funds sold	-	82,178	-	-	82,178
Interest and dividends on investment securities	-	925,669	-	-	925,669
<b>Total interest income</b>	<b>-</b>	<b>4,747,474</b>	<b>-</b>	<b>-</b>	<b>4,747,474</b>
<b>Interest expense</b>					
Interest on deposits	-	159,014	-	-	159,014
<b>Total interest expense</b>	<b>-</b>	<b>159,014</b>	<b>-</b>	<b>-</b>	<b>159,014</b>
<b>Net interest income</b>	<b>-</b>	<b>4,588,460</b>	<b>-</b>	<b>-</b>	<b>4,588,460</b>
Provision for loan losses	-	5,100	-	-	5,100
<b>Net interest income after provision for loan losses</b>	<b>-</b>	<b>4,583,360</b>	<b>-</b>	<b>-</b>	<b>4,583,360</b>
<b>Noninterest income</b>					
Service charges and fees	-	512,024	-	-	512,024
Increase in cash surrender value - bank owned life insurance	-	51,658	-	-	51,658
Dividend income from subsidiaries	211,777	-	-	(211,777)	-
Equity in undistributed earnings of subsidiaries	388,378	-	-	(388,378)	-
Other income	-	54,254	27,364	-	81,618
<b>Total noninterest income</b>	<b>600,155</b>	<b>617,936</b>	<b>27,364</b>	<b>(600,155)</b>	<b>645,300</b>
<b>Noninterest expense</b>					
General and administrative					
Compensation and benefits	-	2,421,973	-	-	2,421,973
Occupancy and equipment	-	673,029	-	-	673,029
FDIC assessment	-	44,000	-	-	44,000
Data processing	-	497,736	-	-	497,736
Other expenses	25	865,936	25	-	865,986
<b>Total noninterest expense</b>	<b>25</b>	<b>4,502,674</b>	<b>25</b>	<b>-</b>	<b>4,502,724</b>
Income before income tax expense	600,130	698,622	27,339	(600,155)	725,936
Income tax expense	-	125,806	-	-	125,806
<b>Net income</b>	<b>\$ 600,130</b>	<b>\$ 572,816</b>	<b>\$ 27,339</b>	<b>\$ (600,155)</b>	<b>\$ 600,130</b>

Refer to the auditor's report on consolidating information.

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
Cash flows from operating activities					
Net income	\$ 600,130	\$ 572,816	\$ 27,339	\$ (600,155)	\$ 600,130
Adjustments to reconcile net income to net cash provided (used) by operating activities					
Equity in undistributed earnings of subsidiaries	(388,378)	-	-	388,378	-
Depreciation	-	200,191	-	-	200,191
Provision for loan losses	-	5,100	-	-	5,100
Provision for deferred income tax	-	41,320	-	-	41,320
Amortizations (accretions) on investment securities - net	-	215,205	-	-	215,205
Net realized (gains) losses from disposal of premises and equipment	-	29,279	-	-	29,279
Amortization of deferred gain on sale-leaseback transaction	-	(33,756)	-	-	(33,756)
(Increase) decrease in accrued interest receivable	-	(137,035)	-	-	(137,035)
(Increase) decrease in cash surrender value - bank owned life insurance	-	(51,658)	-	-	(51,658)
(Increase) decrease in other assets	-	216,550	-	-	216,550
(Increase) decrease in right-of-use operating lease asset	-	(160,813)	-	-	(160,813)
Increase (decrease) in accrued interest payable	-	4,299	-	-	4,299
Increase (decrease) in other liabilities	-	(177,181)	-	-	(177,181)
Increase (decrease) in operating lease liabilities	-	160,813	-	-	160,813
Total adjustments	(388,378)	312,314	-	388,378	312,314
Net cash provided (used) by operating activities	211,752	885,130	27,339	(211,777)	912,444
Cash flows from investing activities					
Net (increase) decrease in time deposits	-	750,000	-	-	750,000
Purchases of investment debt securities available-for-sale	-	(17,079,091)	-	-	(17,079,091)
Proceeds from maturities and calls of investment debt securities available-for-sale	-	1,995,000	-	-	1,995,000
Proceeds from principle payments on investment debt securities available-for-sale	-	660,518	-	-	660,518
Purchases of Federal Home Loan Bank stock	-	(400)	-	-	(400)
Redemptions of Federal Home Loan Bank stock	-	3,400	-	-	3,400
Net (increase) decrease in loans	-	(3,620,789)	-	-	(3,620,789)
Capital expenditures	-	(673,518)	-	-	(673,518)
Net cash provided (used) by investing activities	-	(17,964,880)	-	-	(17,964,880)

Refer to the auditor's report on consolidating information.

**WEST-CENTRAL BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(Continued)**

	West-Central Bancorp, Inc.	First Neighborhood Bank, Inc.	West Central Insurance, LLC	Consolidating Eliminations	Consolidated Totals
Cash flows from financing activities					
Net increase (decrease) in total deposits	-	7,249,849	-	(25,124)	7,224,725
Net increase (decrease) in advance payments from borrowers for taxes and insurance	-	2,263	-	-	2,263
Purchases of treasury stock	(2,190)	-	-	-	(2,190)
Cash dividends paid	(184,438)	(184,438)	(27,339)	211,777	(184,438)
Net cash provided (used) by financing activities	(186,628)	7,067,674	(27,339)	186,653	7,040,360
Net increase (decrease) in cash and cash equivalents	25,124	(10,012,076)	-	(25,124)	(10,012,076)
Cash and cash equivalents at beginning of year	68,477	23,493,100	-	(68,477)	23,493,100
<b>Cash and cash equivalents at end of year</b>	<b>\$ 93,601</b>	<b>\$ 13,481,024</b>	<b>\$ -</b>	<b>\$ (93,601)</b>	<b>\$ 13,481,024</b>
Supplemental disclosure of cash flows information					
Cash paid during the year for					
Interest	\$ -	\$ 154,715	\$ -	\$ -	\$ 154,715
Income taxes	\$ -	\$ 37,856	\$ -	\$ -	\$ 37,856

Refer to the auditor's report on consolidating information.