Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This report is required by law: Section 5(c)(1) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)); section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)(2)); sections 102 (a)(1), 165, and 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. §§ 5311(a)(1), 5365, and 1850a(c)(1)); and sections 8(a) and 13(a) of the International Banking Act of 1978 (12 U.S.C. §§ 3106(a) and 3108(a)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, James E. Nye
Name of the Holding Company Director and Official

President
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

3/13/23
Date of Signature

For Federal Reserve Bank Use Only

RSSD ID ______

C.I. ______

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2022
Month / Day / Year

Reporter's Name, Street, and Mailing Address

Grand Bank Corporation
Legal Title of Holding Company

91 Pleasant Street
(Mailing Address of the Holding Company) Street / P.O. Box

Marblehead	MA	01945
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Michael R. Spencer	Treasurer
Name	Title

781-797-7905
Area Code / Phone Number / Extension

781-639-2505
Area Code / FAX Number

mspencer@ngbank.com
E-mail Address

www.ngbank.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... ☐
2. a letter justifying this request has been provided separately ... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Report Item 1: Annual Report to Shareholders

For holding companies not registered with the SEC, **indicate status of Annual Report to Shareholders:**

☒ is included with the FR Y-6 report

☐ will be sent under separate cover

☐ is not prepared

Checklist

The checklist below is provided to assist the holding company in filing all the necessary responses and verifying changes from the prior year to the various report items. The completed checklist should be submitted with the report. Please see section A of the General Instructions for additional guidance.

Verification of Changes

All Reporters must respond to the following questions by checking the Yes or No box below, as appropriate.

Did the holding company have changes to any reportable FR Y-6 items (2a, 2b, 3, or 4) from the prior year?

☒ Yes ☐ No

If checked Yes, complete the remaining checklist for Report Items 2a, 2b, 3, and 4. For each Report Item, indicate whether there are changes from the prior year by checking Yes or No below. See section A of the General Instructions for additional information.

Report Item 2a: Organization Chart

☐ Yes ☒ No

If checked Yes, the Reporter must submit the organization chart as specified in Report Item 2.a instructions.

Report Item 2b: Domestic Branch Listing

☐ Yes ☒ No

If checked Yes, the Reporter must submit the domestic branch listing as specified in Report Item 2.b instructions.

Report Item 3: Securities Holders

☒ Yes ☐ No

If checked Yes, the Reporter must submit the information as specified in Report Item 3 instructions.

Report Item 4: Insiders

☒ Yes ☐ No

If checked Yes, the Reporter must submit the information as specified in Report Item 4 instructions.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

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City State Zip Code

Physical Location (if different from mailing address)

Form FR Y-6

Grand Bank Corporation
Marblehead, Massachusetts
Fiscal Year Ending December 31, 2022

Report Item 3: Shareholders

Current Shareholders with ownership, control or holdings of 5% or more power to vote as of fiscal year ending December 31, 2022.

(1)(a) **Name & Address** **(City, State, Country)**	**(1)(b)** **Country of Citizenship** **or Incorporation**	**(1)(c)** **Number and Percentage of** **each Class of Voting securities**
Cede and Company The Depository Trust Company New York, NY, USA	USA	2,431 shares - 22.61%[i]

[i] Includes 561 shares – 5.21% from Jonathan Goodwin and Karen Goodwin, Trustees of the Jonathan George Goodwin and Karen Bickmore Goodwin Living Trust, Aldie, VA USA

Form FR Y-6
Grand Bank Corporation
Fiscal year Ending December 31, 2022

Report Item 4: Insiders
(1), (2), (3)(a)(b)(c), and (4)(a)(b)(c)

(1) Name & Address (City, State, Country)	(2) Principal Occupation other than Holding Co.	(3)(a) Title & Position Holding Co.	(3)(b) Title & Position Subsidiaries	(3)(c) Title & Position other Businesses	(4)(a) Percentage Voting Shares Holding Co.	(4)(b) Percentage Voting Shares Subsidiaries	(4)(c) Names of other Companies if >25% or more of Voting Securities
Ralph C. Anderson Marblehead, MA	President	Director	Director - National Grand Bank Director - Pleasant Street Investment Corp.	President - Marblehead Trading Co. President - Marblehead Marine, Inc. President - Marblehead Lower Yacht Yard	0.90%	N/A	Marblehead Trading Co. Marblehead Marine, Inc. Marblehead Lower Yacht Yard
Peter C. Brown Marblehead, MA	President & Treasurer	Director	Director - National Grand Bank Director - Pleasant Street Investment Corp. Trustee - Grand Bank Realty Trust	President & Treasurer - Beacon Hill Import General Partner - Beacon Street Assoc. LTD Partnership	2.95%	N/A	N/A
Jo-Mary Koopman Marblehead, MA	President & CEO	Director	Director - National Grand Bank Director - Pleasant Street Investment Corp.	President & CEO - All Care VNA, Hospice, & Home Care	0.01%	N/A	N/A
John C. Doub Marblehead, MA	CEO	Director	Director - National Grand Bank Director - Pleasant Street Investment Corp.	CEO - Market Collection Inc. d/b/a Irresistibles	2.20%	N/A	Market Collection Inc. d/b/a Irresistibles
Paul G. Gregory Marblehead, MA	President	Director	Director - National Grand Bank Director - Pleasant Street Investment Corp.	President & Director - Computer Corporation of America President - Rocket Software Inc.	1.96%	N/A	N/A
Kenneth G. Steadman Marblehead, MA	President & Treasurer	Director	Director - National Grand Bank Director - Pleasant Street Investment Corp. Trustee - Grand Bank Realty Trust	President & Treaurer - Bartlett & Steadman Co, Inc. President & Treaurer - Bartlett & Steadman Development Corp.	0.56%	N/A	N/A
James E. Nye Marblehead, MA	President	Chairman/President	President/Director - National Grand Bank President/Director - Pleasant Street Investment Corp. Trustee - Grand Bank Realty Trust	N/A	1.21%	N/A	N/A
Charles T. Ball Marblehead, MA	Senior Vice President	Vice President	Senior Vice President - National Grand Bank	N/A	0.88%	N/A	N/A
Michael R. Spencer Haverhill, MA	Vice President/ CFO	Treasurer	Vice President/ CFO - National Grand Bank Treasurer - Pleasant Street Investment Corp. Treasurer - Grand Bank Realty Trust	N/A	0.52%	N/A	N/A

Grand Bank Corporation

Annual Report

2022

National Grand Bank

We Make Things Happen!

OFFICERS

James E. Nye
President

Carl R. Edwards
Executive Vice President & CLO

Michael R. Spencer
Vice President & CFO

Rory R. Richards
Vice President Deposit & Cash Operations

Joanne M. Franco
Vice President Credit Administration

Mark C. Dewling
Asst. Vice President

Kathy M. Green
Asst. Vice President

Matthew C. Martin
Business Development Officer

Charles T. Ball
Senior Vice President

Donna M. Goodwin
Vice President Human Resources

Timothy B. Thomas
Vice President Information Technology

Michael J. Bartholomew
Asst. Vice President

Kelly M. DaSilva
Asst. Vice President & Controller

Karin McCarthy
Asst. Vice President Human Resources

Leda J. Joyce
Deposit Operations Officer

Robert L. Duzz
BSA/Compliance Officer

DIRECTORS

Ralph C. Anderson

Peter C. Brown

John C. Doub

Paul G. Gregory

Jo-Mary Koopman

James E. Nye

Kenneth G. Steadman

To our shareholders:

Consumers felt prices rising at the beginning of the year, inflation was in plain sight, but the Federal Reserve waited until its March meeting to raise the Federal Funds rate by 0.25% from near zero the previous two years. By the end of 2022, the rate had risen to 4.50%. Inflation spiked to a 40 year high of 9.1% in June, mortgage rates doubled, personal savings rates declined as the cost of everyday items soared. The war in Ukraine, surging oil prices and a declining stock and bond market made running a business challenging. The mark to market rules for reporting investments finally turned negative after 3 years of positive results.

The good news, for the fourth straight year, National Grand Bank (NGB) earnings increased to $4.3 million from bank operations, a 4.8% increase from the prior year. Driven by a 3.6% increase in deposits, a 3.7% increase in total loans and an 1.3% increase in total assets to $427 million.

The difficult news, slumping investment values at Grand Bank Corporation (GBC) created a net (loss) of ($2.24 million), which is down $13.6 million when compared to 2021 net income of $11.35 million. The book value of Grand Bank Corporation shares decreased 14% to **$7,069** per share with a total yearly dividend of $155 per share.

The Corporation repurchased three hundred eighty-five (385) shares of its stock in 2022. When stock is offered for sale, the Corporation may purchase additional shares. However, shareholders who wish to sell their shares are not obligated to sell them to the Corporation.

Jo-Mary Koopman was elected to the Board of Directors in May. Jo-Mary is the President & CEO of Health Management Services/ All Care with vast knowledge of corporate finance, human resources and her deep Marblehead roots are a welcome addition to our team.

Vice President Donna Goodwin retired in December 2022 after a stellar 43-year career. Donna held many positions throughout all departments of the Bank, including Vice President of Human Resources since 1998. We wish Donna well throughout retirement.

Karin McCarthy joined the bank in November as AVP of Human Resources. Karin most recently worked at Boston University and has quickly become a valued team member.

Ralph Carlton retired from the Board of Directors in December 2021. Sadly, Ralph passed away in February 2022. We all miss Ralphs' keen insight, humor, and humility.

On behalf of the Board of Directors, I would like to thank the officers, the staff and the shareholders for their advice, excellent work, and continued support. It is truly appreciated.

Respectfully,

James E. Nye
President

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grand Bank Corporation

We have audited the accompanying consolidated financial statements of Grand Bank Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of (loss) income, comprehensive (loss) income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Directors
Grand Bank Corporation

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the Annual Report. The other information comprises the President's Message but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Baker Newman + Noyes LLC

Portsmouth, New Hampshire
February 16, 2023

Grand Bank Corporation & Subsidiaries
Consolidated Balance Sheets

December 31, 2022 and 2021

(In Thousands, Except Share Data)

	2022	2021
ASSETS		
Cash, due from banks and money market mutual funds	$ 33,565	$ 28,123
Federal funds sold	2,481	1,477
Federal Home Loan Bank interest-bearing accounts	129	215
Cash and cash equivalents	36,175	29,815
Investments in available-for-sale securities, at fair value	80,841	90,520
Marketable equity securities, at fair value	35,432	47,899
Federal Reserve Bank stock, at cost	99	94
Federal Home Loan Bank stock, at cost	422	754
Loans, net	302,372	291,388
Premises and equipment, net	2,723	2,896
Investment in real estate	1,601	1,568
Accrued interest receivable	1,125	931
Cash surrender value of life insurance	5,582	5,606
Other assets	795	404
Total assets	$467,167	$471,875
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$148,441	$135,609
Interest-bearing	238,569	235,040
Total deposits	387,010	370,649
Federal Home Loan Bank advances	3,158	3,688
Other liabilities	986	6,408
Total liabilities	391,154	380,745
Stockholders' equity:		
Common stock, par value $10.00 per share, authorized 500,000 shares, issued 17,500 shares; outstanding 10,753 shares in 2022 and 11,071 shares in 2021	175	175
Paid-in capital	10,381	10,100
Retained earnings	93,969	97,913
Treasury stock, at cost (6,747 shares in 2022 and 6,429 shares in 2021)	(20,365)	(17,689)
Accumulated other comprehensive (loss) income	(8,147)	631
Total stockholders' equity	76,013	91,130
Total liabilities and stockholders' equity	$467,167	$471,875

Grand Bank Corporation & Subsidiaries
Consolidated Statements of (Loss) Income

Years Ended December 31, 2022 and 2021

(In Thousands, Except Share Data)

	2022	2021
Interest and dividend income:		
Interest and fees on loans	$ 10,564	$ 10,480
Interest and dividends on securities:		
Taxable	1,688	1,690
Tax-exempt	723	605
Other interest	560	42
Total interest and dividend income	13,535	12,817
Interest expense:		
Interest on deposits	789	658
Interest on Federal Home Loan Bank advances	144	136
Total interest expense	933	794
Net interest and dividend income	12,602	12,023
(Provision) benefit for loan losses	(89)	122
Net interest and dividend income after (provision) benefit for loan losses	12,513	12,145
Noninterest income:		
Trust department income	41	49
Service charges and fees	287	259
(Loss) gain on marketable equity securities, net	(8,919)	8,499
Mortgage banking activities, net	6	5
Credit card merchant processing fees	61	54
Increase in cash surrender value of life insurance and death benefit gain	163	138
Other income	818	643
Total noninterest income	(7,543)	9,647
Noninterest expense:		
Salaries and employee benefits	4,224	4,075
Occupancy expense	445	397
Equipment expense	642	460
Data processing	719	695
Consultant fees	327	330
FDIC assessment	113	110
Other expense	1,212	1,151
Total noninterest expense	7,682	7,218
(Loss) income before income tax (benefit) expense	(2,712)	14,574
Income tax (benefit) expense	(471)	3,222
Net (loss) income	$ (2,241)	$ 11,352
(Losses) earnings per common share, basic	$ (205.00)	$ 1,022.12
(Losses) earnings per common share, diluted	$ (205.00)	$ 1,020.59

Grand Bank Corporation & Subsidiaries
Consolidated Statements of Comprehensive (Loss) Income

Years Ended December 31, 2022 and 2021

(In Thousands)

	2022	2021
Net (loss) income	$ (2,241)	$ 11,352
Other comprehensive loss, net of tax:		
Net unrealized holding loss on available-for-sale securities, net of tax	(8,778)	(1,337)
Other comprehensive loss, net of tax	(8,778)	(1,337)
Comprehensive (loss) income	$ (11,019)	$ 10,015

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

Grand Bank Corporation & Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2022 and 2021

(In Thousands, Except Share Data)

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
Balance, December 31, 2020	$ 175	$ 9,702	$ 88,116	$ (16,892)	$ 1,968	$ 83,069
Net income	–	–	11,352	–	–	11,352
Other comprehensive loss, net of tax	–	–	–	–	(1,337)	(1,337)
Dividends declared on common stock ($140 per share)	–	–	(1,555)	–	–	(1,555)
Purchases of 139 shares of treasury stock	–	–	–	(1,074)	–	(1,074)
Issuance of 79 shares on exercise of stock options	–	239	–	193	–	432
Issuance of 32 shares for stock awards	–	155	–	84	–	239
Stock-based compensation – options	–	4	–	–	–	4
Balance, December 31, 2021	175	10,100	97,913	(17,689)	631	91,130
Net loss	–	–	(2,241)	–	–	(2,241)
Other comprehensive loss, net of tax	–	–	–	–	(8,778)	(8,778)
Dividends declared on common stock ($155 per share)	–	–	(1,703)	–	–	(1,703)
Purchases of 385 shares of treasury stock	–	–	–	(2,862)	–	(2,862)
Issuance of 54 shares on exercise of stock options	–	195	–	149	–	344
Issuance of 13 shares for stock awards	–	56	–	37	–	93
Stock-based compensation – options	–	30	–	–	–	30
Balance, December 31, 2022	$ 175	$ 10,381	$ 93,969	$ (20,365)	$ (8,147)	$ 76,013

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

(In Thousands)

	2022	2021
Cash flows from operating activities:		
Net (loss) income	$ (2,241)	$ 11,352
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Amortization of securities, net	203	365
Loss (gain) on marketable equity securities, net	8,919	(8,499)
Change in deferred origination fees/costs, net	(174)	(175)
Provision (benefit) for loan losses	89	(122)
Depreciation and amortization	309	295
(Increase) decrease in accrued interest receivable	(194)	63
(Increase) decrease in other assets	(204)	77
Increase in cash surrender value of life insurance policies	(140)	(138)
Gain from life insurance policy death benefit	(23)	–
(Decrease) increase in other liabilities	(225)	110
Deferred tax (benefit) expense	(2,227)	1,627
Stock-based compensation expense – stock awards	93	239
Stock-based compensation expense – options	30	4
Net cash provided by operating activities	4,215	5,198
Cash flows from investing activities:		
Purchases of available-for-sale securities	(12,955)	(43,924)
Proceeds from paydowns, maturities and calls of available-for-sale securities	10,683	20,238
Purchases of equity securities	(11,686)	(3,917)
Proceeds from sales of equity securities	15,234	3,310
Purchases of Federal Reserve Bank stock	(5)	(9)
Purchases of Federal Home Loan Bank stock	(822)	–
Redemption of Federal Home Loan Bank stock	1,154	473
Loan originations and principal collections, net	(10,908)	(11,879)
Recoveries of loans previously charged off	9	13
Capital expenditures	(169)	(298)
Net cash used in investing activities	(9,465)	(35,993)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended December 31, 2022 and 2021

(In Thousands)

	2022	2021
Cash flows from financing activities:		
Net increase in demand deposits, NOW and savings accounts	$ 6,149	$ 34,122
Net increase (decrease) in time deposits	10,212	(10,635)
Long-term advances from Federal Home Loan Bank	9,997	1,021
Payments on long-term advances from Federal Home Loan Bank	(10,527)	(10,104)
Dividends paid to common stockholders	(1,703)	(1,555)
Proceeds from exercise of stock options	344	432
Purchases of treasury stock	(2,862)	(1,074)
Net cash provided by financing activities	11,610	12,207
Net increase (decrease) in cash and cash equivalents	6,360	(18,588)
Cash and cash equivalents at beginning of year	29,815	48,403
Cash and cash equivalents at end of year	$ 36,175	$ 29,815
Supplemental disclosures:		
Interest paid	$ 893	$ 789
Income taxes paid	1,959	1,403
Transfer of death benefit receivable from cash surrender value of life insurance to other assets	187	–

NOTE 1 - NATURE OF OPERATIONS

Grand Bank Corporation (Corporation) is a Massachusetts corporation that was organized in 1984 to become the holding company of National Grand Bank of Marblehead (Bank). The Corporation's primary activity is to act as the holding company for the Bank. The Bank is a federally chartered bank, which was incorporated in 1831 and is headquartered in Marblehead, Massachusetts. The Bank is engaged principally in the business of attracting deposits from the general public and investing those deposits in residential and commercial real estate loans, and in consumer and small business loans.

NOTE 2 - ACCOUNTING POLICIES

The accounting and reporting policies of the Corporation and its subsidiaries conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and predominant practices within the banking industry. The consolidated financial statements were prepared using the accrual basis of accounting. The significant accounting policies are summarized below to assist the reader in better understanding the consolidated financial statements and other data contained herein.

USE OF ESTIMATES:

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

BASIS OF PRESENTATION:

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, the Bank and Grand Bank Realty Trust, whose primary function is to hold real estate, and the Bank's wholly-owned subsidiary, Pleasant Street Investment Corporation. Pleasant Street Investment Corporation's primary function is to hold securities. All significant intercompany accounts and transactions have been eliminated in the consolidation.

RISKS AND UNCERTAINTIES:

The outbreak of the COVID-19 pandemic (virus or COVID-19) has adversely impacted a broad range of industries in which the Bank's customers operate and could impair their ability to fulfill their financial obligations to the Bank. The spread of the outbreak has caused disruptions in the U.S. economy and has disrupted banking and other financial activity in the areas in which the Bank operates. The Bank proactively implemented many operational changes to protect its employees and customers. Through December 31, 2022, the Bank has experienced neither a significant interruption in service provided to its customers nor a material decline in business activity as a result of the virus.

Most of the Bank's business activity is with customers located within the Town of Marblehead and neighboring communities. Although a majority of its loan portfolio is secured by residential real estate located in Massachusetts, there are no concentrations of credit to borrowers that have similar economic characteristics nor within a particular industry.

CASH AND CASH EQUIVALENTS:

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash items, due from banks, money market mutual funds, federal funds sold and Federal Home Loan Bank interest-bearing accounts. In response to the coronavirus (COVID-19 or virus) pandemic, effective March 26, 2020, the Federal Reserve announced they were reducing the reserve requirement ratio to zero percent across all deposit tiers. The Bank is not required to maintain deposits in its Federal Reserve Bank account to satisfy reserve requirements and can use the additional liquidity to lend to individuals and businesses.

SECURITIES:
Investments in debt securities are adjusted for amortization of premiums and accretion of discounts computed so as to approximate the interest method. Gains or losses on sales of investment securities are computed on a specific identification basis.

The Corporation classifies debt securities into one of three categories: held-to-maturity, available-for-sale, or trading. These security classifications may be modified after acquisition only under certain specified conditions. In general, securities may be classified as held-to-maturity only if the Corporation has the positive intent and ability to hold them to maturity. Trading securities are defined as those bought and held principally for the purpose of selling them in the near term. All other securities must be classified as available-for-sale.

- Held-to-maturity debt securities are measured at amortized cost on the consolidated balance sheets. Unrealized holding gains and losses are not included in earnings or in a separate component of capital; they are merely disclosed in the notes to the consolidated financial statements.

- Available-for-sale debt securities are carried at fair value on the consolidated balance sheets. Unrealized holding gains and losses are not included in earnings, but are reported as a net amount (less expected tax) in a separate component of stockholders' equity until realized.

- Trading securities are carried at fair value on the consolidated balance sheets. Unrealized holding gains and losses for trading securities are included in earnings.

Marketable equity securities are carried at fair value, with changes in fair value reported in net (loss) income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

For any debt security with a fair value less than its amortized cost basis, the Corporation will determine whether it has the intent to sell the debt security or whether it is more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis. If either condition is met, the Corporation will recognize a full impairment charge to earnings. For all other debt securities that are considered other-than-temporarily impaired and do not meet either condition, the credit loss portion of impairment will be recognized in earnings as realized losses. The other-than-temporary impairment related to all other factors will be recorded in other comprehensive (loss) income.

FEDERAL RESERVE BANK (FRB) STOCK:
The Corporation is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

FEDERAL HOME LOAN BANK STOCK:
Federal Home Loan Bank of Boston (FHLB) stock is carried at cost and can only be sold to the FHLB based on its current redemption policies. Management evaluates the Corporation's investment in FHLB stock for other-than-temporary impairment at least on a quarterly basis and more frequently when economic or market conditions warrant such evaluation. Based on its most recent analysis of the FHLB as of December 31, 2022, management deems its investment in FHLB stock to be not other-than-temporarily impaired.

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

Interest on loans is recognized on a simple interest basis.

Loan origination and commitment fees and certain direct origination costs are deferred, and the net amount amortized as an adjustment of the related loan's yield. The Corporation is amortizing these amounts over the contractual lives of the related loans.

Residential real estate loans are generally placed on nonaccrual when reaching 90 days past due or in process of foreclosure. All closed-end consumer loans 90 days or more past due and any home equity lines in the process of foreclosure are placed on nonaccrual status. Secured consumer loans are written down to realizable value and unsecured consumer loans are charged off upon reaching 120 or 180 days past due depending on the type of loan. Commercial real estate loans and commercial business loans and leases which are 90 days or more past due are generally placed on nonaccrual status, unless secured by sufficient cash or other assets immediately convertible to cash. When a loan has been placed on nonaccrual status, previously accrued and uncollected interest is reversed against interest on loans. A loan can be returned to accrual status when collectibility of principal is reasonably assured and the loan has performed for a period of time, generally six months.

Cash receipts of interest income on impaired loans are credited to principal to the extent necessary to eliminate doubt as to the collectibility of the net carrying amount of the loan. Some or all of the cash receipts of interest income on impaired loans is recognized as interest income if the remaining net carrying amount of the loan is deemed to be fully collectible. When recognition of interest income on an impaired loan on a cash basis is appropriate, the amount of income that is recognized is limited to that which would have been accrued on the net carrying amount of the loan at the contractual interest rate. Any cash interest payments received in excess of the limit and not applied to reduce the net carrying amount of the loan are recorded as recoveries of charge-offs until the charge-offs are fully recovered.

The *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) authorized the Small Business Administration (SBA) to temporarily guarantee loans under a new 7(a) loan program called the Paycheck Protection Program (PPP). As a qualified SBA lender, the Corporation was automatically qualified to originate loans under the PPP. The SBA reopened the PPP to new lending in January 2021, pursuant to the *Consolidated Appropriations Act* (CAA), which was signed into law on December 27, 2020. As of December 31, 2022, the Bank had no PPP loans outstanding. As of December 31, 2021, the Bank had 46 PPP loans outstanding, with an outstanding principal balance of $2,906,000. The Corporation received a processing fee on each PPP loan originated, depending on the size of the PPP loan. The PPP loan processing fees and related loan origination costs are deferred and recognized to interest and fees on loans over the contractual term of each PPP loan. Loans originated under the PPP generally have a two year or five-year term depending on the origination date. PPP loans are included in the commercial and industrial class.

LOAN SERVICING:
Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights according to predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

ALLOWANCE FOR LOAN LOSSES:
The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

GENERAL COMPONENT:

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: residential real estate, commercial real estate, commercial and consumer. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions. There were no changes in the Corporation's policies or methodology pertaining to the general component of the allowance for loan losses during 2022 or 2021.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate: The Corporation generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not grant subprime loans. Loans in this segment are collateralized primarily by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Commercial real estate: Loans in this segment are primarily income-producing properties within greater Boston. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which, in turn, will have an effect on the credit quality in this segment. Management periodically obtains rent rolls and continually monitors the cash flows of these loans.

Commercial and industrial: Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment. Also included within this segment are PPP loans. These loans are 100% guaranteed by the SBA and are subject to forgiveness if the borrower complies with the employee retention and other requirement.

Consumer: Loans in this segment are generally unsecured or secured by automobiles and repayment is dependent on the credit quality of the individual borrower.

ALLOCATED COMPONENT:

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan by loan basis for commercial and commercial real estate loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan are lower than the carrying value of that loan. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential real estate loans for impairment disclosures, unless such loans are subject to a troubled debt restructuring agreement.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Corporation periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are classified as impaired.

UNALLOCATED COMPONENT:
An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

PREMISES AND EQUIPMENT:
Premises and equipment are stated at cost, less accumulated depreciation and amortization. Cost and related allowances for depreciation and amortization of premises and equipment retired or otherwise disposed of are removed from the respective accounts with any gain or loss included in income or expense. Depreciation and amortization are calculated principally on the straight-line method over the estimated useful lives of the assets.

INVESTMENT IN REAL ESTATE:
Investment in real estate is carried at the lower of cost or estimated fair value. The building and land are located adjacent to the Bank parking lot. Lease income is included in other income and expenses for maintaining these assets are included in other expense. The building is being depreciated over its estimated useful life.

ADVERTISING:
The Corporation directly expenses costs associated with advertising as they are incurred. Advertising expenses totaled approximately $94,000 and $70,000 in 2022 and 2021, respectively.

INCOME TAXES:
The Corporation recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting basis and the tax basis of the Corporation's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled.

Assets and liabilities are established for uncertain tax positions taken or expected to be taken when such positions do not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

There were no material uncertain tax positions taken or expected to be taken at December 31, 2022 and 2021.

STOCK-BASED COMPENSATION:
The Corporation has stock-based employee compensation plans which are described more fully in note 11.
In addition, the Corporation awards shares of stock to key employees and directors. The Corporation accounts for all stock-based compensation arrangements under Accounting Standards Codification (ASC) 718-10, *Compensation – Stock Compensation – Overall*, and any shares issued upon share option exercise and stock awards are issued from treasury. Forfeitures are recognized as they occur.

Stock-based compensation represents the cost related to stock-based awards to employees and directors.
The Corporation measures stock-based compensation cost at the grant date based upon the estimated fair value of the award, and recognizes the cost as expense on a straight-line basis (net of forfeitures as they occur) over the employees' requisite service period. The Corporation estimates the fair value of stock options using the Black-Scholes valuation method.

EARNINGS PER SHARE:

Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

REVENUE RECOGNITION:

The Corporation recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities and certain noninterest income such as fees associated with mortgage banking and certain credit card fees. Revenue from trust services, customer service fees (i.e. deposit related fees), interchange fees, and merchant income are within the scope of this guidance.

RECENT ACCOUNTING PRONOUNCEMENTS:

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net (loss) income. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this ASU replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU also requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a reporting entity's portfolio. Additionally, this ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This ASU was subsequently amended to delay the effective date to fiscal years beginning after December 15, 2022. An entity will apply the amendments in this Update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Corporation is currently reviewing the amendments in this ASU to determine the impact on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-07, *Compensation – Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards*. This ASU provides private companies the option to elect a practical expedient to determine the current price input of equity-classified share-based awards issued as compensation using the reasonable application of a reasonable valuation method. The characteristics of this method are the same as the characteristics used in the regulations of the U.S. Department of the Treasury related to Section 409A of the U.S. Internal Revenue Code (the Treasury Regulations) to describe the reasonable application of a reasonable valuation method for income tax purposes. The amendments in this ASU are effective prospectively for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The adoption of this ASU did not have a material impact on the Corporation's consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. This ASU eliminates the TDR recognition and measurement guidance and, instead, requires that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loan. This ASU also enhances existing disclosure requirements and introduces new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. For entities that have not yet adopted ASU No. 2016-13, the effective date is the same as the effective dates in ASU No. 2016-13. The adoption of this ASU is not expected to have a material impact on the Corporation's consolidated financial statements.

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. This ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The adoption of this ASU is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2024. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The adoption of this ASU is not expected to have a material impact on the Corporation's consolidated financial statements.

NOTE 3 - INVESTMENTS IN SECURITIES

Debt securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost basis of securities and their approximate fair values are as follows as of December 31:

	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In Thousands)		
2022				
Available-for-sale debt securities:				
Political and state obligations	$26,809	$ 47	$ 2,999	$23,857
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	6,385	–	444	5,941
Corporate debt securities	1,001	–	14	987
Mortgage-backed securities	57,611	46	7,601	50,056
Total available-for-sale debt securities	$91,806	$ 93	$11,058	$80,841
2021				
Available-for-sale debt securities:				
Political and state obligations	$25,041	$ 1,021	$ 50	$26,012
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	4,244	39	33	4,250
Corporate debt securities	1,003	56	–	1,059
Mortgage-backed securities	59,450	448	699	59,199
Total available-for-sale debt securities	$89,738	$1,564	$ 782	$90,520

The scheduled maturities of debt securities were as follows as of December 31, 2022:

	Fair Value (In Thousands)
Due after one year through five years	$ 3,076
Due after five years through ten years	12,409
Due after ten years	15,300
Mortgage-backed securities	50,056
	$80,841

Expected maturities may differ from contractual maturities because the issuer, in certain instances, has the right to call or prepay obligations with or without call or prepayment penalties.

During the fiscal years ended December 31, 2022 and December 31, 2021, there were no sales of available-for-sale securities.

There were no securities of issuers whose aggregate carrying amount exceeded 10% of stockholders' equity as of December 31, 2022 and 2021.

At December 31, 2022 and 2021, certain debt securities with a carrying value of $2,290,000 and $2,914,000, respectively, were pledged as collateral for potential Federal Reserve Bank borrowings.

The aggregate fair value and unrealized losses of securities that have been in a continuous unrealized loss position for less than twelve months and for twelve months or more, and are not other-than-temporarily impaired, are as follows as of December 31:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
2022						
Available-for-sale debt securities:						
Political and state obligations	$ 10,508	$ 1,544	$ 4,494	$ 1,455	$ 15,002	$ 2,999
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	4,119	221	1,822	223	5,941	444
Corporate debt securities	987	14	–	–	987	14
Mortgage-backed securities	10,702	738	34,361	6,863	45,063	7,601
Total available-for-sale debt securities	$ 26,316	$ 2,517	$ 40,677	$ 8,541	$ 66,993	$ 11,058
2021						
Available-for-sale debt securities:						
Political and state obligations	$ 5,912	$ 50	$ –	$ –	$ 5,912	$ 50
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	2,025	33	–	–	2,025	33
Mortgage-backed securities	45,151	663	1,122	36	46,273	699
Total available-for-sale debt securities	$ 53,088	$ 746	$ 1,122	$ 36	$ 54,210	$ 782

As of December 31, 2022, declines in the fair value of one hundred seventy three available-for-sale debt securities below amortized cost (14.17% of amortized cost basis) are deemed temporary, and result from market price volatility caused by interest rate movements. Corporation management does not intend to sell impaired securities in the near term, and has the ability to hold these securities until recovery to cost basis occurs.

The Corporation did not record any other-than-temporary impairment losses during the years ending December 31, 2022 and 2021.

The portion of unrealized gains and losses for the years ended December 31, 2022 and 2021 related to marketable equity securities still held at the reporting date is as follows (in thousands):

	2022	2021
Net (losses) gains during the period on equity securities	$ (8,919)	$ 8,499
Less: net losses (gains) recognized on equity securities sold during the period	2,453	(165)
Net unrealized (losses) gains recognized during the reporting period on equity securities still held at the reporting date	$ (6,466)	$ 8,334

NOTE 4 - LOANS

Loans consisted of the following as of December 31:

	2022	2021
	(In Thousands)	
Real estate:		
Residential	$281,616	$268,736
Commercial	14,769	15,754
Construction and land development	3,467	1,348
Commercial and industrial	2,346	6,001
Consumer	1,815	1,267
	304,013	293,106
Allowance for loan losses	(1,820)	(1,723)
Deferred origination costs, net	179	5
Net loans	$302,372	$291,388

Certain directors and executive officers of the Corporation and companies in which they have significant ownership interest were customers of the Bank. Total loans to such persons and their companies amounted to $5,364,000 and $4,251,000 as of December 31, 2022 and 2021, respectively.

The following tables set forth information regarding the allowance for loan losses and loans by portfolio segment as of and for the years ended December 31:

	Real Estate		Commercial		Un-	
	Residential	Commercial	and Industrial	Consumer	allocated	Total
			(In Thousands)			
2022						
Allowance for loan losses						
Beginning balance	$ 1,548	$ 108	$ 64	$ 3	$ –	$ 1,723
Charge-offs	–	–	–	(1)	–	(1)
Recoveries	–	–	7	2	–	9
Provision (benefit)	176	(34)	(53)	–	–	89
Ending balance	$ 1,724	$ 74	$ 18	$ 4	$ –	$ 1,820
Ending balance:						
Individually evaluated for impairment	$ –	$ –	$ –	$ –	$ –	$ –
Collectively evaluated for impairment	1,724	74	18	4	–	1,820
Total allowance for loan losses ending balance	$ 1,724	$ 74	$ 18	$ 4	$ –	$ 1,820
Loans						
Ending balance:						
Individually evaluated for impairment	$ 1,520	$ –	$ –	$ –	$ –	$ 1,520
Collectively evaluated for impairment	283,563	14,769	2,346	1,815	–	302,493
Total loans ending balance	$ 285,083	$ 14,769	$ 2,346	$ 1,815	$ –	$ 304,013
2021						
Allowance for loan losses						
Beginning balance	$ 1,631	$ 102	$ 69	$ 5	$ 29	$ 1,836
Charge-offs	–	–	(1)	(3)	–	(4)
Recoveries	–	–	11	2	–	13
Provision (benefit)	(83)	6	(15)	(1)	(29)	(122)
Ending balance	$ 1,548	$ 108	$ 64	$ 3	$ –	$ 1,723
Ending balance:						
Individually evaluated for impairment	$ –	$ –	$ –	$ –	$ –	$ –
Collectively evaluated for impairment	1,548	108	64	3	–	1,723
Total allowance for loan losses ending balance	$ 1,548	$ 108	$ 64	$ 3	$ –	$ 1,723
Loans						
Ending balance:						
Individually evaluated for impairment	$ 1,591	$ –	$ –	$ –	$ –	$ 1,591
Collectively evaluated for impairment	268,493	15,754	6,001	1,267	–	291,515
Total loans ending balance	$ 270,084	$ 15,754	$ 6,001	$ 1,267	$ –	$ 293,106

Construction loans are allocated in the allowance for loan losses tables above based on their nature as residential or commercial.

The following table sets forth information regarding nonaccrual loans and past-due loans as of December 31:

	30-59 Days	60-89 Days	90 + Days	Total Past Due	Total Current	Total Loans	90 Days or More Past Due and Accruing	Non-accrual Loans
				(In Thousands)				
2022								
Real estate:								
Residential	$ 198	$ 21	$ –	$ 219	$ 281,397	$ 281,616	$ –	$ –
Commercial	–	–	–	–	14,769	14,769	–	–
Construction and land development	–	–	–	–	3,467	3,467	–	–
Commercial and industrial	–	–	–	–	2,346	2,346	–	–
Consumer	1	–	–	1	1,814	1,815	–	–
	$ 199	$ 21	$ –	$ 220	$ 303,793	$ 304,013	$ –	$ –
2021								
Real estate:								
Residential	$ 84	$ –	$ 158	$ 242	$ 268,494	$ 268,736	$ –	$ 158
Commercial	–	–	–	–	15,754	15,754	–	–
Construction and land development	–	–	–	–	1,348	1,348	–	–
Commercial and industrial	–	–	–	–	6,001	6,001	–	–
Consumer	–	–	–	–	1,267	1,267	–	–
	$ 84	$ –	$ 158	$ 242	$ 292,864	$ 293,106	$ –	$ 158

Information about loans that meet the definition of an impaired loan in ASC 310-10-35 is as follows as of and for the years ended December 31:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(In Thousands)		
2022					
With no related allowance recorded:					
Real estate:					
Residential	$ 1,520	$ 1,520	$ –	$ 1,555	$ 49
Total impaired with no related allowance	1,520	1,520	–	1,555	49
Total					
Real estate:					
Residential	$ 1,520	$ 1,520	$ –	$ 1,555	$ 49
Total impaired loans	$ 1,520	$ 1,520	$ –	$ 1,555	$ 49
2021					
With no related allowance recorded:					
Real estate:					
Residential	$ 1,591	$ 1,591	$ –	$ 1,755	$ 55
Total impaired with no related allowance	1,591	1,591	–	1,755	55
Total					
Real estate:					
Residential	$ 1,591	$ 1,591	$ –	$ 1,755	$ 55
Total impaired loans	$ 1,591	$ 1,591	$ –	$ 1,755	$ 55

As of December 31, 2022 and 2021 there were no impaired loans with an allowance recorded.

Loans modified in troubled debt restructurings during 2022 and 2021 were not significant. During the years ended December 31, 2022 and 2021, there were no loans modified in troubled debt restructurings that have subsequently defaulted within one year of modification. As of December 31, 2022 and 2021, there were no commitments to lend additional funds to borrowers whose loans were modified in troubled debt restructurings.

As of December 31, 2022 and 2021 there were no related allowances for loans that were modified in troubled debt restructurings. As of December 31, 2022 and 2021, there were no troubled debt restructured loans on nonaccrual.

At December 31, 2022 and 2021, there were no loans collateralized by residential real estate property in the process of foreclosure.

The following table presents the Corporation's loans by risk rating as of December 31:

	Real Estate					
	Residential	Commercial	Construction and Land Development	Commercial and Industrial	Consumer	Total
			(In Thousands)			
2022						
Grade:						
Pass (1-3)	$ –	$ 14,426	$ 3,467	$ 1,546	$ –	$ 19,439
Special mention (4)	–	–	–	800	–	800
Substandard (5)	–	343	–	–	–	343
Not formally rated	281,616	–	–	–	1,815	283,431
	$ 281,616	$ 14,769	$ 3,467	$ 2,346	$ 1,815	$ 304,013
2021						
Grade:						
Pass (1-3)	$ –	$ 15,398	$ 1,348	$ 6,001	$ –	$ 22,747
Special mention (4)	–	–	–	–	–	–
Substandard (5)	–	356	–	–	–	356
Not formally rated	268,736	–	–	–	1,267	270,003
	$ 268,736	$ 15,754	$ 1,348	$ 6,001	$ 1,267	$ 293,106

CREDIT QUALITY INFORMATION

The Corporation utilizes a seven grade internal loan rating system for commercial real estate, construction and commercial loans as follows:

Loans rated 1 - 3: Loans in these categories are considered "pass" rated loans with low to average risk.

Loans rated 4: Loans in this category are considered "special mention." These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 5: Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Corporation will sustain some loss if the weakness is not corrected.

Loans rated 6: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7: Loans in this category are considered uncollectible (loss) and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Corporation formally reviews the ratings on all commercial real estate, construction and commercial loans with aggregate potential outstanding balances of $250,000 or more.

Loans serviced for others are not included in the accompanying consolidated balance sheets. As of December 31, 2022 and 2021, the Corporation serviced loans for others with unpaid principal balances of $3,112,000 and $3,661,000, respectively.

The balance of capitalized mortgage servicing rights included in other assets at December 31, 2022 and 2021 was immaterial. Management estimates that the fair value of those rights approximates carrying value.

NOTE 5 - PREMISES AND EQUIPMENT

The following is a summary of premises and equipment as of December 31:

	2022	2021
	(In Thousands)	
Land	$ 1,559	$ 1,559
Buildings and improvements	2,582	2,820
Furniture and equipment	948	883
Leasehold improvements	100	100
	5,189	5,362
Accumulated depreciation and amortization	(2,466)	(2,466)
	$ 2,723	$ 2,896

NOTE 6 - INVESTMENT IN REAL ESTATE

The balance in investment in real estate consisted of the following as of December 31:

	2022	2021
	(In Thousands)	
Land	$ 1,328	$ 1,328
Buildings	391	345
	1,719	1,673
Accumulated depreciation	(118)	(105)
	$ 1,601	$ 1,568

Rental income from investment in real estate amounted to $99,000 and $98,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 - DEPOSITS

The Bank uses brokered time deposits, and from time to time, deposits acquired through a deposit listing service, both of which are fully insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022, such deposits amounted to $3,023,000, and were comprised entirely of brokered deposits. At December 31, 2021, there were no such deposits.

The aggregate amount of time deposit accounts in denominations that meet or exceed the FDIC insurance limit (currently $250,000) at December 31, 2022 and 2021 amounted to $18,085,000 and $10,582,000, respectively. These totals exclude brokered time deposits and deposits acquired through a deposit listing service which have been bifurcated into amounts below the FDIC limit.

For time deposits as of December 31, 2022, the scheduled maturities for each of the following five years ended December 31 are (in thousands):

2023	$26,553
2024	11,737
2025	1,845
2026	618
2027	319
	$41,072

Deposits from related parties held by the Corporation as of December 31, 2022 and 2021 amounted to $2,911,000 and $2,630,000, respectively.

The Corporation has one customer with deposits amounting to $22,943,000, or 5.92% of total deposits, as of December 31, 2022. The Corporation had one customer with deposits amounting to $27,980,000, or 7.54% of total deposits, as of December 31, 2021.

NOTE 8 - FEDERAL HOME LOAN BANK ADVANCES

Advances consist of funds borrowed from the Federal Home Loan Bank of Boston (FHLB).

Maturities of advances from the FHLB for the years ending after December 31, 2022 are summarized as follows (in thousands):

2023	$ 2,718
2024	440
	$ 3,158

At December 31, 2022, the interest rates on FHLB advances ranged from 0.34% to 3.13%, and the weighted average interest rate on FHLB advances was 2.36%. At December 31, 2021, the interest rates on FHLB advances ranged from 0.34% to 2.00%, and the weighted average interest rate on FHLB advances was 1.27%.

Borrowings from the FHLB are secured by a blanket lien on qualified collateral, consisting primarily of loans with first mortgages secured by one to four family properties and other qualified assets. At December 31, 2022, the maximum available borrowing capacity amounted to $142,606,000, including $3,095,000 available under an Ideal Way line of credit.

NOTE 9 - INCOME TAXES

The components of income tax (benefit) expense are as follows for the years ended December 31:

	2022	2021
	(In Thousands)	
Current:		
Federal	$ 1,308	$ 1,190
State	448	405
	1,756	1,595
Deferred:		
Federal	(2,194)	1,569
State	(33)	58
	(2,227)	1,627
Total income tax (benefit) expense	$ (471)	$ 3,222

The reasons for the differences between the tax at the statutory federal income tax rate and the effective tax rates are summarized as follows for the years ended December 31:

	2022 % of Income	2021 % of Income
Federal income tax at statutory rate	(21.0)%	21.0%
Increase (decrease) in tax rates resulting from:		
Tax exempt income	(8.6)	(1.5)
State tax, net of federal tax benefit	12.1	2.5
Other, net	0.1	0.1
Effective tax rates	(17.4)%	22.1%

The Corporation had gross deferred tax assets and gross deferred tax liabilities as follows as of December 31:

	2022	2021
	(In Thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 365	$ 340
Accrued deferred compensation	114	116
Gross deferred tax assets	479	456
Deferred tax liabilities:		
Loan origination fees and costs, net	(50)	(2)
Depreciation	(155)	(181)
Mortgage servicing rights	(4)	(5)
Net unrealized holding gain on investment securities	(241)	(5,435)
Other	(2)	(3)
Gross deferred tax liabilities	(452)	(5,626)
Net deferred tax asset (liability), included in other assets (liabilities)	$ 27	$ (5,170)

As of December 31, 2022 and 2021, the Corporation had no operating loss tax credit carryovers for tax purposes.

NOTE 10 - EMPLOYEE BENEFITS

The Corporation maintains three Executive Supplemental Compensation Agreements with one current executive and two former executives. Under the agreements, upon reaching the normal retirement date (as defined in the agreements), each executive shall receive a normal retirement benefit, payable monthly during his lifetime, equal to a specified percentage of his benefit computation base less other certain benefits received under social security and defined contribution plans.

As of December 31, 2022 and 2021, the liability for the above agreements was $406,000 and $412,000, respectively. The Corporation recorded an expense (benefit) for the agreements of $16,000 and ($28,000) in 2022 and 2021, respectively.

The Corporation has a Profit Sharing Plan with a 401(k) feature for all employees who have attained age 21 and completed one year of service with the Corporation. Under this plan, employees may make voluntary contributions to the plan under salary reduction agreements and the Corporation will match these contributions by an amount equal to 50% of each participant's contribution on the first 4% of eligible compensation. In addition, the Corporation, at the discretion of its Board of Directors, can make annual contributions to this plan which will be allocated to a separate account for each employee based on the employee's compensation. Total expense for this plan for the years ended December 31, 2022 and 2021 was $166,000 and $172,000, respectively.

The Corporation adopted ASC 715-60, *Compensation – Retirement Benefits – Defined Benefit Plans –Other Postretirement,* and recognized a liability for the Corporation's future postretirement benefit obligations under endorsement split-dollar life insurance arrangements. The total liability for the arrangements included in other liabilities was $96,000 and $103,000 in 2022 and 2021, respectively. Benefits recorded for these arrangements amounted to $7,000 and $6,000 in 2022 and 2021, respectively.

The Corporation has change in control agreements with certain executives. Under the agreements, upon a change in control, as defined in the agreements, the executives would receive a lump sum equal to one to three years of their annual base compensation as of the date of termination plus any bonus paid to the executive in the immediately preceding year.

NOTE 11 - STOCK COMPENSATION PLANS

Stock Option Plans

The Corporation has stock-based employee compensation plans where the aggregate number of shares of common stock of the Corporation for which options may be granted is a total of 2,575 shares with 1,393 shares remaining available for future grants as of December 31, 2022.

The exercise price of each option is the price established by the Board of Directors on the date of the grant of the option.

Under each plan, options expire ten years after the grant date. Each option granted shall be exercisable in such installment or installments as may be determined by the Board of Directors.

The fair value of each option granted in 2022 and 2021 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2022	2021
Expected volatility	8.40%	6.08%
Expected dividends	2.40%	1.86%
Expected term (in years) for directors	5.00	5.00
Expected term (in years) for employees	5.00	5.00
Risk-free rate	3.39%	1.20%

A summary of the status of the Corporation's stock option plans as of December 31, 2022 and 2021 and changes during the years ending on those dates is presented below:

	2022		2021	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	296	$ 6,264	307	$ 5,673
Granted	74	6,973	78	7,894
Exercised	(60)	6,248	(79)	5,544
Forfeited	–	–	(10)	5,957
Outstanding at end of year	310	$ 6,436	296	$ 6,264
Options exercisable at year end	281	$ 6,394	232	$ 6,167
Weighted-average fair value of options granted during the year	$ 616		$ 288	

The following table summarizes information about fixed stock options outstanding as of December 31, 2022:

Options Outstanding			Options Exercisable	
Number Outstanding as of 12/31/2022	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable as of 12/31/2022	Weighted-Average Exercise Price
10	0.61 years	$ 4,403	10	$ 4,403
15	1.65 years	4,779	15	4,779
18	2.65 years	4,964	18	4,964
21	3.64 years	5,172	21	5,172
21	4.64 years	5,471	21	5,471
23	5.72 years	5,917	23	5,917
39	6.68 years	6,389	39	6,389
44	7.75 years	6,838	15	6,838
55	8.82 years	7,894	55	7,894
64	9.69 years	6,973	64	6,973
310	7.14 years	$ 6,436	281	$ 6,394

As of December 31, 2022, there was $1,000 of unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plans. That cost is expected to be recognized over a weighted-average period of 0.67 years.

Stock Awards

On an annual basis, the Board of Directors approves stock awards to be awarded to key employees of the Corporation that will vest over a period not to exceed five years. Recipients may also elect to receive cash in lieu of shares of Corporation stock.

For the years ended December 31, 2022 and 2021, the Corporation awarded 37 and 25 shares, respectively, of common stock to key employees. For the years ended December 31, 2022 and 2021, the recipients elected to receive the equivalent value of 37 and 14 shares, respectively, in cash.

On an annual basis, the Board of Directors also receives awards that are vested immediately. For each of the years ended December 31, 2022 and 2021, the Corporation awarded 7 shares.

As of December 31, 2022, there is $31,000 of unrecognized compensation cost related to nonvested stock awards granted. The cost is expected to be recognized over a weighted-average period of 0.50 years. Expenses related to these stock awards totaled $362,000 and $323,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 - FINANCIAL INSTRUMENTS

The Corporation is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to originate loans, standby letters of credit and unadvanced funds on loans. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The contract amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments and standby letters of credit is represented by the contractual amounts of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to originate loans are agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include secured interests in mortgages, accounts receivable, inventory, property, plant and equipment and income-producing properties.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of December 31, 2022 and 2021, the maximum potential amount of the Corporation's obligation was $307,000 and $225,000, respectively, for financial and standby letters of credit. If a letter of credit is drawn upon, the Corporation may seek recourse through the customer's underlying line of credit. If the customer's line of credit is also in default, the Corporation may take possession of the collateral, if any, securing the line of credit.

Financial instruments with off-balance sheet credit risk are as follows as of December 31:

	2022	2021
	(In Thousands)	
Commitments to originate loans	$ 2,757	$ 1,770
Standby letters of credit	307	225
Unadvanced portions of loans:		
Home equity loans	22,673	19,542
Construction loans	–	18
Other lines of credit	10,489	10,660
	$36,226	$32,215

NOTE 13 - FAIR VALUE MEASUREMENTS

ASC 820-10, *Fair Value Measurement – Overall,* provides a framework for measuring fair value under generally accepted accounting principles. This guidance also allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis.

In accordance with ASC 820-10, the Corporation groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury, other U.S. Government and agency mortgage-backed securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other methodologies, including option pricing models, discounted cash flow models and similar techniques, are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

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

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Corporation's financial assets and financial liabilities carried at fair value for December 31, 2022 and 2021.

The Corporation's investments in marketable equity securities are generally classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

The Corporation's investments in political and state obligations, corporate debt, debt securities issued by the U.S. Treasury and U.S. government corporations and agencies and mortgage-backed securities available-for-sale are generally classified within Level 2 of the fair value hierarchy. For these securities, fair value measurements are obtained from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument's terms and conditions.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. Subsequent to inception, management only changes Level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalization and other transactions across the capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows.

The Corporation's impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based upon appraisals of similar properties obtained from a third party. For Level 3 inputs, fair value is based upon management estimates of the value of the underlying collateral or the present value of the expected cash flows.

The following summarizes assets measured at fair value on a recurring basis as of December 31:

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	(In Thousands)			
2022				
Available-for-sale debt securities:				
Political and state obligations	$ 23,857	$ –	$23,857	$ –
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	5,941	–	5,941	–
Corporate debt securities	987	–	987	–
Mortgage-backed securities	50,056	–	50,056	–
Total securities available-for-sale	80,841	–	80,841	–
Marketable equity securities	35,432	35,432	–	–
Total securities	$116,273	$35,432	$80,841	$ –

	Total	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
		(In Thousands)		
2021				
Available-for-sale debt securities:				
Political and state obligations	$ 26,012	$ –	$26,012	$ –
Debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies	4,250	–	4,250	–
Corporate debt securities	1,059	–	1,059	–
Mortgage-backed securities	59,199	–	59,199	–
Total securities available-for-sale	90,520	–	90,520	–
Marketable equity securities	47,899	47,899	–	–
Total securities	$138,419	$47,899	$90,520	$ –

Under certain circumstances the Corporation makes adjustments to fair value for assets and liabilities although they are not measured at fair value on an ongoing basis. At December 31, 2022 and 2021, there were no assets carried on the consolidated balance sheets for which a nonrecurring change in fair value has been recorded.

NOTE 14 - OTHER COMPREHENSIVE INCOME

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net (loss) income. Although certain changes in assets and liabilities are reported as a separate component of the stockholders' equity section of the consolidated balance sheets, such items, along with net (loss) income, are components of comprehensive (loss) income.

The components of other comprehensive loss included in stockholders' equity are as follows for the years ended December 31:

	2022	2021
	(In Thousands)	
Net unrealized holding losses on available-for-sale securities	$ (11,748)	$ (1,789)
Reclassification adjustment for realized gains on available-for-sale securities	–	–
Other comprehensive loss before income tax effect	(11,748)	(1,789)
Income tax benefit	2,970	452
Other comprehensive loss, net of tax	$ (8,778)	$ (1,337)

The tax effects of each component of other comprehensive loss are as follows for the years ended December 31:

	2022	2021
	(In Thousands)	
Tax effect related to:		
Unrealized losses on available-for-sale securities:		
Unrealized holding losses arising during the year	$ 2,970	$ 452
Reclassification adjustment for net realized gains on available-for-sale securities included in net (loss) income	–	–
Income tax benefit related to items of other comprehensive loss	$ 2,970	$ 452

Accumulated other comprehensive (loss) income as of December 31, 2022 and 2021 consists of net unrealized holding (losses) gains on available-for-sale securities of $(10,965,000) and $782,000, respectively, net of taxes of $2,818,000 and $(151,000), respectively.

NOTE 15 - REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the Federal Reserve Board and the FDIC, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. Their capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. At December 31, 2022, the Bank exceeded all of its respective regulatory capital requirements and is considered “well capitalized” under regulatory guidelines.

As a result of the recently enacted Economic Growth, Regulatory Relief, and Consumer Protection Act, the federal banking agencies were required to develop a “Community Bank Leverage Ratio” (CBLR) (the ratio of a bank’s tangible equity capital to average total consolidated assets) for financial institutions with assets of less than $10 billion. A “qualifying community bank” that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered “well capitalized” under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution’s risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies have set 9% as the minimum capital for the CBLR, effective March 31, 2020. On April 6, 2020, pursuant to Section 4012 of the CARES Act, the regulatory agencies temporarily lowered the CBLR requirement to 8%, with a transition from greater than 8% from the second quarter through the fourth quarter of 2020, to greater than 8.5% during calendar year 2021, to a requirement of greater than 9% in 2022. The Bank elected to be subject to the CBLR.

	As Reported		To Be Well Capitalized Under Prompt Corrective Action Guidelines (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)			
2022				
Tier 1 Capital to Average Total Assets	$44,230	9.91%	$ 40,170	9.0%
2021				
Tier 1 Capital to Average Total Assets	$42,394	10.10%	$ 35,671	8.5%

The Bank, as a National Bank, is subject to the dividend restrictions set forth by the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Comptroller of the Currency, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years. The dividends, as of December 31, 2022, that the Bank could declare, without the approval of the Comptroller of the Currency, amounted to $3,771,000.

NOTE 16 - EARNINGS PER SHARE (EPS)

Reconciliation of the numerators and the denominators of the basic and diluted per share computations for net (loss) income are as follows for the years ended December 31:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(Dollars in Thousands, Except Per Share Data)		
2022			
Basic EPS:			
Net loss and income available to common stockholders	$ (2,241)	10,930	$ (205.00)
Effect of dilutive securities, options	–	–	
Diluted EPS:			
Income available to common stockholders and assumed conversions	$ (2,241)	10,930	$ (205.00)
2021			
Basic EPS:			
Net income and income available to common stockholders	$ 11,352	11,106	$ 1,022.12
Effect of dilutive securities, options	–	17	
Diluted EPS:			
Income available to common stockholders and assumed conversions	$ 11,352	11,123	$ 1,020.59

Diluted earnings per share for the year ending December 31, 2022 was equal to basic earnings per share due to the Corporation's net loss for that period.

NOTE 17 - LEGAL AND OTHER CONTINGENCIES

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's consolidated financial statements.

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 16, 2023, which is the date the consolidated financial statements were available to be issued. On February 14, 2023, the Board of Directors declared a dividend of $30 per share, including a $35 special dividend, payable on March 15, 2023 to shareholders of record as of March 1, 2023. There were no other subsequent events that require adjustment to or disclosure in the consolidated financial statements.

NOTE 19 - RECLASSIFICATIONS

Certain amounts in the prior year have been reclassified to be consistent with the current year's statement presentation.

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ATM LOCATIONS IN MARBLEHEAD

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91 Pleasant Street Main Office
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Drive-Up ATM*

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114 Washington Street at Haley's Market*
40 Leggs Hill Road at the Lynch/van Otterloo YMCA*
2 Humphrey Street at Marblehead High School

Grand Bank Corporation

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Marblehead, Massachusets 01945

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