

QUARTERLY REPORT

October 2023



A MESSAGE FROM

KENDALL W. RIEMAN, *President/CEO*

2023 3rd quarter update includes:

- Banking and economic comments
- Financial results and a quarterly cash dividend of \$0.57 per share
- Capital levels

Croghan's 3rd quarter results reflect much of what the banking industry as a whole is dealing with. Some of the challenges include lower margins, reduced levels of deposits in the financial system, higher costs stoked by inflation, reduced levels of other income from lower home mortgage production, and lower equity values for our wealth management clients. The environment for banks has been rather poor in 2023 and ultimately has shown up in a lower valuation and price for bank stocks. This has certainly been the case for CHBH as well. Please be assured that we are working to position our balance sheet, technology, and staffing to be ready to benefit when this down cycle turns around.

The financial results for the company year-to-date show net income totaling \$8,575,000 that produces a ROA of 1.03%. The rapidly rising interest rate environment experienced during 2023 has squeezed our cost of funds more than increasing our yields on assets. To help manage this dynamic, we have chosen to sell securities, which reduced non-interest income by \$257,000 for the quarter and by \$498,000 year-to-date. We have been able to redeploy the funds from these security sales to offset the negative impacts of the rising cost of funds and reinvest into higher-yielding assets.

Inflation throughout the economy remains much higher than what is ideal and is the main reason that interest rates have increased so much. Inflation has also impacted our non-interest expenses as our costs for many of the services we provide have increased more than it typically does. We have elevated staffing costs due to competitive wage pressure as well as the addition of key people in areas that will benefit us when this down cycle turns around. We are working to deal with the present challenges of higher costs while keeping focused on the long-term potential of the company.

It is important to remember that capital levels come to the forefront in these times, and I am pleased that we continue to maintain strong levels. Our strong capital levels continue to support our dividends, and stock buy-backs that provide a strong cushion for growth and risks going forward. For the third quarter, I am pleased to announce that our dividend amount is \$0.57 per share or an increase year-to-date of 3%. The dividend is payable on October 31, 2023, to shareholders of record on October 13, 2023.

It is hard to believe that we are entering the 4th quarter and will quickly be complaining about the colder weather that will soon arrive in northwest Ohio. I remain very optimistic that Croghan can thrive in any environment going forward. We do look forward to "Helping good people, make good decisions" and producing the results that benefit our communities, employees, and our shareholders. We hope to see you out in our communities, but if we do miss you, please find us on our Facebook or LinkedIn platforms.

A handwritten signature in blue ink that reads 'Kendall W. Rieman'.

FINANCIAL INFORMATION *(unaudited)*

PERIOD END BALANCES

	As of 09/30/23	As of 12/31/22
Cash and cash equivalents	\$ 19,354,000	\$ 21,020,000
Securities	\$ 289,158,000	\$ 336,291,000
Loans	\$ 717,725,000	\$ 699,459,000
Less allowance for loan loss	\$ 8,881,000	\$ 8,686,000
Other assets	<u>\$ 77,182,000</u>	<u>\$ 77,679,000</u>
Total assets	<u>\$ 1,094,538,000</u>	<u>\$ 1,125,763,000</u>
Deposits	\$ 905,857,000	\$ 908,898,000
Other liabilities	\$ 79,260,000	\$ 107,795,000
Total liabilities	\$ 985,117,000	\$ 1,016,693,000
Net valuation allowance-securities	\$ (38,048,000)	\$ (36,209,000)
Retained earnings	\$ 120,717,000	\$ 116,205,000
Other equity	\$ 26,752,000	\$ 29,074,000
Total capital	<u>\$ 109,421,000</u>	<u>\$ 109,070,000</u>
Total liabilities and capital	<u>\$ 1,094,538,000</u>	<u>\$ 1,125,763,000</u>
Common shares outstanding	2,113,727	2,158,613
Average common shares outstanding	2,140,535	2,190,683

CONDENSED STATEMENT OF OPERATIONS

	Year to Date		Three Months Ended	
	09/30/23	09/30/22	09/30/23	09/30/22
Interest income	\$ 35,077,000	\$ 28,949,000	\$ 12,238,000	\$ 10,242,000
Interest expense	7,772,000	1,113,000	3,223,000	386,000
Net interest income	<u>27,305,000</u>	<u>27,836,000</u>	<u>9,015,000</u>	<u>9,856,000</u>
Provision for loan losses	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interest income after provision for loan losses	27,255,000	27,836,000	9,015,000	9,856,000
Other non-interest income	4,694,000	5,382,000	1,559,000	1,742,000
Non-interest expenses	<u>21,594,000</u>	<u>20,555,000</u>	<u>7,401,000</u>	<u>7,014,000</u>
Income before federal income taxes	10,355,000	12,663,000	3,173,000	4,584,000
Federal income taxes	<u>1,780,000</u>	<u>2,214,000</u>	<u>576,000</u>	<u>815,000</u>
Net income	<u>\$ 8,575,000</u>	<u>\$ 10,449,000</u>	<u>\$ 2,597,000</u>	<u>\$ 3,769,000</u>

PER SHARE DATA (BASIC)

	Year to Date	
	09/30/23	09/30/22
Net income	\$ 4.01	\$ 4.77
Cash dividends declared	\$ 1.71	\$ 1.66
Book value	\$ 51.77	\$ 48.49
Tangible book value	\$ 41.15	\$ 38.16
Closing price	\$ 46.32	\$ 54.20

FINANCIAL RATIOS

	Year to Date	
	09/30/23	09/30/22
Return on average assets	1.03%	1.25%
Return on average equity	10.04%	11.23%
Net interest margin	3.37%	3.50%
Loans to deposits	79.23%	73.25%