SUMMIT
BANCSHARES
LTD

March 17, 2023

To Our Stockholders,

2022 was an interesting year to say the least as our country encountered the most rapidly rising interest rate environment not seen since the 1980's. The Federal Open Market Committee increased the fed funds rate by 425 basis points in an effort to control inflation. Coming out of one of the lowest interest rate environments in history, this rapid rise resulted in a challenge for repricing loans and the market value of the investment portfolio.

As you review the financial information for last year, you will see a condensed format from prior years. The financial statements as presented were prepared internally. The Audit Committee elected to have a Directors' Exam performed instead of an audit of the financial statements to reduce expense.

Assets on the balance sheet grew by more than $12 million. The bank saw an increase in both loans and investment securities. The growth was funded by a $32.6 million increase in deposits. The bank saw an increase in all types of deposits; demand, savings and time accounts. The rapid rise in interest rates had a negative impact on stockholders' equity. The unrealized market value losses on debt securities are due to the increase in interest rates. 100% of the par value is expected to be recognized at maturity.

Net income for the year is lower than last year. Loan income is lower than 2021, as income generated from originating Paycheck Protection Program (PPP) loans did not exist in 2022. If PPP income was eliminated from 2021, loan income increased $329,000. Investment portfolio income increased more than $1.5 million as the portfolio size increased and the yield on new investments was higher. Interest expense also increased because of more deposits and higher rates paid on deposit accounts. Noninterest income shrank largely due to higher interest rates and cost of housing reducing our activity in loan sales. Labor demand caused an increase in salary and benefits costs. Net income was 5% lower than last year; ending at $3,620,000. Retained earnings increased $1,789,000; keeping the bank adequately capitalized.

The Board of Directors elected to increase the dividend to $0.80 per share; paying out over $1.8 million to stockholders. The last sale of stock in 2022 occurred at $29.00 per share and there is

currently stock available for sale. If you are interested in investing, please contact either Herman Zuber or Kevin Ochs.

In closing, we want to acknowledge the years of service from Bruce Peters. Bruce retired as President and CEO after 42 years at the bank. Bruce began as a teller in 1981, before moving to the loan department, becoming Vice President and ultimately President in 2007. Bruce has chosen to remain a director and we look forward to continuing working together.

If you have any questions about the annual report to stockholders or stock, please contact us.

Thank you for your continued investment in Summit Bancshares, Ltd. If there are any financial services we can provide whether it be a loan, a new deposit account, serving as trustee for your fiduciary needs, or an investment through our brokerage services, we look forward to the opportunity to serve you, which ultimately benefits you as the stockholder.

Sincerely,
Summit Bancshares, Ltd.

Kevin G. Ochs
President and CEO

Brad E. Harmon
Chairman of the Board of Directors

Summit Bancshares, Ltd. and First National Bank in Olney
Board of Directors

Brad E. Harmon has served as a Director of Summit Bancshares, Ltd. and First National Bank in Olney since 2002, and currently serves as Chairman of the Board for both Summit Bancshares, Ltd. and First National Bank in Olney. Mr. Harmon has been a Registered Pharmacist since graduating from Butler University in 1980. He is President and co-owner of Harmon's Drug Store, Inc. with locations in Oblong and Palestine Illinois. Brad is active in promoting small business in Crawford County.

Julie M. Hearring joined the Board of Directors of Summit Bancshares, Ltd. and First National Bank in Olney in July 2016. Mrs. Hearring is an independent insurance agent who joined her father, Don Blank, at Blank's Insurance Agency in Olney, in September of 1977. She purchased the agency in 2003. She works on many state and national insurance association boards and committees, and is a Certified Insurance Counselor. Julie is active at St. Joseph's Catholic Church, the Olney Rotary Club, past Richland Memorial Hospital Foundation member, past board member of the Richland County CEO Program.

James A. Knollenberg has served as Director of Summit Bancshares, Ltd. and First National Bank in Olney since 2002. Mr. Knollenberg is President of K & K Grain Farms, Inc. in Crawford County. Currently Jim serves on the Lincoln Trail College Foundation Board, and does live radio broadcasting of the college's men's home basketball games. He previously served as Chairman of the Crawford County Soil and Water Conservation District for 20 years, was a founding member of the Oblong Schools Academic Foundation, served as Superintendent of the Crawford County Fair, finance committee of Central United Methodist Church in Oblong, past Director of Rich-Law Service Company, and coached basketball at the Oblong Grade School.

Michael A. McKinney joined the Board of Directors of Summit Bancshares, Ltd. and First National Bank in Olney in November 2015. Mr. McKinney is Chairman and co-owner of A.M. Transport Services, Inc. in Olney, Illinois. Michael is active in the Richland County communities, serving on the Richland County Development Corporation Board of Directors, and in the past has served on the board of directors for the Richland County Recreation Council, Richland County CEO, and the Richland County Chamber of Commerce. He is a lifelong parishioner of St. Joseph Catholic Church, has served on the Parish Council, and volunteers regularly at St. Joseph School.

Jason A. Mosbey joined the Board of Directors of First National Bank in Olney and Summit Bancshares, Ltd. in May 2020. Jason is the owner of Mosbey Seed Sales, LLC and holds an insurance producer license in both Illinois and Indiana specializing in crop insurance. Mr. Mosbey is also the co-owner of Mosbey Farms, Inc. where he continues to work with his family on their farm. Jason is a member of Mt. Gilead Church, volunteers for various youth programs, as well as acting sponsor to numerous non-profit organizations and youth programs in Richland and surrounding counties.

Kevin G. Ochs is the President and CEO of the First National Bank in Olney and Summit Bancshares Ltd being appointed in February of 2023. He was Board secretary from 1998 to 2023. Kevin was appointed to the Board of Directors in 2007. Kevin began his career in banking at the First National Bank in Olney in 1992. His roles at the bank have included loan review, operations and most recently the Chief Financial Officer. Kevin also raises cattle with his son. He is Treasurer of the Wabash Valley Angus Association and a member of the St. Joseph Catholic Church.

Bruce A. Peters is a retired President and CEO of Summit Bancshares, Ltd. and First National Bank in Olney, serving as a Director since 2007. Mr. Peters was an employee of First National Bank in Olney for 42 years. Bruce has been active in the Richland County communities, serving as Chairman of the Richland County Development Corporation Board of Directors, Vice President of the Olney Central College Foundation Board, past Director of the Richland Memorial Hospital Board, member of the Trinity Lutheran Church, where he served on the Audit Committee and Church Council, past member of the Illinois Area 23 Local Workforce Investment Board, and was a founding board member of the Richland County CEO Program. He is a Past Exalted Ruler of the Olney Elks Lodge and continues to be a member.

Craig O. Weber joined the Board of Directors of Summit Bancshares, Ltd. and First National Bank in Olney in July 2014. Mr. Weber is an attorney and a partner in the Weber, Heap, Ayres & Greene, P.C. law firm with locations in Robinson, Newton and Oblong, Illinois. Craig is active in the Crawford and Jasper County communities, serving as a member and past President of the Crawford County Bar Association, member of Newton Rotary Club, Board member of United Way of Crawford County, past Director of Crawford County Habitat for Humanity, and member of St. Elizabeth's Catholic Church in Robinson where he formerly served on the Pastoral Council.

Summit Bancshares, Ltd.

Consolidated Balance Sheets

December 31, 2022 and 2021

(Amounts in Thousands, Except for Share Data)

Assets

	2022	2021
Cash and due from banks	$ 21,199	$ 44,388
Interest-bearing time deposits	3,224	4,216
Available-for-sale debt securities	154,468	135,135
Held-to-maturity debt securities	6,193	5,490
Loans, net of allowance for loan losses of $2,744 and $2,566 at December 31, 2022 and 2021	234,175	221,646
Premises and equipment, net	3,945	3,983
Federal Reserve Bank and Federal Home Loan Bank stock	497	497
Interest receivable	3,044	2,514
Goodwill	4,634	4,634
Deferred income taxes, net	3,547	-
Other assets	1,210	1,166
Total assets	$ 436,136	$ 423,669

Liabilities

Deposits		
Demand	$ 97,733	$ 91,343
Savings, NOW and money market	230,692	212,053
Time	67,814	60,227
Total deposits	396,239	363,623
Federal Home Loan Bank borrowings	1,828	6,652
Short-term borrowings	1,839	1,722
Deferred income taxes, net	-	2,437
Interest payable and other liabilities	713	698
Total liabilities	400,619	375,132

Stockholders Equity

Common stock, $0.83 par value; authorized 3,000,000 shares; 2,299,471 issued and 2,285,134 outstanding at December 31, 2022 and 2021	1,923	1,923
Additional paid-in capital	15,845	15,845
Retained earnings	30,990	29,201
Accumulated other comprehensive income	(13,070)	1,739
Treasury stock, at cost, 2022 and 2021 - 14,337 shares	(171)	(171)
Total stockholders' equity	35,517	48,537
Total liabilities and stockholders' equity	$ 436,136	$ 423,669

Summit Bancshares, Ltd.

Consolidated Statements of Income

December 31, 2022 and 2021

(Amounts in Thousands, Except for Share Data)

	2022	2021
Interest Income		
Loans, including fees	$ 9,450	$ 9,972
Debt securities	3,806	2,276
Federal funds sold	-	-
Deposits with financial institutions	389	157
Total interest income	13,645	12,405
Interest Expense		
Deposits	1,941	1,387
Federal Home Loan Bank advances and other borrowings	42	35
Total Interest Expense	1,983	1,422
Net Interest Income	11,662	10,983
Provision for Loan Losses	350	100
Net Income After Provision for Loan Losses	11,312	10,883
Noninterest Income		
Fiduciary activities	304	337
Loan servicing fees	109	112
Service charges and fees	1,250	1,202
Net gains on loan sales	9	250
Net realized gains on sales of available-for sale debt securities	2	39
Other	305	425
Total noninterest income	1,979	2,365
Noninterest Expense		
Salaries and employee benefits	5,140	4,884
Net occupancy and equipment expense	1,094	1,114
Data processing	432	426
Professional fees	292	183
Marketing	264	186
Printing and office supplies	198	195
Deposit insurance premiums	119	107
Other	1,006	1,017
Total noninterest expense	8,545	8,112
Income Before Income Tax	4,746	5,136
Provision for Income Taxes	1,126	1,325
Net Income	$ 3,620	$ 3,811
Earnings per Share	$ 1.58	$ 1.67

Summit Bancshares, Ltd.

Consolidated Statements of Stockholders Equity

December 31, 2022 and 2021

(Amounts in Thousands, Except for Share Data)

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury	
	Shares	Amount	Capital	Earnings	Income	Stock	Total
Balance, January 1, 2021	2,285,134	$ 1,923	$ 15,845	$ 27,195	$ 3,426	$ (171)	$ 48,218
Net Income				3,811			3,811
Dividends on common stock, $0.79 per share				(1,805)			(1,805)
Rounding adjustment to prior year's capital				-			
Other comprehensive loss				-	(1,687)		(1,687)
Balance, December 31, 2021	2,285,134	$ 1,923	$ 15,845	$ 29,201	$ 1,739	$ (171)	$ 48,537
Net Income				3,620			3,620
Dividends on common stock, $0.80 per share				(1,828)			(1,828)
Rounding adjustment to prior year's capital				(3)			(3)
Other comprehensive loss					(14,809)		(14,809)
Balance, December 31, 2022	2,285,134	$ 1,923	$ 15,845	$ 30,990	$ (13,070)	$ (171)	$ 35,517

Summit Bancshares, Ltd.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Table Dollar Amounts in Thousands)

Debt Securities

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Debt Securities				
December 31, 2022				
U.S. Treasuries	$ 43,770	$ -	$ (3,412)	$ 40,358
U.S. Government agencies	7,791	-	(897)	6,894
U.S. Government sponsored enterprises mortgage-backed securities	3,073	-	(67)	3,006
State and political subdivisions	77,329	128	(12,323)	65,134
Other asset-backed - student loans	6,098	-	(175)	5,923
U.S. Government sponsored enterprises collateralized mortgage obligations	34,688	41	(1,576)	33,153
	$ 172,749	$ 169	$ (18,450)	$ 154,468
December 31, 2021				
U.S. Treasuries	$ 18,666	$ 52	$ (121)	$ 18,597
U.S. Government agencies	7,766	383	-	8,149
U.S. Government sponsored enterprises mortgage-backed securities	893	-	(1)	892
State and political subdivisions	61,558	2,114	(547)	63,125
Other asset-backed - student loans	7,108	44	(10)	7,142
U.S. Government sponsored enterprises collateralized mortgage obligations	36,710	643	(123)	37,230
	$ 132,701	$ 3,236	$ (802)	$ 135,135

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Debt Securities				
December 31, 2022				
State and political subdivisions	$ 1,393	$ -	$ -	$ 1,393
Corporates	4,800	-	-	4,800
	$ 6,193	$ -	$ -	$ 6,193
December 31, 2021				
State and political subdivisions	$ 2,690	$ -	$ -	$ 2,690
Corporates	2,800	-	(5)	2,795
	$ 5,490	$ -	$ (5)	$ 5,485

Summit Bancshares, Ltd.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Table Dollar Amounts in Thousands)

Loans and Allowance for Loan Losses

Classes of Loans at December 31, 2022 and 2021, include:

	2022	2021
Construction and land development	$ 2,626	$ 3,710
Real Estate		
Residential	53,221	49,699
Commercial	19,389	17,406
Agricultural	84,441	82,618
Other	4,818	4,742
Commercial		
Agricultural	34,187	32,691
Industrial	27,834	23,697
Consumer	9,541	8,662
Other Loans	225	357
	236,282	223,582
Add net deferred loan costs	637	630
Less allowance for loan losses	2,744	2,566
Net loans	$ 234,175	$ 221,646

Summit Bancshares, Ltd.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Table Dollar Amounts in Thousands)

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

	2022				
	Construction and Land Development	Real Estate			
		Residential	Commercial	Agricultural	Other
Pass (A-D)	$ 2,353	$ 51,773	$ 19,346	$ 82,537	$ 4,818
Special Mention (E)	-	544	43	-	-
Substandard (F)	273	904	-	1,904	-
Doubtful (G)	-	-	-	-	-
Total	$ 2,626	$ 53,221	$ 19,389	$ 84,441	$ 4,818

	Commercial				
	Agricultural	Industrial	Consumer	Other Loans	Total
Pass (A-D)	$ 33,714	$ 27,240	$ 9,483	$ 225	$ 231,489
Special Mention (E)	309	477	48	-	$ 1,421
Substandard (F)	164	117	10	-	$ 3,372
Doubtful (G)	-	-	-	-	$ -
Total	$ 34,187	$ 27,834	$ 9,541	$ 225	$ 236,282

	2021				
	Construction and Land Development	Real Estate			
		Commercial	Commercial	Agricultural	Other
Pass (A-D)	$ 3,710	$ 47,789	$ 15,311	$ 81,273	$ 4,711
Special Mention (E)	-	379	373	299	-
Substandard (F)	-	1,531	1,144	1,046	31
Doubtful (G)	-	-	578	-	-
Total	$ 3,710	$ 49,699	$ 17,406	$ 82,618	$ 4,742

	Commercial				
	Agricultural	Industrial	Consumer	Other Loans	Total
Pass (A-D)	$ 32,265	$ 22,426	$ 8,652	$ 357	$ 216,494
Special Mention (E)	204	432	10	-	$ 1,697
Substandard (F)	222	839	-	-	$ 4,813
Doubtful (G)	-	-	-	-	$ 578
Total	$ 32,691	$ 23,697	$ 8,662	$ 357	$ 223,582

Summit Bancshares, Ltd.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Table Dollar Amounts in Thousands)

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

	2022						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
Construction and Land Development	$ -	$ -	$ 273	$ 273	$ 2,353	$ 2,626	$ -
Real Estate				$ -		$ -	
Residential	963	411	533	$ 1,907	51,314	$ 53,221	-
Commercial	-	-	-	$ -	19,389	$ 19,389	-
Agricultural	75	232	181	$ 488	83,953	$ 84,441	-
Other	-	-	-	$ -	4,818	$ 4,818	-
Commercial				$ -		$ -	
Agricultural	-	-	-	$ -	34,187	$ 34,187	-
Industrial	155	31	78	$ 264	27,570	$ 27,834	-
Consumer	167	9	-	$ 176	9,365	$ 9,541	-
Other Loans	-	-	-	$ -	225	$ 225	-
Total	$ 1,360	$ 683	$ 1,065	$ 3,108	$ 233,174	$ 236,282	$ -

	2021						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
Construction and Land Development	$ 150	$ -	$ -	$ 150	$ 3,560	$ 3,710	$ -
Real Estate						-	
Residential	927	444	225	1,596	48,103	49,699	-
Commercial	438	-	-	438	16,968	17,406	-
Agricultural	46	45	107	198	82,420	82,618	-
Other	-	-	31	31	4,711	4,742	-
Commercial						-	
Agricultural	162	-	-	162	32,529	32,691	-
Industrial	123	-	-	123	23,574	23,697	-
Consumer	14	10	-	24	8,638	8,662	-
Other Loans	-	-	-	-	357	357	-
Total	$ 1,860	$ 499	$ 363	$ 2,722	$ 220,860	$ 223,582	$ -

Interest-bearing deposits in denominations of $250,000 or more were approximately $11,906,000 and $12,285,000 at December 31, 2022 and 2021, respectively.

At December 31, 2022 the scheduled maturities of time deposits are as follows:

2023	$ 27,146
2024	32,037
2025	5,522
2026	2,113
2027	972
	$ 67,790

Summit Bancshares, Ltd.
Notes to Consolidated Financial Statements
December 31, 2022 and 2021
(Table Dollar Amounts in Thousands)

	Actual		Minimum Required For Capital Adequacy Purposes	
	Actual			
	Amount	Ratio	Amount	Ratio
As of December 31, 2022				
Community Bank Leverage Ratio	$ 45,121	10.32%	$ 39,345	9.00%
As of December 31, 2021	$ 43,332	10.36%	$ 35,541	8.50%
Community Bank Leverage Ratio				

Summit Bancshares, Ltd.

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Table Dollar Amounts in Thousands)

Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

Condensed Balance Sheets

	December 31	
	2022	2021
Assets		
Cash and due from banks	$ 99	$ 96
Investment in common stock of subsidiary	35,409	48,432
Other Assets	9	9
Total Assets	$ 35,517	$ 48,537
Stockholders' Equity	$ 35,517	$ 48,537

Condensed Statements of Income

	Years Ended December 31	
	2022	2021
Income- Dividends from subsidiary	$ 1,840	$ 1,824
Expenses- Other	32	31
Income Before Income Tax and Equity in Undistributed Income of Subsidiary	$ 1,808	1,793
Income Tax Benefit	(9)	(11)
Income Before Equity in Undistributed Income of Subsidiary	1,817	1,804
Equity in Undistributed Income of Subsidiary	1,803	2,007
Net Income	$ 3,620	$ 3,811

First National Bank in Olney

~ DIRECTORS ~

Brad E. Harmon – Chairman
Julie M. Hearring
James A. Knollenberg
Michael A. McKinney
Jason A. Mosbey
Kevin G. Ochs
Bruce A. Peters
Craig O. Weber

~ EMPLOYEES ~

Brittany Akers
William Alexander
Michelle Alumbaugh
Anita Atkins
Chelsea Bangert
Janice Beavers
Britney Blessing
Diana Branham
Stephanie Brinson
Lisa Bruner
April Bunting
Karsyn Bynum
Emily Clark
Terri Clodfelter
Erik Cordell
Joe Davis
Elizabeth Dhom
Gracie Donaldson
Cole DuSablon
Janice Ellis
Sandi Everingham
Katie Fehrenbacher
Kim Ferguson
Carrie French
Claire Griffith
Paul Goebel
Rose Hampton
Fay Hedrick
Mindy Henton
Carol Hepner
Tony Herman
Rachel Hernandez
Shawna Hill
Cara Hinkel-Schroth
Christine Hollowell
Denita Holmes
Heath Houchin
Teresa Hunt
Rick Johnson
Kate Kaufmann
Stacy Kessler
Rhonda Kuenstler
Katie Kuhl
Callie Leffler
Nora Leggitt
Anita Mason
Cierra Morgan
Todd Musgrave
Ann Muston
Kristina Newton
Makalyn Nichols
Christopher Ochs
Kevin Ochs
Matthew Paddick
Gail Parker
Lindsy Phillips
Amy Read
Randy Rusk
Robin Schwartzlose
Kim Simmers
Jennifer Taylor
Jamey Tracy
Janice Travis
Christine Uebinger
Sarah Weaver
Derek Weiler
Kevin Woods
Joseph Wyatt