Systematic Savings Bank

Annual Report

December 31, 2023

Dear Shareholders,

We are pleased to present highlights from 2023.

Financial Highlights:

- Net Income of $465 thousand, an improvement over 2022 of $258 thousand, or 124.6%.
- Average Earning Assets increased $10.2 million, or 19.8%.
- Total Net Interest Income before provision decreased $56 thousand, or (3.4%).
- The Bank recorded a tax benefit of $636 thousand.

Balance Sheet Highlights:

- Total assets increased $8.3 million, or 14.8%.
- According to the December 31, 2022 Uniform Bank Performance Report (UBPR), the Bank's growth rate puts it in the 92nd percentile of its peer group.
- Net loans increased $7.9 million, or 17.6%, year over year.
- Total deposits increased $4.5 million, or 10.4%.

Credit Quality Highlights:

- We added to the Allowance for Credit Loss $97 thousand. This is a result of loan growth, not charge offs.

Our 100th year was challenging. Our industry saw downward pressure on margins as a result of key market rate changes and depositors sought alternate investments as both the equity and bond market improved. Systematic weathered these storms and finished 2023 not just strongly, but with momentum.

We are thrilled you have chosen to be part of our history and heritage. Since 1923, Systematic (Fidelity Savings and Loan, at its inception) has been proud to be part of the Springfield, Missouri community. Going forward, we will continue to focus on a strong credit, low overhead model and look forward to deploying our liquidity in a prudent manner.

We further diversified our loan portfolio, adding yield and safety, as we moved further away from the savings and loan lending requirements. What takes the Bank to the next level are core deposits, with customers that are here because they like what we do and how we do it. Systematic has a full product range which belies its size. From Ag lending to Treasury Management, we have tools not generally found at a bank our size. At our core though, we focus on unmatched customer service, one customer at a time. We do not have one size fits all products; we approach each customer uniquely. Our goal is to provide great deposit products and to find ways to put borrowers into the best loan product to achieve their goals.

Each of our employees look forward to hearing from you and finding ways that Systematic can facilitate your needs. We are pleased and proud you have chosen to invest in us and look forward to hearing from each of our shareholders in the Bank. Our continued success relies on core customers. If you have the confidence to invest in us, we would also encourage you to do business with us. Your banking relationship with us is what allows us to grow and add value to your investment.

Derek Fraley
Chairman and CEO
Systematic Savings Bank

SYSTEMATIC SAVINGS BANK
Selected Financial Data

The summary financial information presented below is derived in part from the financial statements of Systematic. The following is only a summary and you should read it in conjunction with the financial statements and notes beginning on page F-1. The information at December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022 is derived in part from the audited financial statements of the Savings Bank that appear in this Annual Report. The following information is only a summary and you should read it in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and notes thereto contained elsewhere in this Annual Report.

	At December 31,	
	2023	**2022**
Summary of Selected Balance Sheet Data:	**(Dollars in thousands)**	
Total assets	$ 64,627	$ 56,317
Cash and cash equivalents	3,478	3,320
Available for sale securities	6,150	6,561
Loans receivable, net	52,552	44,698
Premises and equipment, net	570	583
Prepaid expenses and other assets (1)	494	378
Deposits	47,173	42,715
FHLB advances	6,892	3,161
Total stockholders' equity	10,474	9,967

(1) Includes accrued interest receivable, prepaid expenses, deferred tax asset, and other assets.

	Years Ended December 31,	
	2023	**2022**
	(In thousands)	
Selected Operating Data:		
Interest income	$ 3,266	$ 2,253
Interest expense	1,674	604
Net interest income	1,592	1,649
Provision for credit losses	25	3
Net interest income after provision for credit losses	1,567	1,646
Noninterest income	68	64
Noninterest expense	1,806	1,496
Income taxes (benefit)	(636)	7
Net income	$ 465	$ 207

SYSTEMATIC SAVINGS BANK
Selected Financial Data

Selected Financial Ratios and Other Data: Performance Ratios:	At or For the Years Ended December 31, 2023	2022
Return on average assets (ratio of net income (loss) to average total assets)	0.74%	0.38%
Return on average equity (ratio of net income (loss) to average total equity)	4.66%	2.02%
Interest rate spread (1)	1.79%	2.74%
Net interest margin (2)	2.58%	3.08%
Efficiency ratio (3)	79.52%	87.43%
Average equity to average total assets	15.75%	18.75%
Asset Quality Ratios:		
Non-performing assets to total assets	0.02%	0.03%
Non-performing loans to total loans	0.03%	0.04%
Allowance for credit losses to nonperforming loans	3,482%	2,584%
Allowance for credit losses to total loans	0.97%	0.93%
Net charge-offs to average loans outstanding	N/A	N/A
Capital Ratios:		
Total capital (to risk-weighted assets)	N/A	N/A
Tier 1 capital (to risk-weighted assets)	N/A	N/A
Common equity Tier 1 capital (to risk-weighted assets)	N/A	N/A
Tier 1 capital (to average assets)	16.5%	18.1%
Other Data:		
Number of offices	1	1
Full-time equivalent employees	8	9

(1) The interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.
(2) The net interest margin represents net interest income as a percentage of average interest-earning assets for the year.
(3) The efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.

Systematic Savings Bank
December 31, 2023 and 2022

Contents

Independent Auditor's Report **F-1**

Financial Statements

Statements of Financial Condition F-3
Statements of Income F-5
Statements of Comprehensive Income (Loss) F-6
Statements of Stockholders' Equity F-7
Statements of Cash Flows F-8
Notes to Financial Statements F-9

FORVIS

910 E. St. Louis Street, Suite 200 / Springfield, MO 65806
P 417.865.8701 / **F** 417.865.0682
forvis.com

Independent Auditor's Report

Board of Directors
Systematic Savings Bank
Springfield, Missouri

Opinion

We have audited the financial statements of Systematic Savings Bank, which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of income, comprehensive income (loss), stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Systematic Savings Bank as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Systematic Savings Bank 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.

Emphasis of Matter

As discussed in *Note 3* to the financial statements, in 2023 Systematic Savings Bank adopted ASC Topic 326, *Financial Instruments - Credit Losses*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Systematic Savings Bank's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Systematic Savings Bank'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 Systematic Savings Bank'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.

FORVIS, LLP

Springfield, Missouri
March 27, 2024

Systematic Savings Bank
Statements of Financial Condition
December 31, 2023 and 2022

Assets

	2023	2022
Assets		
Cash and due from banks	$ 3,348,454	$ 3,320,110
Federal funds sold	130,000	-
Cash and cash equivalents	3,478,454	3,320,110
Interest-bearing time deposits	345,000	590,000
Available-for-sale securities	6,149,866	6,561,431
Loans receivable, net of allowance for credit losses of $514,782 at December 31, 2023, and $418,112 at December 31, 2022	52,551,898	44,697,995
Interest receivable	272,662	187,083
Prepaid expenses and other assets	493,706	377,641
Deferred tax asset	765,210	-
Premises and equipment, net	569,823	582,992
Total assets	$ 64,626,619	$ 56,317,252

Liabilities and Stockholders' Equity

	2023	2022
Liabilities		
Deposits	$ 47,172,827	$ 42,714,845
Advances from borrowers for taxes and insurance	9,529	17,443
Federal funds purchased	-	360,000
FHLB advances	6,892,360	3,161,360
Accrued expenses and other liabilities	77,808	96,925
Total liabilities	54,152,524	46,350,573
Stockholders' Equity		
Common stock, $.01 par value		
Authorized - 10,000,000 shares		
Issued and outstanding - 595,125 shares	5,951	5,951
Additional paid-in capital	5,068,688	5,068,688
Retained earnings	5,807,623	5,435,301
Accumulated other comprehensive income (loss)	(408,167)	(543,261)
Total stockholders' equity	10,474,095	9,966,679
Total liabilities and stockholders' equity	$ 64,626,619	$ 56,317,252

Systematic Savings Bank

Statements of Income

Years Ended December 31, 2023 and 2022

	2023	2022
Interest Income		
Loans	$ 2,753,691	$ 1,980,380
Investments	254,793	180,566
Deposits with financial institution and other	257,810	92,199
	3,266,294	2,253,145
Interest Expense		
Checking accounts	615,888	276,522
Savings accounts	438	340
Certificate accounts	761,458	296,104
FHLB borrowings and federal funds purchased	296,389	31,583
	1,674,173	604,549
Net Interest Income	1,592,121	1,648,596
Provision for Credit Losses	25,000	2,500
Net Interest Income After Provision for Credit Losses	1,567,121	1,646,096
Noninterest Income	67,711	63,748
Noninterest Expense		
Salaries and benefits	976,005	783,009
Net occupancy expense	85,816	90,094
Professional fees	128,674	124,616
Other	615,431	498,146
	1,805,926	1,495,865
Net (Loss) Income Before Income Taxes	(171,094)	213,979
Income Tax (Benefit) Expense	(636,306)	7,425
Net Income	$ 465,212	$ 206,554

Systematic Savings Bank

Statements of Comprehensive Income (Loss)

Years Ended December 31, 2023 and 2022

	2023	2022
Net Income	$ 465,212	$ 206,554
Other Comprehensive Income (Loss)		
Unrealized holding gain (loss) on available-for-sale securities	135,094	(557,231)
Other comprehensive income (loss)	135,094	(557,231)
Comprehensive Income (Loss)	$ 600,306	$ (350,677)

See Notes to Financial Statements

Systematic Savings Bank
Statements of Stockholders' Equity
Years Ended December 31, 2023 and 2022

	Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2022	595,125	$ 5,951	$ 5,068,688	$ 5,228,747	$ 13,970	$ 10,317,356
Net income	-	-	-	206,554	-	206,554
Other comprehensive loss	-	-	-	-	(557,231)	(557,231)
Balance, December 31, 2022	595,125	5,951	5,068,688	5,435,301	(543,261)	9,966,679
Impact of ASU 2016-13 adoption	-	-	-	(92,890)	-	(92,890)
Adjusted Balance, January 1, 2023	595,125	5,951	5,068,688	5,342,411	(543,261)	9,873,789
Net income	-	-	-	465,212	-	465,212
Other comprehensive income	-	-	-	-	135,094	135,094
Balance, December 31, 2023	595,125	5,951	5,068,688	5,807,623	(408,167)	10,474,095

See Notes to Financial Statements

Systematic Savings Bank

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Net income	$ 465,212	$ 206,554
Items not requiring (providing) cash		
Depreciation	33,071	28,250
Deferred income taxes	(636,316)	-
Provision for credit losses	25,000	2,500
Amortization of premiums and discounts on mortgage-backed and investment securities	2,466	18,114
Changes in		
Interest receivable	(85,579)	(12,017)
Prepaid expenses and other assets	53,235	(30,283)
Interest payable	13,207	23,375
Accounts payable and accrued expenses	(88,324)	(18,366)
Net cash provided by (used in) operating activities	(218,028)	218,127
Investing Activities		
Net change in loans	(7,915,793)	(4,930,722)
Net change in interest-bearing time deposits	245,000	3,405,000
Purchases of available-for-sale securities	-	(4,191,281)
Principal paydowns on mortgage-backed securities	415,299	394,586
Proceeds from maturities and calls	-	-
Purchase of premises and equipment	(19,902)	(16,432)
Purchase of Federal Home Loan Bank stock	(1,009,100)	(138,600)
Proceeds from redemption of Federal Home Loan Bank stock	839,800	-
Net cash used in investing activities	(7,444,696)	(5,477,449)
Financing Activities		
Increase (decrease) in federal funds purchased	(360,000)	360,000
Increase (decrease) in checking and savings accounts	1,024,375	(1,697,588)
Increase in certificates of deposit	3,433,607	4,077,222
Increase in FHLB borrowing	3,731,000	3,161,360
Decrease in advances from borrowers for taxes and insurance	(7,914)	(9,657)
Net cash provided by financing activities	7,821,068	5,891,337
Increase in Cash and Cash Equivalents	158,344	632,015
Cash and Cash Equivalents, Beginning of Year	3,320,110	2,688,095
Cash and Cash Equivalents, End of Year	$ 3,478,454	$ 3,320,110
Supplemental Cash Flows Information		
Interest paid	$ 1,660,966	$ 581,174
Income taxes paid	$ (629,405)	$ 6,191

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

Nature of Operations

Systematic Savings Bank (the "Bank") is a Missouri-chartered stock savings and loan association. The Bank is engaged in providing financial services to customers primarily in Greene and Christian counties in Missouri. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Use of Estimates

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, valuation of real estate acquired in connection with foreclosures, or in satisfaction of loans and fair values of financial instruments. In connection with the determination of the allowance for credit losses and valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties.

Cash Equivalents

The Bank considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of certain interest-bearing deposits in other financial institutions and federal funds sold.

At December 31, 2023, the Bank's cash accounts exceeded federally insured limits by approximately $251,000.

Interest-Bearing Deposits in Banks

Interest-bearing deposits in banks mature within approximately one year and are carried at cost.

Debt Investments

Debt securities held by the Bank generally are classified and recorded in the financial statements as follows:

Classified as	Description	Recorded at
Available for sale (AFS)	Securities not classified as HTM or trading	Fair value, with unrealized gains and losses (for those which no allowance for credit losses are recorded) excluded from earnings and reported in other comprehensive income

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

When the fair value of securities is below the amortized cost and the Bank will not be required to sell the security before recovery of its amortized cost basis, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. If the present value of cash flows expected to be collected from the security are less than the amortized cost basis of the security, an allowance for credit losses is recorded for the credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

	Accounting Treatment	
Circumstances of Impairment Considerations	**Credit Component**	**Remaining Portion**
Not intended for sale and more likely than not that the Bank will not have to sell before recovery of cost basis	Recognized as an allowance for credit loss	Recognized in other comprehensive income
Intended for sale or more likely than not that the Bank will be required to sell before recovery of cost basis	Recognized in earnings	

Allowance for Credit Losses – Available-for-Sale Securities

For available-for-sale securities in an unrealized loss position, the Bank first assesses whether (i) there is intention to sell or (ii) it is more likely than not that the Bank will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Adjustments to the allowance are reported in our income statement as a component of credit loss expense.

Prior to the adoption of ASU 2016-13, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that were deemed to be other than temporary were reflected in earnings as realized losses. In estimating other-than-temporary impairment losses prior to January 1, 2023, the Bank considered, among other things, (i) the length of time and the extent to which the fair value had been less than cost, (ii) the financial condition and near-term prospects of the issuer and (iii) the intent and our ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Home Loan Bank Stock

Federal Home Loan Bank (FHLB) stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment. The Bank's total investment amounted to $341,552 and $200,300 at December 31, 2023 and 2022, respectively, and is included in prepaid expenses and other assets on the statements of financial condition. As a member, the Bank has the ability to borrow from the FHLB, which is secured by outstanding loans.

Loans

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

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans

The allowance for credit losses is established as losses are expected to occur through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management.

Groups of loans with similar risk characteristics are collectively evaluated. Loans that do not share risk characteristics are evaluated on an individual basis. Loans with similar risk characteristics are grouped into homogenous segments, or pools, for analysis.

The Bank utilizes the Scaled CECL Allowance for Losses Estimator or "SCALE" methodology to estimate allowance for credit losses. The SCALE method is a simple, spreadsheet-based method developed by the Federal Reserve to assist smaller community banks in calculating CECL-compliant allowances for credit losses (ACLs) using proxy expected lifetime loss rates. The SCALE tool is a template that smaller community banks can use if they wish to use the SCALE method. This tool, developed by the Federal Reserve, uses publicly available data from Schedule RI-C of the Call Report to derive the initial proxy expected lifetime loss rates. If a bank uses the SCALE tool, bank management must use judgment to further adjust the proxy expected lifetime loss rates to reflect bank-specific facts and circumstances to arrive at their final ACLs estimate that adequately reflects their loss history and the credit risk in their portfolio. The Bank adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off statement of financial condition credit exposures. Additionally, the Bank has elected to exclude accrued interest receivable amounts in the allowance for credit losses calculation and will present accrued interest receivable balances separately from the associated financial assets. Results for reporting periods beginning January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

Credit quality within the loans held for investment portfolio is continuously monitored by management and is reflected within the allowance for credit losses for loans. The allowance for credit losses is an estimate of expected losses inherent within the Bank's existing loans held for investment portfolio. The allowance for credit losses for loans held for investment, as reported in the statement of financial condition, is adjusted by a credit loss expense, which is reported in earnings, and reduced by the charge-off of loan amounts, net recoveries.

The loan loss estimation process involves procedures to consider the unique characteristics of loan portfolio segments which consist of construction real estate, 1-4 family real estate, multi-family real estate, commercial real estate, agricultural real estate, commercial, agricultural, and consumer and other lending. When computing allowance levels, credit loss assumptions are estimated using the SCALE model as noted above. The SCALE model uses historical information from peer banks as updated and published by the Federal Reserve Board.

The SCALE model includes four key components: 1) Lifetime loss rate, which is calculated as the average loss percentages of a selected peer group; 2) Individual assessed loan losses, which are loans with dissimilar risk characteristics of other loans and are assessed separately; 3) Qualitative adjustments, certain qualitative adjustments that adjust the peer numbers for local considerations; 4) Adjustment to peer group lifetime loss rate, which is an overall adjustments made to the peer group loss rate when compared with the Bank's.

The Bank qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factors and other qualitative adjustments may increase or decrease the Bank's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making qualitative adjustments include, among other things, the impact of:

(i) Changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries

(ii) Changes in the nature and volume of the loan pools and in the terms of the underlying loans

(iii) Changes in the experience, ability, and depth of our lending management and staff

(iv) Changes in volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets

(v) Changes in the quality of our credit review function

(vi) The existence, growth, and effect of any concentrations of credit

(vii) Other factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters or health pandemics

For those loans that are individually evaluated, an allowance is established when the collateral value of the loan is lower than the carrying value of that loan. The general component covers nonclassified loans and estimated using relevant available information from internal and external sources, related to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics and are applied as a qualitative factor.

A loan is individually evaluated for allowance for credit loss when the collateral value is deemed to be impaired in relation to the loan balance. Most loans meeting this judgement of impairment will be placed on the watch list. Individually impaired loans are excluded from the SCALE method consideration of allowance for credit losses.

Allowance for Credit Losses – Off-Statement of Financial Condition Credit Exposures

The allowance for credit losses on off-statement of financial condition credit exposures is a liability account, representing expected credit losses over the contractual period for which the Bank is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Bank has the unconditional right to cancel the obligation. The allowance is reported as a component of accrued interest payable and other liabilities in the statements of financial condition. Adjustments to the allowance are reported in the income statement as a component of credit loss expense.

Premises and Equipment

Land is carried at cost. Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Bank accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Bank determines deferred income taxes using the liability (or statement of financial condition) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. With a few exceptions, the Bank is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2020.

The Bank recognizes interest and penalties on income taxes as a component of income tax expense.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized depreciation on available-for-sale securities.

New Accounting Pronouncements

On January 1, 2023, the Bank adopted ASU 2016-13: *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The Bank adopted ASC 326 using a modified retrospective method for all financial instruments measured at amortized cost and off-balance-sheet credit exposures. Reporting periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Bank recorded a net decrease to retained earnings of $92,890 as of January 1, 2023, for the cumulative effect of adopting ASC 326. The transition adjustment includes an approximate $37,000 increase to the Allowance for Credit Losses on loans and an approximate $56,000 increase to the Allowance for Credit Losses on off balance sheet credit exposures.

Note 2: Investment Securities

The amortized cost of investment securities available-for-sale and their approximate fair values are as follows:

Available-for-Sale Securities

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
Corporate bonds	$ 3,628,256	$ -	$ 313,013	$ 3,315,243
Municipal securities	1,076,069	-	131,910	944,159
Government sponsored mortgage-backed securities	1,982,602	-	92,138	1,890,464
	$ 6,686,927	$ -	$ 537,061	$ 6,149,866

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
Corporate bonds	$ 3,649,416	$ -	$ 271,186	3,378,230
Municipal securities	1,065,884	-	168,928	896,956
Government sponsored mortgage-backed securities	2,389,392	-	103,147	2,286,245
	$ 7,104,692	$ -	$ 543,261	$ 6,561,431

Certain investments in debt securities are reported in the financial statements at an amount less than their historical costs. Total fair value of these investments at December 31, 2023, was $6,149,866, which is 100 percent of the Bank's available-for-sale portfolio. Total fair value of these investments at December 31, 2022, was $6,561,431, which is 100 percent of the Bank's available-for-sale portfolio. These declines primarily resulted from changes in market interest rates.

Unrealized losses have not been recorded as an allowance for credit loss because the Bank does not intend to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions.

The amortized cost and estimated fair value of debt securities available-for-sale at December 31, 2023, are listed by maturity category in the following table. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are presented separately.

	Available for Sale	
	Amortized Cost	Fair Value
Within one year	$ -	$ -
One to five years	2,076,358	2,021,716
Five to ten years	2,627,967	2,237,686
After ten years	-	-
Government sponsored mortgage-backed securities	1,982,602	1,890,464
Totals	$ 6,686,927	$ 6,149,866

The following tables show the gross unrealized losses and fair value of the Bank's investments for which an allowance for credit losses has not been recorded, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2023 and 2022:

	December 31, 2023			
			12 Months or More	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Corporate Bonds	$ -	$ -	$ 3,315,243	$ 313,013
Municipal Securities	-	-	944,159	131,910
Government sponsored mortgage-backed securities	-	-	1,890,464	92,138
Total temporarily impaired securities	$ -	$ -	$ 6,149,866	$ 537,061

	December 31, 2022			
	Less than 12 Months		12 Months or More	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Corporate Bonds	$ 3,378,230	$ 271,186	$ -	$ -
Municipal Securities	896,956	168,928	-	-
Government sponsored mortgage-backed securities	2,286,245	103,147	-	-
Total temporarily impaired securities	$ 6,561,431	$ 543,261	$ -	$ -

Note 3: Loans and Allowance for Credit Losses

Classes of loans at December 31, 2023 and 2022, include:

	2023	2022
Residential real estate	$ 21,561,254	$ 20,890,157
Commercial real estate	22,275,523	16,997,274
Commercial business	5,361,636	4,413,470
Consumer	104,206	177,525
Agriculture real estate	3,804,260	2,687,817
Total loans	53,106,879	45,166,243
Less		
Deferred loan fees and discounts, net	40,199	50,136
Allowance for loan losses	514,782	418,112
Net loans	$ 52,551,898	$ 44,697,995

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2023 and 2022:

	2023						
	Residential	Commercial Real Estate	Commercial Business	Consumer	AG Real Estate	Unallocated	Total
Allowance for credit losses							
Balance, beginning of year, prior to adoption of ASC 326	$ 222,920	$ 123,560	$ 33,243	$ 1,984	$ 32,254	$ 4,151	$ 418,112
ASC 326 adoption	9,776	43,817	(1,651)	(1,014)	(9,890)	(4,148)	36,890
Provision charged to expense	(29,003)	23,530	14,886	5,218	19,933	25,216	59,780
Losses charged off	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Balance, end of year	$ 203,693	$ 190,907	$ 46,478	$ 6,188	$ 42,297	$ 25,219	$ 514,782
Allowance for credit losses on off-balance sheet credit exposures							
Balance, beginning of year, prior to adoption of ASC 326	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASC 326 adoption	44,703	2,383	8,662	252		-	56,000
Provision charged to expense	(25,631)	(2,383)	(7,734)	(252)	-	-	(36,000)
Losses charged off	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Balance, end of year	$ 19,072	$ -	$ 928	$ -	$ -	$ -	$ 20,000

	2022						
	Residential	Commercial Real Estate	Commercial Business	Consumer	AG Real Estate	Unallocated	Total
Allowance for loan losses							
Balance, beginning of year	$ 224,515	$ 95,230	$ 41,809	$ 2,555	$ 28,380	$ 23,122	$ 415,611
Provision charged to expense	(1,595)	28,330	(8,566)	(571)	3,874	(18,971)	2,500
Losses charged off	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Balance, end of year	$ 222,920	$ 123,560	$ 33,243	$ 1,984	$ 32,254	$ 4,151	$ 418,112
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated for impairment	$ 222,920	$ 123,560	$ 33,243	$ 1,984	$ 32,254	$ 4,151	$ 418,112
Loans							
Ending balance	$ 20,890,157	$ 16,997,274	$ 4,413,470	$ 177,525	$ 2,687,817	$ -	$ 45,166,243
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ 16,180	$ -	$ -	$ 16,180
Ending balance collectively evaluated for impairment	$ 20,890,157	$ 16,997,274	$ 4,413,470	$ 161,345	$ 2,687,817	$ -	$ 45,150,063

The table above presents the activity in the allowance for loan losses by portfolio segment for the twelve months ended December 31, 2022, prepared using the GAAP incurred loss method prior to the adoption of ASU 2013-13.

Internal Risk Categories
Loan grades are numbered 1 through 7 and 35. Grades 1 through 3 and 35 are considered satisfactory grades. The grade of 4, or Special Mention, represents loans of lower quality and is considered criticized. The grade of 5, or Substandard, refers to assets that are classified. The Bank does not have any loans currently graded 6, Doubtful or 7, Loss.

Pass (1-3 and 35) loans have acceptable asset quality and liquidity.

Special Mention (4) assets have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (5) loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Residential Real Estate: The residential 1-4 family real estate loans are generally secured by 1-4 family rental properties and owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Bank's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a larger number of borrowers.

Commercial Real Estate and Agricultural Real Estate: Commercial and agricultural real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values, and the local economies in the Bank's market areas.

Commercial Business: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases, and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Consumer: The consumer loan portfolio consist of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Bank's market area) and the creditworthiness of a borrower.

The following tables present the credit risk profile of the Bank's loan portfolio based on internal rating category and payment activity as of December 31, 2023 and December 31, 2022:

	2023					
	Residential Real Estate	**Commercial Real Estate**	**Commercial Business**	**Consumer**	**Agricultural Real Estate**	**Total**
Grade						
Pass (1-3 & 35)	$ 21,561,254	$ 22,275,523	$ 5,361,636	$ 91,762	$ 3,804,260	$ 53,094,435
Special mention (4)	-	-	-	-	-	-
Substandard (5)	-	-	-	12,444	-	12,444
	$ 21,561,254	$ 22,275,523	$ 5,361,636	$ 104,206	$ 3,804,260	$ 53,106,879

	2022					
	Residential Real Estate	Commercial Real Estate	Commercial Business	Consumer	Agricultural Real Estate	Total
Grade						
Pass (1-3 & 35)	$ 20,890,157	$ 16,997,274	$ 4,413,470	$ 161,345	$ 2,687,817	$ 45,150,063
Special mention (4)	-	-	-	-	-	-
Substandard (5)	-	-	-	16,180	-	16,180
	$ 20,890,157	$ 16,997,274	$ 4,413,470	$ 177,525	$ 2,687,817	$ 45,166,243

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

The following tables present the Bank's loan portfolio aging analysis as of December 31, 2023 and 2022:

	2023						
	30-59 Days Past Due	60-90 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Residential	$ 272,307	$ -	$ -	$ 272,307	$ 21,288,947	$ 21,561,254	$ -
Commercial real estate	-	-	-	-	22,275,523	22,275,523	-
Commercial business	-	-	-	-	5,361,636	5,361,636	-
Consumer	-	-	14,784	14,784	89,422	104,206	14,784
Ag real estate	-	-	-	-	3,804,260	3,804,260	-
Total	$ 272,307	$ -	$ 14,784	$ 287,091	$ 52,819,788	$ 53,106,879	$ 14,784

	2022						
	30-59 Days Past Due	60-90 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Residential	$ 214,149	$ 100,894	$ 41,551	$ 356,594	$ 20,533,563	$ 20,890,157	$ 41,551
Commercial real estate	-	-	-	-	16,997,274	16,997,274	-
Commercial business	-	-	-	-	4,413,470	4,413,470	-
Consumer	4,423	17,785	-	22,208	155,317	177,525	-
Ag real estate	-	-	-	-	2,687,817	2,687,817	-
Total	$ 218,572	$ 118,679	$ 41,551	$ 378,802	$ 44,787,441	$ 45,166,243	$ 41,551

Prior to adoption of ASC 326, a loan was considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in accordance with ASC 310-20-5.

The following table presents impaired loans for the year ended December 31, 2022:

	2022				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					
Residential	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Commercial business	-	-	-	-	-
Consumer	16,180	17,785	-	18,332	-
Ag real estate	-	-	-	-	-
Loans with a specific valuation allowance					
Residential	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Commercial business	-	-	-	-	-
Consumer	-	-	-	-	-
Ag real estate	-	-	-	-	-
Total					
Residential	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Commercial business	-	-	-	-	-
Consumer	16,180	17,785	-	18,332	-
Ag real estate	-	-	-	-	-
Total impaired loans	$ 16,180	$ 17,785	$ -	$ 18,332	$ -

The following tables present the Bank's nonaccrual loans at December 31, 2023 and 2022.

	2023	2022
Residential	$ -	$ -
Commercial real estate	-	-
Commercial business	-	-
Consumer	14,784	16,180
Ag real estate	-	-
Total	$ 14,784	$ 16,180

At December 31, 2023 and 2022, the Bank had $14,784 of consumer loans secured by property that were modified to borrowers experiencing financial difficulty. At December 31, 2022, the Bank had $16,180 of consumer loans secured by property that were modified in troubled debt restructurings and impaired. The modification of the terms of such loans included one or a combination of the following: an extension of maturity and a reduction of the stated interest rate. There were no defaults of loans considered troubled debt restructurings during 2023 and 2022.

The Bank has entered into transactions with certain directors, executive officers, significant stockholders, and their affiliates. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties at December 31, 2023 and 2022, was $683,598 and $893,988, respectively.

Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	2023	2022
Land	$ 99,658	$ 99,658
Buildings and improvements	930,426	919,275
Furniture, fixtures, and equipment	495,016	485,764
	1,525,100	1,504,697
Less accumulated depreciation	955,277	921,705
Net premises and equipment	$ 569,823	$ 582,992

Note 5: Deposits

Deposits at December 31, 2023 and 2022, are summarized as follows:

	2023	2022
Demand deposit accounts	$ 5,685,203	$ 4,959,399
MMDA accounts	16,331,032	15,729,989
Savings accounts	150,228	452,700
	22,166,463	21,142,088
Certificates of deposit	25,006,364	21,572,757
	$ 47,172,827	$ 42,714,845

Certificates of deposits in denominations greater than $250,000 totaled approximately $10,753,000 and $5,250,597 at December 2023 and 2022, respectively. Brokered deposits totaled $10,250,000 and $5,000,000 at December 2023 and 2022, respectively.

At December 31, 2023, the scheduled maturities of time deposits are as follows:

2024	$ 16,052,732
2025	5,534,183
2026	3,298,054
2027	13,776
2028	107,619
Thereafter	-
	$ 25,006,364

Note 6: Income Taxes

The Bank files its federal tax return on a calendar year basis. As of December 31, 2023 and 2022, retained earnings include approximately $1,015,000 for which no deferred income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only for tax years prior to 1988. If the Bank were to liquidate, the entire amount would have to be recaptured and would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately $250,000 at December 31, 2023 and 2022.

The provision for income taxes includes these components:

	2023	2022
Taxes currently payable	$ 10	$ 7,425
Deferred income tax benefit	(636,316)	-
Actual tax expense (benefit)	$ (636,306)	$ 7,425

A reconciliation of income tax expense at the statutory rate to the Bank's actual income tax expense is shown below:

	2023	2022
Computed at the statutory rate (21%)	$ (35,930)	$ 44,936
Changes in the deferred tax valuation allowance	(574,458)	(47,714)
State tax impact on deferred taxes	1,029	7,181
Effect of adoption of ASU 2016-13	(22,292)	-
Other	(4,655)	3,022
Actual tax expense	$ (636,306)	$ 7,425

The tax effects of temporary differences related to deferred taxes shown on the December 31, 2023 and 2022, statements of financial condition are:

	2023	2022
Deferred tax assets		
Allowance for loan losses	$ 123,548	$ 100,347
Reserve for unfunded commitments	4,800	-
Net operating loss carryforward	508,631	471,349
Other	10,137	20,121
Unrealized loss on available-for-sale securities	128,895	114,085
	776,011	705,902
Deferred tax liabilities		
Prepaid expenses	15,717	17,359
	15,717	17,359
Net deferred tax asset before valuation allowance	760,294	688,543
Valuation allowance		
Beginning balance	(688,543)	(619,238)
Decrease during the period related to temporary differences	817,438	47,714
Increase (decrease) during the period for unrealized losses on available-for-sale securities	(128,895)	(117,019)
Ending balance	-	(688,543)
Net deferred tax asset	$ 760,294	$ -

As of December 31, 2023, the Bank had approximately $2,422,000 of net operating loss (NOL) carry forwards available to offset future income taxes. NOLs arising in 2018 or later carry forward indefinitely. NOLs of $1,987,000 arising prior to 2018 expire beginning in 2035.

Note 7: FHLB Advances

Advances from the Federal Home Loan Bank at December 31, 2023 and 2022, totaled $6,892,360 and $3,161,360 respectively. At December 31, 2023 and 2022, the Bank had overnight federal funds purchased of $0 and $360,000, respectively, at an interest of 4.60 percent. The Bank is required to maintain an investment in Federal Home Loan Bank capital stock. The investment is carried at amortized cost and amounted to $341,552 and $200,300 at December 31, 2023 and 2022, respectively. In addition, the Bank has pledged $11,416,346 of its 1-4 family conventional mortgage portfolio as collateral for the advance and future advances.

Interest Rate	Maturity Date	December 31, 2023	December 31, 2022
3.50%	8/23/2024	$ 561,360	$ 561,360
3.50%	8/23/2024	1,600,000	1,600,000
5.19%	12/20/2024	1,531,000	-
4.33%	5/1/2025	1,600,000	-
4.33%	5/1/2025	600,000	-
3.91%	12/9/2027	1,000,000	1,000,000
		$ 6,892,360	$ 3,161,360

Note 8: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial condition measured at fair value on a recurring basis and the level within the hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2023				
Corporate bonds	$ 3,315,243	$ 490,938	$ 2,824,305	$ -
Municipal securities	944,159	-	944,159	-
Mortgage-backed securities	1,890,464	-	1,890,464	-
	$ 6,149,866	$ 490,938	$ 5,658,928	-
December 31, 2022				
Corporate bonds	$ 3,378,230	$ 2,941,067	$ 437,163	$ -
Municipal securities	896,956	-	896,956	-
Mortgage-backed securities	2,286,245	-	2,286,245	-
	$ 6,561,431	$ 2,941,067	$ 3,620,364	-

Available-for-Sale Securities

Fair value is estimated by considering “observable” information through processes such as benchmarking yields, reported trades, issuer spreads, and model processes, such as the Option Adjusted Spread models for prepayment and interest rate scenarios.

Nonrecurring Measurements

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying statements of financial condition, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2023 or 2022.

Collateral-Dependent Impaired Loans, Net of Allowance for Loan Losses

Loans for which it is probable that the Bank will not collect all principal and interest due according to contractual terms are measured for impairment in accordance with GAAP. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans, or where a loan is determined not to be collateral dependent, using the discounted cash flow method.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. Unobservable inputs to these measurements, which include estimates and judgments often used in conjunction with appraisals, are not readily quantifiable.

If the impaired loan is determined not to be collateral dependent, then the discounted cash flow method is used. This method requires the impaired loan to be recorded at the present value of expected future cash flows discounted at the loan's effective interest rate. The effective interest rate of a loan is the contractual interest rate adjusted for any net deferred loan fees or costs, premiums, or discount existing at origination or acquisition of the loan.

The fair value measurements of nonrecurring assets classified within the fair value hierarchy at December 31, 2023 and 2022, are as follows:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2023				
Collateral dependent loans	$ 12,444	$ -	$ -	$ 12,444
	$ 12,444	$ -	$ -	$ 12,444
December 31, 2022				
Collateral dependent loans	$ 16,180	$ -	$ -	$ 16,180
	$ 16,180	$ -	$ -	$ 16,180

Note 9: Regulatory Matters

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

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) Management believes, as of December 31, 2023 and 2022, the Bank met all capital adequacy requirements to which it is subject. Additionally, as of December 31, 2023, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

During the fourth quarter of 2019, federal banking agencies issued a final ruling, which provides for a simple measure of capital adequacy for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The Community Bank Leverage Ratio (CBLR) framework which became effective January 1, 2020, provides an optional simple leverage capital measure, which is generally calculated the same as the generally applicable capital rule's leverage ratio.

A banking organization (depository institution or depository institution holding company) that has less than $10 billion in total consolidated assets can elect to opt into the framework if its leverage ratio is greater than 9 percent and the banking organization meets the framework's qualifying criteria of: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework (in the case of insured depository institutions); and (iii) any other applicable capital or leverage requirements. A qualifying banking organization can opt into or out of the CBLR framework at any time by following the prescribed procedures and completing the associated reporting line items that are required on its Call Report and/or form FR Y-9C, as applicable. If a CBLR banking organization fails to satisfy one of the qualifying criteria but has a leverage ratio of greater than 8 percent, the banking organization can continue to apply the CBLR framework and be considered "well capitalized" for a grace period of up to two quarters.

The Bank's actual capital amounts and ratios are presented in the table below. No amount was deducted from capital for interest-rate risk.

	Actual		Minimum Capital Requirement		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
As of December 31, 2023						
Tier 1 leverage ratio (to average total assets)	$ 10,754	16.5%	n/a	n/a	≥ $5,879	≥ 10%
As of December 31, 2022						
Tier 1 leverage ration (to average total assets)	$ 10,510	18.1%	n/a	n/a	≥ $5,216	≥ 10%

Note 10: Retirement Plan

Effective January 1, 2018, the Bank began offering a 401(k) retirement to eligible employees. Previously, the Bank had a defined contribution pension plan covering substantially all employees. The Bank's contributions to the plans are determined annually by the Board of Directors. Contributions to the plans were $14,256 and $19,713 for 2023 and 2022, respectively.

Note 11: Significant Estimates, Concentrations, and Contingencies

Significant Estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for credit losses are reflected in *Notes 1* and *3*. Current vulnerabilities due to certain concentrations of credit risk are discussed in *Note 12*.

Note 12: Commitments and Credit Risk

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract, and include unfunded amounts of construction loans. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but generally includes commercial or residential real estate. The Bank uses the same credit policies in granting lines of credit as it does for instruments on the statement of financial condition.

At December 31, 2023 and 2022, the Bank had granted unused lines of credit to borrowers aggregating approximately $3,822,000 and $7,259,000, respectively.

Note 13: Noninterest Income

Noninterest income consists of the following:

	2023	2022
FHLB dividends	$ 19,678	$ 936
SBA loan premium	760	17,567
Interchange income	23,611	18,912
Service charges and fees	10,202	15,461
Other	13,460	10,872
	$ 67,711	$ 63,748

Note 14: Other Noninterest Expenses

Other operating expenses consist of the following:

	2023	2022
Data processing	$ 178,694	$ 162,376
Group insurance	30,617	29,136
Advertising	23,330	5,552
Insurance	56,229	46,102
Taxes and licenses	72,608	58,674
Miscellaneous	253,953	196,306
	$ 615,431	$ 498,146

Note 15: Subsequent Events

Subsequent events have been evaluated through March 27, 2024, which is the date the financial statements were available to be issued.

Shareholder Information

Annual meeting
The annual meeting of stockholders of Systematic Savings Bank will be held on Wednesday, May 22, 2024, at 1:30 p.m., Central Time. The meeting location will be the Bank's headquarters at 318 South Ave, Springfield, MO 65806.

Stock Listing
The Company's stock is traded on the Over-The-Counter-Bulletin Board under the symbol "SSSB." The stock began trading on the Bulletin Board in October 2020.

Price Range of Common Stock and Stockholders
The Stock has not traded at this time.
As of December 31, 2023, the Bank had approximately 72 shareholders of record.

Code of Ethics
A copy of the Bank's Code of Ethics can be found on the Bank's website www.mysystematic.com.

Annual Reports
We were required to file an annual report for the fiscal year ended December 31, 2023. Copies of these, and quarterly reports, may be obtained from inquires to Derek Fraley of Systematic Savings Bank

General Inquiries
Derek Fraley
CEO
318 South Ave
Springfield, MO 65804
417-862-5036

Special Counsel
Breyer & Associates PC
8180 Greensboro Drive
Suite 785
McLean, VA 22102

Transfer Agent
Pacific Stock Transfer Company
6725 Via Austi Pkwy, Suite300
Las Vegas, Nevada 89119

Independent Auditors
FORVIS
910 St. Louis
Springfield, MO 65806

Board of Directors

Derek Fraley
Chairman
Systematic Savings Bank
Springfield, MO

Brad Weaver
Chief Loan Officer
Systematic Savings Bank
Springfield, MO

Trevor Crist
CEO
Nixon & Lindstrom Insurance
Springfield, MO

Jeff Seifried
Owner
Mother's Brewing
Springfield, MO

Kim Kollmeyer
Partner
Kollmeyer and Company
Springfield, MO

Dianna Devore
Owner/President
Lady Di Properties, LLC
DAD Commercial, LLC
Springfield, MO

Ryan DeBoef
Partner
Hahn | DeBoef Government Relations
Springfield, MO