



Great American
Bancorp, Inc.

Annual Report

2023

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Consolidated Balance Sheets	3
Consolidated Statements of Income.....	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Stockholders' Equity.....	6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	9
Shareholder Information (Unaudited).....	44
Directors and Executive Officers (Unaudited)	46

Independent Auditor's Report

To the Board of Directors
Great American Bancorp, Inc. and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of Great American Bancorp, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company 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 Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our 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 described in Note 1 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

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

To the Board of Directors
Great American Bancorp, Inc. and Subsidiary

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Company's shareholder information and listing of directors and executive officers but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Plante & Moreau, PLLC

February 22, 2024

GREAT AMERICAN BANCORP, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2023 and 2022

(in thousands, except share data)

	2023	2022
<i>Assets</i>		
Cash and due from banks	\$ 4,195	\$ 4,477
Interest-bearing demand deposits	35,864	25,960
Cash and cash equivalents	40,059	30,437
Securities available for sale (Note 2)	18	21
Securities held to maturity (Note 2)	50,488	89,094
Federal Home Loan Bank stock, at cost	258	258
Loans, net of allowance for credit losses (Note 3)	93,632	92,147
Premises and equipment, net (Note 5)	4,129	3,842
Goodwill	485	485
Other real estate owned	40	323
Other assets	2,172	2,267
Total assets	\$ 191,281	\$ 218,874
<i>Liabilities and Stockholders' Equity</i>		
<i>Liabilities</i>		
<i>Deposits</i>		
Noninterest-bearing	\$ 46,784	\$ 50,742
Interest-bearing	119,831	145,297
Total deposits (Note 6)	166,615	196,039
Advances from borrowers for taxes and insurance	337	229
Other liabilities	2,971	3,038
Total liabilities	169,923	199,306
<i>Stockholders' Equity</i>		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued	-	-
Common stock, \$0.01 par value; 1,000,000 shares authorized and issued	10	10
Additional paid-in capital	3,310	3,310
Retained earnings	37,616	35,494
Accumulated other comprehensive loss	(78)	(199)
Treasury stock, at cost (2023 -613,315 shares; 2022 -600,011 shares)	(19,500)	(19,047)
Total stockholders' equity	21,358	19,568
Total liabilities and stockholders' equity	\$ 191,281	\$ 218,874

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

GREAT AMERICAN BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Income

Years Ended December 31, 2023 and 2022

(in thousands, except share data)

	2023	2022
Interest and Dividend Income		
Loans	\$ 4,732	\$ 3,899
Securities	2,290	1,022
Dividends on Federal Home Loan Bank stock	11	6
Deposits with financial institutions and other	1,305	755
Total interest and dividend income	<u>8,338</u>	<u>5,682</u>
Interest Expense		
Deposits	49	64
Other	3	4
Total interest expense	<u>52</u>	<u>68</u>
Net Interest Income	8,286	5,614
Provision for Credit Losses (Note 3)	23	-
Net Interest Income After Provision for Credit Losses	<u>8,263</u>	<u>5,614</u>
Noninterest Income		
Insurance sales commissions	1,753	1,682
Customer service fees	490	490
Other service charges and fees	341	351
Net gain on sales of loans	107	438
Loan servicing fees, net of amortization of mortgage servicing rights	74	118
Net gain on sales of other real estate owned	116	79
Other	244	199
Total noninterest income	<u>3,125</u>	<u>3,357</u>
Noninterest Expense		
Salaries and employee benefits	4,617	4,299
Occupancy expense	638	597
Equipment expense	889	896
Professional fees	267	309
Marketing expense	237	192
Printing and office supplies	132	129
Directors and committee fees	176	176
Other real estate owned expense, net	207	143
FDIC deposit insurance expense	92	61
Other	867	678
Total noninterest expense	<u>8,122</u>	<u>7,480</u>
Income Before Income Taxes	3,266	1,491
Income tax expense	792	393
Net Income	<u>\$ 2,474</u>	<u>\$ 1,098</u>
Earnings per share, basic and diluted	<u>\$ 6.26</u>	<u>\$ 2.71</u>

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

GREAT AMERICAN BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

(in thousands)

	<u>2023</u>	<u>2022</u>
Net income	\$ 2,474	\$ 1,098
Other comprehensive income, before tax:		
Net change in postretirement obligation arising during the period	<u>169</u>	<u>656</u>
Other comprehensive income, before tax	<u>169</u>	<u>656</u>
Income tax expense related to items of other comprehensive income:		
Net change in postretirement obligation arising during the period	<u>(48)</u>	<u>(187)</u>
Total income tax expense related to items of		
other comprehensive income	<u>(48)</u>	<u>(187)</u>
Other comprehensive income	<u>121</u>	<u>469</u>
Comprehensive income	<u>\$ 2,595</u>	<u>\$ 1,567</u>

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

GREAT AMERICAN BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2023 and 2022

(in thousands, except share data)

	<i>Shares of Common Stock</i>	<i>Common Stock</i>	<i>Additional Paid-in Capital</i>	<i>Retained Earnings</i>	<i>Accumulated Other Comprehensive Loss</i>	<i>Treasury Stock</i>	<i>Total</i>
Balance, December 31, 2021	409,314	\$ 10	\$ 3,310	\$ 34,671	\$ (668)	\$ (18,738)	\$ 18,585
Net income	-	-	-	1,098	-	-	1,098
Other comprehensive income	-	-	-	-	469	-	469
Cash dividends declared (\$0.68 per share)	-	-	-	(275)	-	-	(275)
Purchase of treasury stock	(9,325)	-	-	-	-	(309)	(309)
Balance, December 31, 2022	399,989	\$ 10	\$ 3,310	\$ 35,494	\$ (199)	\$ (19,047)	\$ 19,568
Cummulative effect of change in accounting principle (Note 1)	-	-	-	(49)	-	-	(49)
Net income	-	-	-	2,474	-	-	2,474
Other comprehensive income	-	-	-	-	121	-	121
Cash dividends declared (\$0.77 per share)	-	-	-	(303)	-	-	(303)
Purchase of treasury stock	(13,304)	-	-	-	-	(453)	(453)
Balance, December 31, 2023	386,685	\$ 10	\$ 3,310	\$ 37,616	\$ (78)	\$ (19,500)	\$ 21,358

GREAT AMERICAN BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended December 31, 2023 and 2022

(in thousands)

	2023	2022
Cash flows from operating activities:		
Net income	\$ 2,474	\$ 1,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	23	-
Depreciation	272	240
Net amortization of securities	(1,527)	(612)
Amortization of deferred loan costs, net	53	(29)
Amortization of mortgage servicing rights	213	169
Deferred income taxes	(4)	48
Realized gain on sales of loans	(107)	(438)
Loans originated for sale	(3,900)	(16,482)
Proceeds from loan sales	3,959	17,156
Decrease in fair value of other real estate owned	30	-
Net gain on sales of other real estate owned	(116)	(79)
Net gain on sales of equipment	(35)	-
Changes in:		
Other assets	(85)	(81)
Other liabilities	70	(157)
Net cash provided by operating activities	<u>1,320</u>	<u>833</u>
Cash flows from investing activities:		
Principal payments received on mortgage-backed securities available for sale	3	31
Purchases of held to maturity securities	(34,877)	(78,500)
Principal payments and maturities received on securities held to maturity	75,001	2
Loan originations and principal collections, net	(1,492)	(4,809)
Proceeds from sales of other real estate owned	254	265
Purchase of premises and equipment	(524)	(72)
Net cash provided by (used in) investing activities	<u>38,365</u>	<u>(83,083)</u>

GREAT AMERICAN BANCORP, INC. AND SUBSIDIARY**Consolidated Statements of Cash Flows (continued)****Years Ended December 31, 2023 and 2022**

(in thousands)

	<u>2023</u>	<u>2022</u>
Cash flows from financing activities:		
Net decrease in demand, money market, and savings accounts	(25,432)	(10,335)
Net decrease in certificates of deposit	(3,992)	(975)
Purchase of treasury stock	(453)	(309)
Dividends paid	(294)	(276)
Net increase (decrease) in advances from borrowers for taxes and insurance	108	(39)
Net cash used in financing activities	(30,063)	(11,934)
Increase (Decrease) in Cash and Cash Equivalents	9,622	(94,184)
Cash and Cash equivalents, Beginning of Year	30,437	124,621
Cash and Cash equivalents, End of Year	\$ 40,059	\$ 30,437
Supplemental noncash and cash flows information		
Loans originated to finance sale of real estate acquired in settlement of loan	\$ 115	\$ 180
Cash payments for:		
Interest paid on deposits and borrowed funds	\$ 52	\$ 68
Income taxes paid	\$ 768	\$ 161
Supplemental schedule of non-cash financing activities		
Dividends Payable	\$ 77	\$ 68

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

GREAT AMERICAN BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

(Table dollar amounts in thousands, except share data)

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

Principles of Consolidation

The consolidated financial statements include the accounts of Great American Bancorp, Inc. (the “Company”) and First Federal Savings Bank of Champaign-Urbana, (the “Bank”), and the Bank’s wholly-owned subsidiary, Park Avenue Service Corporation (“PASC”). All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations

The Company is a thrift holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, the Bank. The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Champaign County, Illinois. The Bank also provides full service brokerage activities through a third-party broker-dealer and engages in the sale of tax deferred annuities. The revenue generated from brokerage services is dependent upon maintaining relationships with the current brokerage providers. The Company and Bank are subject to competition from other financial institutions. The Company and Bank are subject to the regulation of certain federal agencies and undergo periodic examinations by those regulatory authorities.

The Bank’s subsidiary, PASC, offers insurance services to customers located primarily in Illinois. GTPS Insurance Agency, (the “Agency”) a division of PASC, sells a variety of insurance products to both individuals and businesses, including life, health, auto, property and casualty insurance. The revenue generated by PASC is dependent upon maintaining relationships with the current insurance providers.

Use of Estimates

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required 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 balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the determination of the allowance for credit losses and postretirement benefits.

Recently Adopted Accounting Standards

On January 1, 2023, the Company adopted Accounting Standard Update (“ASU”) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loans and held to maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, and other similar instruments). ASC 326 made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards. The Company recorded an after-tax decrease to retained earnings of \$49,000, which increased the allowance for credit losses by \$69,000, as of January 1, 2023, for the cumulative effect of adopting ASC 326.

As of January 1, 2023, the Company adopted ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosures. The amendments in this update eliminate the accounting guidance and related disclosures for TDRs by creditors in subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. There was no material impact of the update to the consolidated financial statements of the Company.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include amounts due from correspondent banks, cash on hand, balances of interest-bearing demand deposits, federal funds sold, and Federal Home Loan Bank term deposits that mature within three months or less from purchase.

Securities

Securities that management has the positive intent and ability to hold to maturity are classified as “held to maturity” and recorded at amortized cost. Securities not classified as held to maturity are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss).

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. The amortization period for certain callable securities held at a premium are amortized to the earliest call date, while discounts on securities are amortized to maturity. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Prior to January 1, 2023, 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 was reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considered (1) the length of time and the extent to which the fair value had been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) whether management had the intent to sell the security and if it's not "more likely than not" that management would have to sell the security before recovery of is amortized cost basis.

Allowance for Credit Losses on Securities

Effective January 1, 2023, the Company measures expected credit losses on held to maturity debt securities on a collective basis by major security type. Accrued interest receivable on held to maturity debt securities totaled \$177,000 at December 31, 2023 and is excluded from the estimate of credit losses.

All of the securities held by the Company are issued by the U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have long history of no credit losses.

For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in the fair value has resulted from credit losses or other factors. In making this assessment, the Company considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) 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 costs 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.

Changes in the allowance for credit losses are recorded as credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available for sale securities totaled less than \$1,000 at December 31, 2023 and is excluded from the estimate of credit losses.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank of Chicago. The required investment in the common stock is based on a predetermined formula. This investment is accounted for at cost and is periodically assessed for impairment.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income.

Mortgage loans held for sale are generally sold with the mortgage servicing rights retained by the Company. The carrying value of mortgage loans sold is reduced by the cost allocated to the associated mortgage servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Loans

The Company grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans in Champaign County, Illinois. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

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

Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method over the contractual life of the loan.

Interest income is accrued daily on outstanding loan balances. The accrual of interest on mortgage and commercial loans is discontinued, and the loan is placed on non-accrual status at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual 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 non-accrual or charged off is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. 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 on Loans

The allowance for credit losses on loans (“ACL”) is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on loans. The ACL is established through a provision for credit losses charged to income. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The ACL is evaluated on a regular basis by management and considers the possibility of loss over the life of the loan. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The ACL methodology consists of measuring loans on a collective (pool) basis when similar risk characteristics exist. The Company has identified these risk categories and the relevant risk characteristics as follows:

Mortgage loans

- 1-4 family residential real estate loans include loans to borrowers where the underlying collateral is the borrower’s primary residence, including those in the construction phase, (“owner-occupied loans”) and loans to borrowers where the property securing the loan is normally leased to an unrelated third party (“non-owner-occupied loans”). The repayment of 1-4 family residential mortgage loans depends on the individual borrower’s capacity. The repayment of non-owner-occupied loans is also dependent on the borrower’s ability to lease the properties, collect sufficient rents, and provide adequate maintenance of the properties. A deterioration in the market value of residential real estate could result in a greater risk of loss if actions such as foreclosure become necessary to collect the loan.
- Secured by other properties are generally loans secured by multi-family residential real estate or commercial properties. Multi-family real estate loans generally involve a greater degree of credit risk than 1-4 family residential mortgage loans due to the dependence on the successful operation of the project. Commercial real estate loans also generally have greater credit risks compared to 1-4 family residential real estate loans, as they usually involve larger loan balances secured by non-homogeneous or specific use properties. Repayment of both multi-family and commercial real estate loans typically rely on the successful operation of a business or the generation of lease income by the property and is therefore more sensitive to adverse conditions in the economy and real estate market.

- Construction loans, including multi-family and commercial construction loans, and land loans, generally have a greater credit risk than traditional 1-4 family residential real estate loans. The repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet approved for the planned development, there is the risk that approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.

Other loans

- Commercial loans are secured by business assets or may be unsecured and repayment is directly dependent on the successful operation of the borrower's business and the borrower's ability to convert the assets to operating revenue and possess greater risk than most other types of loans should the repayment capacity of the borrower not be adequate.
- Consumer loans include auto and mobile home loans, and other secured and unsecured loans and lines of credit. Auto loans and mobile home loans tend to be secured by depreciating collateral. Consumer loan collections are dependent on the borrower's continuing financial stability, and are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

The Company measures the ACL using the Scaled CECL Allowance for Losses Estimator ("SCALE") method. The loan SCALE method uses publicly available data from Schedule RI-C of the Call report to derive the initial proxy expected lifetime loss rates. These proxy expected lifetime loss rates are then adjusted for bank-specific facts and circumstances to arrive at the final ACL estimate that adequately reflects the Company's loss history and credit risk within the loan portfolio.

The qualitative factors applied to each loan segment considered by management include, but are not limited to, the following:

- Changes in loan policy or procedures
- Economic trends, both local and national
- Volume trends
- Management and staff of the Bank
- Non-performing and problem loan asset levels and trends

Loans that do not share risk characteristics are evaluated on an individual basis. Such loans evaluated individually are not also included in the collective evaluation. The amount of expected credit loss is measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the underlying collateral less applicable selling costs. When management determines that foreclosure is probable, the amount of credit loss is determined using the fair value of the collateral, less costs to sell.

Accrued interest receivable on loans totaled \$320,000 at December 31, 2023 and is excluded from the loans amortized cost basis for the purpose of determining the ACL.

Loans are charged off against the allowance for credit loss account when the following conditions are met:

- 1-4 family residential owner-occupied real estate loans are charged down by the expected loss amount at the time they become non-performing, which is generally 90 days past due.
- Loans secured by 1-4 family non-owner-occupied real estate loans, mortgage loans secured by other properties, and construction loans typically have reserves established once a loan is classified as substandard unless the collateral is adequate to cover the balance of the loan plus selling costs. Generally, the specific reserve on a loan will be charged off once the property has been foreclosed and title to the property has been transferred to the Bank.
- Commercial loans secured by business assets, including inventory and receivables will typically have specific reserves established once a loan is classified as substandard. The specific reserve will be charged off once the outcomes of attempts to legally collect the collateral are known and have been exhausted.
- Consumer loans are charged-off, net of expected recovery, when the loan becomes significantly past due over a range of up to 180 days, depending on the type of loan. Loans with non-real estate collateral are written down to the value of the collateral, less costs to sell, when repossession of the collateral has occurred.

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing.

Servicing

Servicing assets are recognized as separate assets when rights are acquired through the sale of financial assets. For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on relative fair value. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights into tranches based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the capitalized amount for the tranche. If the Company later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is included as an offset to noninterest income.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Allowance for Credit Losses on Off-Balance Sheet Credit Related Financial Instruments

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk by a contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the Company. The allowance for credit losses related to off-balance sheet credit exposures, which is within other liabilities of the Company's Consolidated Balance Sheets, is estimated at each balance sheet date under the CECL methodology, and is adjusted as determined necessary through the provision for credit losses on the income statement. The estimate for the allowance for credit losses on unfunded loan commitments includes considerations of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Premises and Equipment

Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Estimated lives are thirty-nine years for building and improvements, fifteen years to twenty-five years for leasehold improvements, and three years to seven years for furniture and equipment.

Impairment of Long-Lived Assets

The Company tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

Goodwill

The excess of cost over the fair value of assets acquired for transactions accounted for as a purchase is recorded as an asset by the Company. On a periodic basis, the Company reviews the goodwill for events or circumstances that may indicate a change in recoverability of the underlying basis. Management performs the annual impairment test on June 30th. The results of management's goodwill impairment test on June 30, 2023 and 2022 indicated no impairment. The Company determined no triggering events occurred subsequent to the date of the annual impairment test that indicate goodwill was impaired as of December 31, 2023.

Other Real Estate Owned

Real estate properties and other loan collateral acquired through, or in lieu of, loan foreclosure are initially recorded at fair value, less costs to sell at the date of foreclosure, establishing a new cost basis. After acquisition, valuations are periodically performed by management and the real estate and other loan collateral is carried at the lower of carrying amount or fair value less cost to sell. Costs relating to the improvement of the property are capitalized. Subsequent write-downs estimated on the later valuations, gains or losses on sales, and revenue and expenses from operations are included in other real estate expenses on the income statement. The amount of residential real estate included in other real estate owned totaled \$40,000 at December 31, 2023 and \$323,000 at December 31, 2022. Loans secured by residential properties that were in the process of foreclosure totaled \$47,000 at December 31, 2023. There were no loans in the process of foreclosure at December 31, 2022.

Insurance Sales Commissions

Insurance sales commissions are recognized at the time payment is received from customers billed directly by the Agency, net of an allowance for estimated policy cancellations. Contingent commissions and commissions on premiums billed directly by insurance companies are recorded at the time these commissions are received by the Agency. A contingent commission is a commission paid by an insurance company that is based on the overall profit and/or volume of business placed with that insurance company. Commissions on premiums billed by insurance companies primarily relate to a large number of small premium transactions, whereby the billing and policy insurance process is controlled entirely by the insurance company. The income effects of subsequent premium adjustments are recorded when the adjustments become known.

Customer service fees

Customer service fees represent fees from deposit customers for transaction based, account maintenance, and overdraft services. Transaction based fees, which include services such as statement rendering, are recognized at the time the transaction is executed. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Company's performance obligation. Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Other service charges and fees

Other service charges and fees represent ATM use fees, wire transfer fees, debit card income, and safe deposit rental income. Revenue is recognized at the point in time when the transaction occurs. Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

These calculations are based on many complex factors including estimates of the timing of reversals of temporary differences, the interpretation of federal and state income tax laws, and a determination of the differences between the tax and the financial reporting basis of assets and liabilities. Actual results could differ significantly from the estimates and interpretations used in determining the current and deferred income tax assets and liabilities.

Under generally accepted accounting principles, a valuation allowance is required to be recognized if it is “more likely than not” that the deferred tax asset will not be realized. The determination of the realizability of the deferred tax assets is highly subjective and dependent upon judgment concerning management’s evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies, and assessments of the current and future economic and business conditions.

The Company follows the provisions of Accounting for Uncertainty in Income Taxes. These rules establish a standard for tax benefits to meet before they can be recognized in a company’s financial statements. The Company can recognize in financial statements the impact of a tax position taken, or expected to be taken, if it is more likely than not that the position will be sustained on audit based on the technical merit of the position. See Note 8, Income Taxes, for additional disclosures. The Company recognizes both interest and penalties as components of other operating expenses.

The amount of the uncertain tax position was not determined to be material. It is not expected that the unrecognized tax benefit will be material within the next 12 months. The Company did not recognize any interest or penalties in 2023 or 2022.

The Company files consolidated federal and state income tax returns and it is not subject to federal or state income tax examinations for taxable years prior to December 31, 2020.

Treasury Stock

Treasury stock is stated at cost. Cost of treasury shares sold is determined by the first-in, first-out method.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. The Company had no dilutive shares.

Earnings per common share have been computed based on the following:

	December 31,	
	<u>2023</u>	<u>2022</u>
Net income applicable to common stock	<u>\$ 2,474</u>	<u>\$ 1,098</u>
Average number of common shares outstanding	<u>394,969</u>	<u>405,224</u>

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale and unrecognized postretirement obligations, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

Subsequent Events

The Company has evaluated subsequent events through February 22, 2024, the date on which the consolidated financial statements were available to be issued.

Note 2: Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Residential mortgage-backed - agency	\$ 18	\$ -	\$ -	\$ 18
Securities held to maturity:				
U.S. treasury securities	\$ 50,484	\$ 19	\$ (106)	\$ 50,397
Residential mortgage-backed - agency	4	-	-	4
Total securities held to maturity	\$ 50,488	\$ 19	\$ (106)	\$ 50,401
	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Residential mortgage-backed - agency	\$ 21	\$ -	\$ -	\$ 21
Securities held to maturity:				
U.S. treasury securities	\$ 89,090	\$ -	\$ (1,322)	\$ 87,768
Residential mortgage-backed - agency	4	-	-	4
Total securities held to maturity	\$ 89,094	\$ -	\$ (1,322)	\$ 87,772

At December 31, 2023 and 2022, there were no pledged securities.

During 2023 and 2022, no securities were sold.

The amortized cost and fair value at December 31, 2023, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be prepaid without any penalties, therefore, a presentation of these securities into maturity categories is not presented.

	Amortized Cost	Fair Value
Securities held to maturity:		
Due in one year or less	\$ 50,484	\$ 50,397
Total U.S. Treasury Securities	<u>\$ 50,484</u>	<u>\$ 50,397</u>

Subsequent to December 31, 2023 but prior to February 22, 2024, the date the consolidated financial statements were available to be issued, \$10,136,000 of securities held to maturity matured and the proceeds were transferred to the Company's account at the Federal Reserve Bank.

Information pertaining to securities with gross unrealized losses at December 31, 2023 and 2022 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
Securities held to maturity:						
U.S. Treasury securities	\$ 20,136	\$ (91)	\$ 4,982	\$ (15)	\$ 25,118	\$ (106)

	December 31, 2022					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
Securities held to maturity:						
U.S. Treasury securities	\$ 78,147	\$ (954)	\$ 9,621	\$ (368)	\$ 87,768	\$ (1,322)

At December 31, 2023, three securities had an unrealized loss with aggregate depreciation of 0.42% from the amortized cost basis. At December 31, 2022, ten securities had an unrealized loss with aggregate depreciation of 1.48% from the amortized cost basis. At December 31, 2023 and 2022, the Company had no allowance for credit losses related to held to maturity or available for sale securities.

Note 3: Loans

In conjunction with the adoption of ASC 326, the Company made certain loan portfolio segment reclassifications to conform to the new allowance for credit losses methodology. Loans and these reclassifications are summarized as follows at December 31, 2023 and 2022:

	December 31, 2023	Post Adoption January 1, 2023	The Effect of Adoption	Pre Adoption December 31, 2022
Mortgage loans				
Residential 1-4 family	\$ 58,316	\$ 54,744	\$ 54,744	\$ -
Residential 1-4 family Owner-occupied	-	-	(25,520)	25,520
Residential 1-4 family Nonowner-occupied	-	-	(24,170)	24,170
Secured by other properties	28,463	28,966	(257)	29,223
Construction and land loans	1,457	1,420	1,282	138
Total mortgage loans	88,236	85,130	6,079	79,051
Commercial	4,619	6,091	(1,459)	7,550
Consumer	1,705	1,787	(4,523)	6,310
Total loans	94,560	93,008	97	92,911
Less:				
Allowance for credit losses	(928)	(930)	(69)	(861)
Net deferred loan costs	-	-	(97)	97
Net loans	\$ 93,632	\$ 92,078	\$ (69)	\$ 92,147

The following tables present the contractual aging of the recorded investment in past due loans by class of loans as of December 31, 2023 and 2022:

December 31, 2023						
	Current	Past Due and Accruing Interest			Non-Accrual	Total
		30-59 Days	60-89 Days	> 90 Days		
Mortgage loans						
Residential 1-4 family	\$ 58,156	\$ 60	\$ -	\$ -	\$ 100	\$ 58,316
Secured by other properties	28,463	-	-	-	-	28,463
Construction and land loans	1,457	-	-	-	-	1,457
Total mortgage loans	88,076	60	-	-	100	88,236
Commercial	4,565	54	-	-	-	4,619
Consumer	1,702	3	-	-	-	1,705
Total loans	\$ 94,343	\$ 117	\$ -	\$ -	\$ 100	\$ 94,560

December 31, 2022						
	Current	Past Due and Accruing Interest			Non-Accrual	Total
		30-59 Days	60-89 Days	> 90 Days		
First mortgage loans						
Residential 1-4 family						
Owner-occupied	\$ 25,289	\$ 172	\$ 59	\$ -	\$ -	\$ 25,520
Non-owner-occupied	24,085	85	-	-	-	24,170
Secured by other properties	29,223	-	-	-	-	29,223
Construction loans	138	-	-	-	-	138
Total first mortgage loans	78,735	257	59	-	-	79,051
Commercial	7,550	-	-	-	-	7,550
Consumer	6,255	55	-	-	-	6,310
Total loans	\$ 92,540	\$ 312	\$ 59	\$ -	\$ -	\$ 92,911

The Company considers non-performing loans to be the total of loans on non-accrual and loans past due 90 days or more and still accruing.

All non-accrual loans at December 31, 2023 had no allowance for credit loss.

Interest income recognized on non-accrual loans during the year ended December 31, 2023 was \$2,000 for residential 1-4 family loans.

The Company utilizes an internal asset classification system in order to identify problem and potential problem loans. The loans selected for review under this rating system include 1-4 family non-owner-occupied residential loans, mortgage loans secured by other properties, construction loans and commercial loans where the loan balance was \$100,000 or greater when the loan was originated and 1-4 family owner-occupied residential loans and consumer loans where the loan balance was \$726,200 or greater for 2023 and \$647,200 or greater for 2022 determined when the loan was originated. Under the risk rating system, the Company classifies problem and potential problem loans as “special mention”, “substandard”, and “doubtful”. Substandard loans include those characterized by the distinct possibility the Company may sustain some loss if the deficiencies are not corrected. Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Loans that do not expose the Company to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses that deserve management’s close attention are deemed to be special mention. Loans reviewed under the internal asset classification system which are not considered a problem or potential problem loan are classified as “pass”. Loans with an original loan balance under the thresholds for selection for review under the internal asset classification system are also evaluated on a case-by-case basis and assigned to a classification (special mention, substandard or doubtful) when they become non-performing, which is generally 90 days past due. Risk ratings are updated any time the facts and circumstances warrant.

The following table presents the risk category of the Company's loan portfolio for each class of loan, presented by the risk category and year of origination as of December 31, 2023:

December 31, 2023									
	Term Loans amortized cost basis by origination year						Revolving loans	Revolving loans converted to term loans	Total
							amortized cost basis	amortized cost basis	
	2023	2022	2021	2020	2019	Prior			
Residential 1-4 family									
Pass	\$ 3,531	\$ 7,110	\$ 8,622	\$ 2,340	\$ 590	\$ 3,186	\$ 1,214	\$ -	\$ 26,593
Special Mention	4	-	-	-	-	31	-	-	35
Substandard	-	-	-	-	-	53	47	-	100
Not Rated	9,007	3,989	8,089	1,701	834	4,495	3,403	70	31,588
Total Residential 1-4 family	12,542	11,099	16,711	4,041	1,424	7,765	4,664	70	58,316
Secured by other properties									
Pass	3,681	4,943	6,414	9,112	1,330	2,029	824	-	28,333
Not Rated	-	-	48	-	-	82	-	-	130
Total Secured by other properties	3,681	4,943	6,462	9,112	1,330	2,111	824	-	28,463
Construction and land loans									
Pass	118	158	646	-	-	-	300	-	1,222
Not Rated	96	109	4	-	-	26	-	-	235
Total construction and land loans	214	267	650	-	-	26	300	-	1,457
Commercial									
Pass	324	231	1,636	208	-	-	1,819	-	4,218
Special Mention	-	-	-	-	-	41	-	-	41
Not Rated	105	-	70	-	2	-	183	-	360
Total commercial	429	231	1,706	208	2	41	2,002	-	4,619
Consumer									
Pass	-	-	-	-	-	-	3	-	3
Not Rated	771	406	282	180	9	26	28	-	1,702
Total consumer	771	406	282	180	9	26	31	-	1,705
Total loans	<u>\$ 17,637</u>	<u>\$ 16,946</u>	<u>\$ 25,811</u>	<u>\$ 13,541</u>	<u>\$ 2,765</u>	<u>\$ 9,969</u>	<u>\$ 7,821</u>	<u>\$ 70</u>	<u>\$ 94,560</u>

The following table presents the risk category of the Company's loans, by class, evaluated by the internal asset classification based on the most recent analysis performed and the contractual aging, and those not rated as of December 31, 2022.

	December 31, 2022					
	Pass	Special Mention	Sub- Standard	Doubtful	Not Rated	Total
First mortgage loans						
Residential 1-4 family						
Owner-occupied	\$ 6,004	\$ -	\$ -	\$ -	\$ 19,516	\$ 25,520
Non-owner-occupied	22,007	-	-	-	2,163	24,170
Secured by other properties	28,769	207	-	-	247	29,223
Construction loans	138	-	-	-	-	138
Total first mortgage loans	56,918	207	-	-	21,926	79,051
Commercial	6,583	8	-	-	959	7,550
Consumer	221	-	-	-	6,089	6,310
Total loans	\$ 63,722	\$ 215	\$ -	\$ -	\$ 28,974	\$ 92,911

Activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2023 was as follows:

	December 31, 2023					
	Beginning Balance	Adoption of ASC 326	Charge- offs	Recoveries	Provisions (Credit)	Ending Balance
Mortgage loans						
Residential 1-4 family	\$ -	\$ 454	\$ -	\$ -	\$ 31	\$ 485
Owner-occupied	218	(218)	-	-	-	-
Non-owner-occupied	253	(253)	-	-	-	-
Secured by other properties	250	37	-	-	12	299
Construction and land loans	7	11	-	-	2	20
Total mortgage loans	728	31	-	-	45	804
Commercial	66	31	-	1	(45)	53
Consumer	67	7	(5)	2	-	71
Total	\$ 861	\$ 69	\$ (5)	\$ 3	\$ -	\$ 928

The Company had no collateral dependent loans as of December 31, 2023.

Activity in the allowance for loan losses for the year ended December 31, 2022, as determined in accordance with ASC 310 prior to the adoption of ASU 2016-13, was as follows:

	December 31, 2022			
	Beginning Balance	Charge-offs	Recoveries	Provisions (Credit)
First mortgage loans				
Residential 1-4 family				
Owner-occupied	\$ 193	\$ -	\$ -	\$ 25
Non-owner-occupied	216	-	-	37
Secured by other properties	249	-	-	1
Construction loans	19	-	-	(12)
Total first mortgage loans	677	-	-	51
Commercial	120	-	2	(56)
Consumer	70	(9)	1	5
Total	<u>\$ 867</u>	<u>\$ (9)</u>	<u>\$ 3</u>	<u>\$ -</u>

The following table presents ending balances for the allowance for loan losses and loans based on impairment method as of December 31, 2022:

	December 31, 2022		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Ending Balance
Allowance for loan losses:			
First mortgage loans			
Residential 1-4 family			
Owner-occupied	\$ -	\$ 218	\$ 218
Non-owner-occupied	-	253	253
Secured by other properties	-	250	250
Construction loans	-	7	7
Total first mortgage loans	-	728	728
Commercial	-	66	66
Consumer	-	67	67
Total allowance for loan losses	<u>\$ -</u>	<u>\$ 861</u>	<u>\$ 861</u>
Loans:			
First mortgage loans			
Residential 1-4 family			
Owner-occupied	\$ -	\$ 25,520	\$ 25,520
Non-owner-occupied	-	24,170	24,170
Secured by other properties	-	29,223	29,223
Construction loans	-	138	138
Total first mortgage loans	-	79,051	79,051
Commercial	-	7,550	7,550
Consumer	41	6,269	6,310
Total loans	<u>\$ 41</u>	<u>\$ 92,870</u>	<u>\$ 92,911</u>

The following tables present information about loans individually evaluated for impairment as of December 31, 2022:

	December 31, 2022		
	Recorded	Unpaid	Related
	Investment	Principal	Allowance
		Balance	
With no related allowance recorded:			
Consumer	41	41	-
Total loans	\$ 41	\$ 41	\$ -

There were no loans individually evaluated for impairment with an allowance recorded as of December 31, 2022.

The following is a summary of additional information pertaining to loans individually evaluated for impairment during the years ended December 31, 2022:

	December 31, 2022		
	Average	Interest	Cash-
	Balance	Income	basis
	During the	Recognized	Interest
	Period	During the	Income
		Period	Recognized
Consumer	64	8	6
Total loans	\$ 64	\$ 8	\$ 6

No loans were modified that were in financial difficulty during the year ending December 31, 2023. Impaired loans at December 31, 2022 included one consumer loan totaling \$41,000 that was modified as a troubled debt restructuring (“TDR”) in November 2013. The loan was renewed at a below market interest rate. This loan was not in default of the modified terms at December 31, 2022.

Note 4: Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were approximately \$110,072,000 and \$116,786,000 at December 31, 2023 and 2022, respectively.

The aggregate carrying value of capitalized mortgage servicing rights, which is included in other assets on the consolidated balance sheet, at December 31, 2023 and 2022 totaled approximately \$773,000 and \$938,000, respectively.

Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately \$1,108,000 and \$1,157,000 at December 31, 2023 and 2022, respectively.

Activity for mortgage servicing rights and the related valuation allowance follows:

	<u>2023</u>	<u>2022</u>
Loan servicing rights:		
Balance at beginning of year	\$ 938	\$ 907
Additions	48	200
Amortized to expense	<u>(213)</u>	<u>(169)</u>
Balance at end of year	<u>\$ 773</u>	<u>\$ 938</u>

The fair value of mortgage servicing rights was approximately \$1,239,000 and \$1,281,000 at December 31, 2023 and 2022, respectively. Fair value at December 31, 2023 was determined using the SOFR swap rates of 1-Month: 5.348%, 12-Month: 5.122%, 2-Year: 4.545%, 5-Year: 4.030%, 10-Year: 3.998%, discount rates ranging from 10.69% to 11.29%, and prepayment speeds ranging from 6.70% to 13.43%. Fair value at December 31, 2022 was determined using the Libor swap rates of 1-Month Libor: 4.142%, 12-Month Libor: 5.572%, 2-Year Libor: 4.609%, 5-Year Libor: 3.762%, 10-Year Libor: 3.541%, discount rates ranging from 10.25% to 13.25%, and prepayment speeds ranging from 4.84% to 6.34%.

Note 5: Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	<u>December 31, 2023</u>	<u>2022</u>
Land	\$ 1,545	\$ 1,545
Building and improvements	6,550	6,525
Furniture and equipment	<u>3,901</u>	<u>3,740</u>
	11,996	11,810
Accumulated depreciation	<u>(7,867)</u>	<u>(7,968)</u>
Net premises and equipment	<u>\$ 4,129</u>	<u>\$ 3,842</u>

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$272,000 and \$240,000, respectively.

Note 6: Deposits

The composition of deposits is as follows:

	December 31,	
	2023	2022
Deposits		
Demand deposits, non-interest bearing	\$ 46,784	\$ 50,742
Interest bearing transaction deposits	50,669	57,457
Saving deposits and money market deposits	61,124	75,810
Time deposits	8,038	12,030
Total Deposits	<u>\$ 166,615</u>	<u>\$ 196,039</u>

Time deposits in denominations of \$250,000 or more were \$1,151,000 on December 31, 2023 and \$1,583,000 on December 31, 2022.

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

2024	\$ 5,798
2025	1,354
2026	248
2027	638
Total	<u>\$ 8,038</u>

Note 7: Federal Home Loan Bank Advances

There were no Federal Home Loan Bank advances at December 31, 2023 and 2022. Mortgage loans totaling \$51,648,000 at December 31, 2023 were available to secure Federal Home Loan Bank advances. Advances are subject to restrictions or penalties in the event of prepayment.

Note 8: Income Taxes

The allocation of federal and state income taxes between current and deferred portions is as follows:

	Years Ended December 31,	
	2022	2022
Current tax provision:		
Federal	\$ 695	\$ 302
State	101	43
	<u>796</u>	<u>345</u>
Deferred tax (benefit) expense:		
Federal	(1)	31
State	(3)	17
	<u>(4)</u>	<u>48</u>
Income tax expense	<u>\$ 792</u>	<u>\$ 393</u>

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	Years Ended December 31,	
	2023	2022
Computed at the statutory rate (21%)	\$ 686	\$ 313
Increase resulting from:		
State income taxes	78	47
Other	28	33
Income tax expense	<u>\$ 792</u>	<u>\$ 393</u>

The components of the net deferred tax asset, included in other assets, are as follows:

	December 31,	
	2023	2022
Deferred tax assets		
Allowance for credit losses	\$ 265	\$ 245
Deferred compensation	241	252
Postretirement benefit obligations	434	466
Reductions in recorded balance of other real estate owned properties due to decline in estimated values	9	-
Reserve for loss on unfunded commitments	17	11
Interest on nonaccrual loans	1	-
Other	2	3
	<u>969</u>	<u>977</u>
Deferred tax liabilities		
Federal Home Loan Bank Stock	(16)	(16)
Depreciation	(286)	(211)
Mortgage servicing rights	(220)	(267)
Prepaid expenses	(70)	(67)
Deferred loan costs	(13)	(28)
	<u>(605)</u>	<u>(589)</u>
Net deferred tax asset	<u>\$ 364</u>	<u>\$ 388</u>

Retained earnings include approximately \$4,300,000 for which no deferred income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions as of December 31, 1987 for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which income would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately \$1,226,000.

Note 9: Off-Balance Sheet Activities

Credit-Related Financial Instruments

The Company is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2023 and 2022, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2023	2022
Commitments to grant loans	\$ 2,496	\$ 1,822
Unfunded commitments under lines of credit	15,049	13,576
Standby letters of credit	110	110

Commitments to grant loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer. Mortgage loans in the process of origination are included in commitments to grant loans and represent amounts that the Bank plans to fund within a normal period of 60 to 90 days, and which are intended for sale to investors in the secondary market.

Unfunded commitments under lines of credit are commitments for possible future extensions of credit to existing customers. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments. The Company had no deferred revenue under standby letters of credit at December 31, 2023 or December 31, 2022.

Other Credit Risks

The Company has a concentration of funds on deposit with the Federal Reserve Bank totaling \$30,128,000 and \$24,292,000 at December 31, 2023 and 2022, respectively. The Company also has a concentration of funds on deposit with the Federal Home Loan Bank totaling \$635,000 and \$1,648,000 at December 31, 2023 and 2022, respectively.

Note 10: Legal Contingencies

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

Note 11: Minimum Regulatory Capital Requirements

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 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-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework, for qualifying community banking organizations, consistent with Section 201 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*. This optional final rule is applicable to all non-advanced approaches FDIC-supervised institutions with less than \$10 billion in total consolidated assets. The community bank leverage ratio removes the requirement to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. The required community bank leverage ratio is 9% for calendar year 2022 and beyond. If the minimum ratio is met, banks adopting the framework are considered well capitalized for prompt corrective action purposes. The rule allows for a two-quarter grace period to correct a ratio that falls below the required amount and allows for the reversion back to the risk-weighting framework without restriction. This rule was elected by the Bank as of December 31, 2023.

Prior to the adoption of the community bank leverage ratio rule, quantitative measures established by regulation to ensure capital adequacy under the risk-weighting framework required the Bank to maintain minimum amounts and ratios (set forth in the following table as of December 31, 2022) of common equity Tier 1 capital, Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined).

As of December 31, 2023 and 2022, Management believes that the Bank meets all capital adequacy requirements to which it is subject. As of December 31, 2023, the most recent notification from the Bank's primary regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios as of December 31, 2023 and 2022, as required by the applicable framework, are as follows:

	December 31, 2023			
	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital To Average Assets	20,388	10.6%	17,270	9.0%

	December 31, 2022					
	Actual		Minimum Capital Requirement		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common Equity Tier 1 Capital to Risk Weighted Assets (CET1)	\$ 19,155	23.6%	\$ 3,653	4.5%	\$ 5,276	6.5%
Tier 1 Capital to Risk Weighted Assets	19,155	23.6%	4,870	6.0%	6,494	8.0%
Total Capital to Risk Weighted Assets	20,054	24.7%	6,494	8.0%	8,117	10.0%
Tier 1 Capital To Average Assets	19,155	8.8%	8,709	4.0%	10,886	5.0%

The above minimum capital requirements for the risk-weighting framework exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was 2.50% at December 31, 2022.

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2023, the Bank had \$2,614,000 in retained earnings available for dividend declaration without prior regulatory approval.

Note 12: Employee Benefit Plans

401(k) Plan

The Company adopted a 401(k) Plan, effective January 1, 2016 which covers substantially all Company employees. The plan qualifies under Section 401(a) of the Internal Revenue Code and allows employees to contribute up to 75% of their salary on a pretax or after tax basis. The Company contributes an amount equal to 3% of each eligible participant's salary, even if an employee elects not to defer any of their own salary into the plan ("safe harbor contribution"). The Company can also elect to contribute discretionary amounts at any time. Each participant may direct the investment of their own contributions and the Company's contributions to a variety of funds offered and maintained by the trustee of the plan. The Company's expense for the plan was \$98,000 and \$90,000 for the years ended December 31, 2023 and 2022, respectively.

Deferred Compensation Plan

The Company also sponsors an unfunded deferred compensation plan for participating directors for the deferral of director fees. The interest on the deferred compensation liability was \$3,000 and \$4,000 for the years ended December 31, 2023 and 2022, respectively. The unsecured deferred compensation liability, which is included in other liabilities, was \$846,000 and \$883,000 at December 31, 2023 and 2022, respectively.

Note 13: Postretirement Plan

The Company has an unfunded noncontributory defined benefit postretirement health and dental care plan covering all employees who meet the eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time.

The Company uses a December 31 measurement date for the plan. Information about the plan's funded status and health and dental care cost follows:

	<u>2023</u>	<u>2022</u>
Change in projected benefit obligation		
Beginning of year	\$ 1,635	\$ 2,380
Service cost	30	57
Interest cost	80	64
Actuarial gain	(161)	(796)
Benefits paid	(61)	(70)
	<u>\$ 1,523</u>	<u>\$ 1,635</u>

	<u>2023</u>	<u>2022</u>
Fair value of plan assets	\$ -	\$ -
Benefit obligation	(1,523)	(1,635)
Funded status at end of year	<u>\$ (1,523)</u>	<u>\$ (1,635)</u>

	<u>2023</u>	<u>2022</u>
Amounts recognized on balance sheet consist of:		
Accrued liability (included in other liabilities)	\$ (1,523)	\$ (1,635)
Unrecognized net actuarial loss and prior service cost, net of tax (included in accumulated other comprehensive income (loss))	(78)	(199)

	<u>Years Ended December 31,</u> <u>2023</u>	<u>2022</u>
Components of net periodic benefit cost		
Service cost	\$ 30	\$ 57
Interest cost	80	64
Amortization of prior service cost	-	(197)
Amortization of net loss	8	60
Net periodic benefit cost (income)	<u>\$ 118</u>	<u>\$ (16)</u>

Service cost is included in Salaries and employee benefits on the Consolidated Statement of Income. All other components of net periodic benefit cost are included in Other noninterest expense on the Consolidated Statement of Income.

The Company's assumptions used to determine the benefit obligation and benefit cost were:

	<u>2023</u>	<u>2022</u>
Discount rate used to determine benefit obligation	5.30%	5.00%
Discount rate used to determine benefit cost	5.00%	2.75%
Health care trend rates:		
Medical trend rate used to determine benefit obligation	7.50%	7.50%
Medical trend rate used to determine benefit cost	7.50%	8.00%
Ultimate medical trend rate used to determine benefit obligation	4.50%	4.50%
Ultimate medical trend rate used to determine benefit cost	4.50%	4.50%
Years to reach ultimate trend rate to determine benefit obligation	6	6
Years to reach ultimate trend rate to determine benefit cost	6	7
Dental care trend rates:		
Dental trend rate	4.00%	4.00%
Ultimate dental trend rate to determine benefit obligation	4.00%	4.00%
Ultimate dental trend rate to determine benefit cost	4.00%	3.00%
Years to reach ultimate trend rate to determine benefit obligation	0	0
Years to reach ultimate trend rate to determine benefit cost	0	4

The discount rate increased from 5.00% to 5.30% to reflect the current market conditions as of the measurement date. This change resulted in a decrease in accumulated projected benefit obligation and a decrease in net periodic benefit cost.

At December 31, 2023, the projected benefits to be paid are as follows:

2024	\$	44
2025		55
2026		71
2027		77
2028		84
2029-2033		451

For the year ended December 31, 2024, the projected net periodic benefit cost is \$104,000.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D.

In accordance with ASC 715, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, the Company has not reflected the effects of the Act on the measurements of plan benefit obligations and periodic benefit costs and accompanying notes because the Company is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the Act.

Note 14: Related Party Transactions

In the ordinary course of business, the Company has granted loans to executive officers, directors, and their affiliates (related parties). Activity associated with loans made to related parties for the years ended December 31, 2023 and December 31, 2022 is as follows:

	Years Ended December 31,	
	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 235	\$ 207
New loans and advances	15	41
Repayments, including loans sold	(16)	(13)
Balance at end of year	<u>\$ 234</u>	<u>\$ 235</u>

In management's opinion, such loans and other extensions of credit were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectibility or present other unfavorable features.

Deposits from related parties held by the Company at December 31, 2023 and 2022 totaled \$2,273,000 and \$2,385,000, respectively.

Note 15: Fair Value Measurements

The fair value standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standard requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the standard establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Securities available for sale (recurring): The fair value of the Company's securities available for sale are determined using Level 2 inputs, which are derived from readily available pricing sources and third-party pricing services for identical or comparable instruments, respectively. There were no transfers between Level 1 and Level 2.

Assets at Fair Value on a Recurring Basis

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

December 31, 2023				
	Quoted Prices in Active Market for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Residential mortgage-backed securities - agency, available for sale	\$ 18	\$ -	\$ 18	\$ -
December 31, 2022				
	Quoted Prices in Active Market for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Residential mortgage-backed securities - agency, available for sale	\$ 21	\$ -	\$ 21	\$ -

Assets Recorded at Fair Value on a Nonrecurring Basis

The Company may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period.

Collateral-Dependent Loans and Other Real Estate Owned: The estimated fair value of collateral-dependent loans and other real estate owned is based on the appraised fair value of the collateral, less estimated costs to sell. Subsequently, other real estate owned is carried at the lower of carrying value or fair value. Collateral-dependent loans and other real estate owned are classified within Level 3 of the fair value hierarchy.

The Company considers the appraisal or a similar evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals or a similar evaluation of the collateral underlying collateral-dependent loans and foreclosed assets are obtained when the loan is determined to be collateral-dependent for impaired loans and at the time a loan is transferred to foreclosed assets. Appraisals or similar evaluations are obtained subsequently as deemed necessary by management but at least annually on foreclosed assets. Appraisals are reviewed for accuracy and consistency by management. Appraisals are performed by individuals selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated costs to sell. These discounts and estimates are developed by management by comparison to historical results.

Assets measured at fair value on a nonrecurring basis and related impairment losses are included in the table below.

		December 31, 2023				
		Quoted Prices in Active Market for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses	
Assets:		Balance				
Other real estate owned		\$ 40	\$ -	\$ -	\$ 40	\$ 30
		December 31, 2022				
		Quoted Prices in Active Market for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses	
Assets:		Balance				
Other real estate owned		\$ 323	\$ -	\$ -	\$ 323	\$ -

Note 16: Disclosures about Fair Values of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments. Fair value is determined under the framework discussed in note 15. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Level 1:				
Cash and cash equivalents	\$ 40,059	\$ 40,059	\$ 30,437	\$ 30,437
Level 2:				
Securities available for sale	18	18	21	21
Securities held to maturity	50,488	50,401	89,094	87,772
Interest receivable	516	516	367	367
Level 3:				
Loans, net	93,632	95,291	92,147	89,102
Financial liabilities				
Level 2:				
Advances from borrowers for taxes and insurance	337	337	229	229
Level 3:				
Non-maturity deposits	158,577	135,981	184,009	155,167
Time deposits	8,038	7,688	12,030	12,032

Note 17: Accumulated Other Comprehensive Income (Loss)

The following table presents the activity and accumulated balances for components of other comprehensive income (loss):

	2023		
	Unrealized Losses on Available For Sale Securities	Unrecognized Post- Retirement Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balances, beginning of the year	\$ -	\$ (199)	\$ (199)
Current year other comprehensive income, before tax	-	169	169
Income tax expense	-	(48)	(48)
Current year other comprehensive income, net of tax	-	121	121
Balances, end of year	<u>\$ -</u>	<u>\$ (78)</u>	<u>\$ (78)</u>

	2022		
	Unrealized Losses on Available For Sale Securities	Unrecognized Post- Retirement Benefit Obligation	Total Accumulated Other Comprehensive Income (Loss)
Balances, beginning of the year	\$ -	\$ (668)	\$ (668)
Current year other comprehensive income, before tax	-	853	853
Amortization of prior service cost	-	(197)	(197)
Income tax expense	-	(187)	(187)
Current year other comprehensive income, net of tax	-	469	469
Balances, end of year	<u>\$ -</u>	<u>\$ (199)</u>	<u>\$ (199)</u>

GREAT AMERICAN BANCORP, INC.

SHAREHOLDER INFORMATION (UNAUDITED)

Stock Listing and Price Information

The Company's common stock is traded on OTC Pink[®], under the symbol, "GTPS." At December 31, 2023, 386,685 shares of the Company's common stock were held of record by 124 persons or entities, not including the number of persons or entities holding stock in nominee or street name through various brokers or banks.

The following schedule shows the high and low prices for each of the quarters in the years ended December 31, 2023 and 2022:

<u>Quarter Ended:</u>	<u>High</u>	<u>Low</u>
March 31, 2022	35.00	32.20
June 30, 2022	33.90	32.10
September 30, 2022	33.99	32.00
December 31, 2022	32.90	31.00
March 31, 2023	33.25	31.00
June 30, 2023	33.50	31.50
September 30, 2023	35.50	33.11
December 31, 2023	35.50	34.25

At December 31, 2023 the closing price of a common share was \$34.70. This information was provided by the OTC Markets Group, Inc. Such prices do not necessarily reflect retail markups, markdowns, or commissions. During the years ended December 31, 2023 and 2022, the Company declared dividends as follows:

<u>Date Declared</u>	<u>Record Date</u>	<u>Payable Date</u>	<u>Amount</u>
February 14, 2022	March 15, 2022	April 1, 2022	.17
May 9, 2022	June 15, 2022	July 1, 2022	.17
August 8, 2022	September 15, 2022	October 3, 2022	.17
November 14, 2022	December 15, 2022	January 3, 2023	.17
February 13, 2023	March 15, 2023	April 3, 2023	.17
May 8, 2023	June 15, 2023	July 3, 2023	.20
August 14, 2023	September 15, 2023	October 2, 2023	.20
November 13, 2023	December 15, 2023	January 2, 2024	.20
			<u>\$ 1.45</u>

Investor Information

Stockholders, investors and analysts interested in additional information may contact:

Patrick J. McWilliams
Chief Financial Officer
Great American Bancorp, Inc.
1311 S. Neil Street
Champaign, IL 61820

Company website: www.greatamericanbancorp.com

Corporate Counsel

Locke Lord LLP
701 8th Street, N.W. - Suite 700
Washington, DC 20001

Independent Auditors

Plante & Moran, PLLC
10 South Riverside Plaza, 9th Floor
Chicago, IL 60606

Annual Meeting of Stockholders

The Annual Meeting of Stockholders of Great American Bancorp, Inc. will be held at 9:30 a.m., Tuesday, April 23, 2024 at:

First Federal Savings Bank of Champaign-Urbana
1311 S. Neil Street
Champaign IL 61820

Stock Transfer Agent and Registrar

Inquiries regarding stock transfer, registration, lost certificates or changes in name and address should be directed to the transfer agent and registrar, Computershare:

By Regular Mail
PO Box 43006
Providence, RI 02940-3006

By Overnight Delivery
150 Royall Street
Suite 101
Canton, MA 02021

<https://www-us.computershare.com/Investor/#Contact>

GREAT AMERICAN BANCORP, INC. DIRECTORS AND EXECUTIVE OFFICERS (UNAUDITED)

Great American Bancorp, Inc. Directors and Executive Officers

Ronald E. Guenther, Chairman of the Board of the Company
Consultant, Big 10 Conference

John Z. Hecker, Director
Partner, Stipes Publishing, LLC, book publishing

Ronald L. Kiddoo, Director
Chairman of the Board and Chief Investment Officer, Cozad Asset
Management, Inc., an investment advisory concern

Melinda K. Piper, Director
Retired SVP of Deposit Acquisitions for First Federal Savings Bank of Champaign-Urbana

George R. Rouse, Director
President and Chief Executive Officer of the Company

Patrick J. McWilliams
Chief Financial Officer, Secretary and Treasurer of the Company

First Federal Savings Bank Directors and Executive Officers

Ronald L. Kiddoo, Director and Chairman of the Board of the Bank*
Chairman of the Board and Chief Investment Officer, Cozad Asset
Management, Inc., an investment advisory concern

Ronald E. Guenther, Director*
Consultant, Big 10 Conference

John Z. Hecker, Director*
Partner, Stipes Publishing, LLC, book publishing

Michael J. Martin, Director
Partner, Mike Martin Builders, LLC, a builder/developer

Melinda K. Piper, Director
Retired SVP of Deposit Acquisitions for First Federal Savings Bank of Champaign-Urbana

George R. Rouse, Director*
President and Chief Executive Officer of the Bank

First Federal Savings Bank Directors and Executive Officers, Continued

Tyler R. Rouse, Director

Executive Vice President - Administration of the Bank

Patrick J. McWilliams

Chief Financial Officer, Secretary-Treasurer of the Bank

Ata M. Durukan

Senior Vice President - Human Resources and Marketing of the Bank

Jason C. Eyman

Senior Vice President - Lending of the Bank

Julie E. Little

Senior Vice President - Lending of the Bank

James R. McMurry

Senior Vice President - Lending of the Bank

Mark D. Piper

Senior Vice President - Operations of the Bank

Elizabeth M. Reed

Senior Vice President - Deposit Acquisitions of the Bank

Larry Grill

Registered Representative, LaSalle St. Securities, LLC
Member FINRA/SIPC

Park Avenue Service Corporation Officers

George R. Rouse

President

Patrick J. McWilliams

Secretary and Treasurer

GTPS Insurance Agency Officers

Patrick L. Rouse*

President

* Also Director of Park Avenue Service Corporation.