ALLENDALE BANCORP, INC.

# 2023 ANNUAL REPORT

Community · Stability · Opportunity

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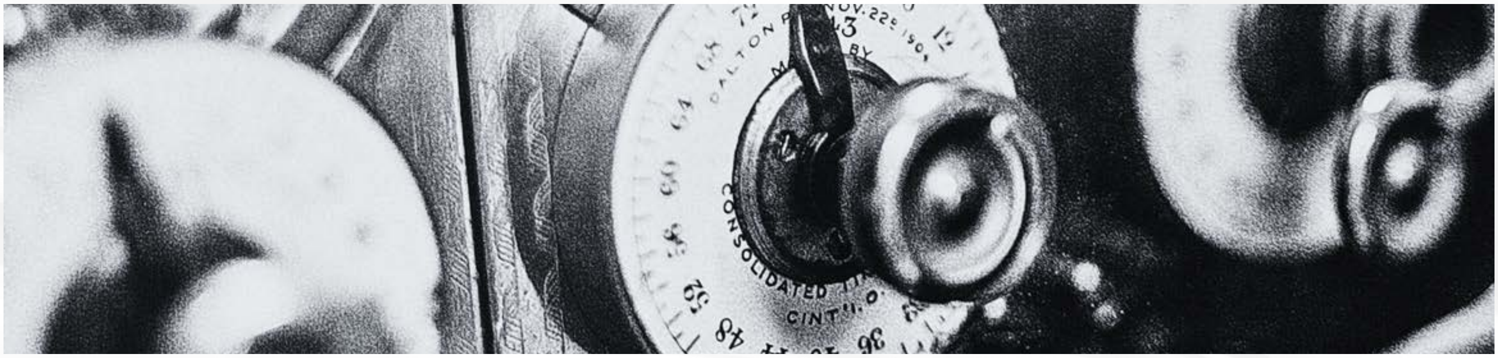
# THE FIRST NATIONAL BANK





# COMPANY PROFILE

## Value Statement

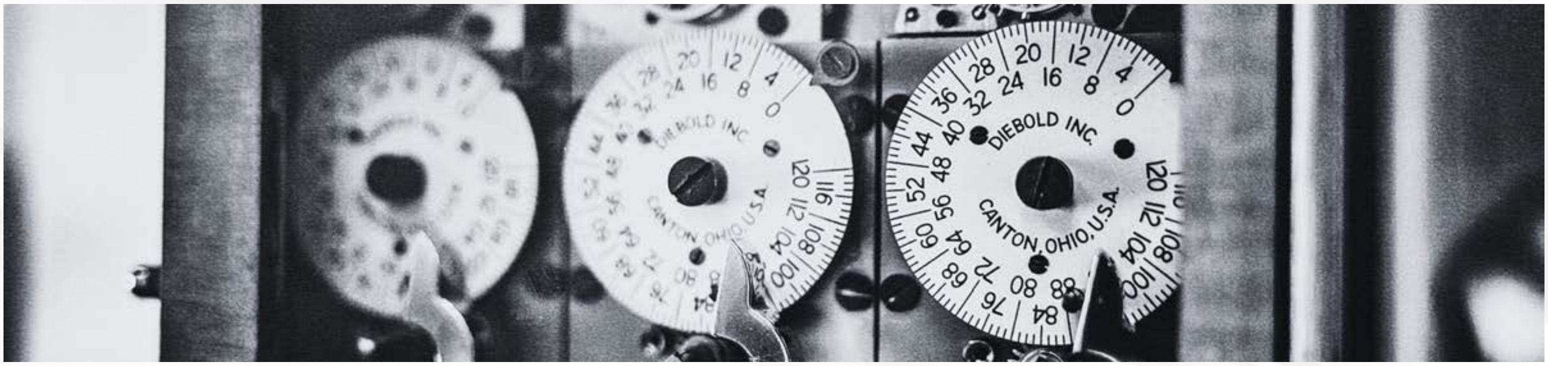
The Bank is committed to providing its customers with superior service, its shareholders with enhanced value, its communities with economic opportunity, and its staff with rewarding and enjoyable employment.

## Direction Statement

Within the constraint of economic prudence, the bank will continue to
1) explore new market opportunities
2) expand services and products, and
3) improve its technology and market position, with the goal of becoming the dominant bank in its markets while remaining the friendly and responsive bank that people prefer.

## Corporate Profile

Allendale Bancorp, Inc. is a one-bank holding company whose wholly-owned subsidiary is The First National Bank of Allendale. The stock of Allendale Bancorp, Inc. is held by 268 shareholders, a high percentage of whom live in Wabash County, Illinois and the surrounding area. The holding company and the bank have no other corporate affiliations.



# BOARD OF DIRECTORS

## Seated from Left to Right

| | | |
|---|---|---|
| **Philip Hipsher**<br>Director | **Robert Coleman**<br>Chairman of the Board | **Shane Gray**<br>Vice Chairman |

## Standing from Left to Right

| | | | | |
|---|---|---|---|---|
| **Bryan Loeffler**<br>Secretary<br>Treasurer | **Donald Price**<br>President<br>CEO | **Michael White**<br>Director | **Douglas McPherson**<br>Director | **Michael Dunkel**<br>Director |

# EXECUTIVE MANAGEMENT GROUP

## Seated from Left to Right

| | | |
|---|---|---|
| **Elizabeth Fiero**<br>Assistant Cashier &<br>Executive Assistant | **Katherine Clark**<br>BSA Officer<br>Audit Manager | **Kristin Schrader**<br>Senior Vice President<br>Chief Financial Officer |

## Standing from Left to Right

| | | | |
|---|---|---|---|
| **Dean Ackerman**<br>Senior Vice President<br>White County Production Region | **David Guinnip**<br>Senior Vice President<br>Senior Loan Officer | **Donald Price**<br>President<br>CEO | **Rodney Loeffler**<br>Vice President<br>Loan Officer |

***Unable to be present, Tamara J. McFarland, Chief Operating Officer**





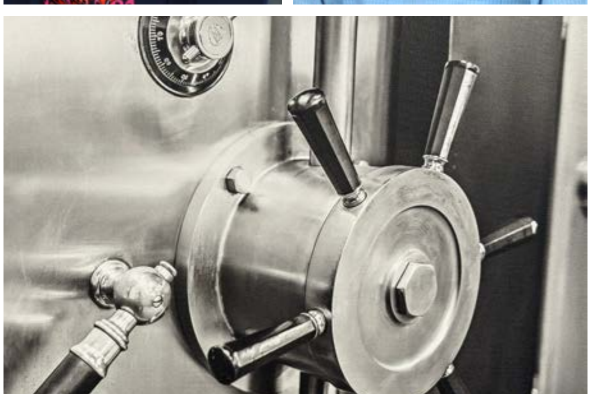

THE FIRST
NATIONAL BANK

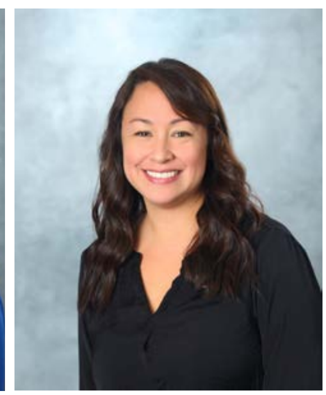











# LOCATIONS

301 East Main Street
Allendale, IL 62410

(618)299-4411

1515 West Ninth Street
Mt. Carmel, IL 62863

(618)263-6511


200 West Church Street
West Salem, IL 62476

(618)456-8884


1500 West Main Street
Carmi, IL 62821

(618)380-9500

# PRESIDENT'S LETTER TO SHAREHOLDERS

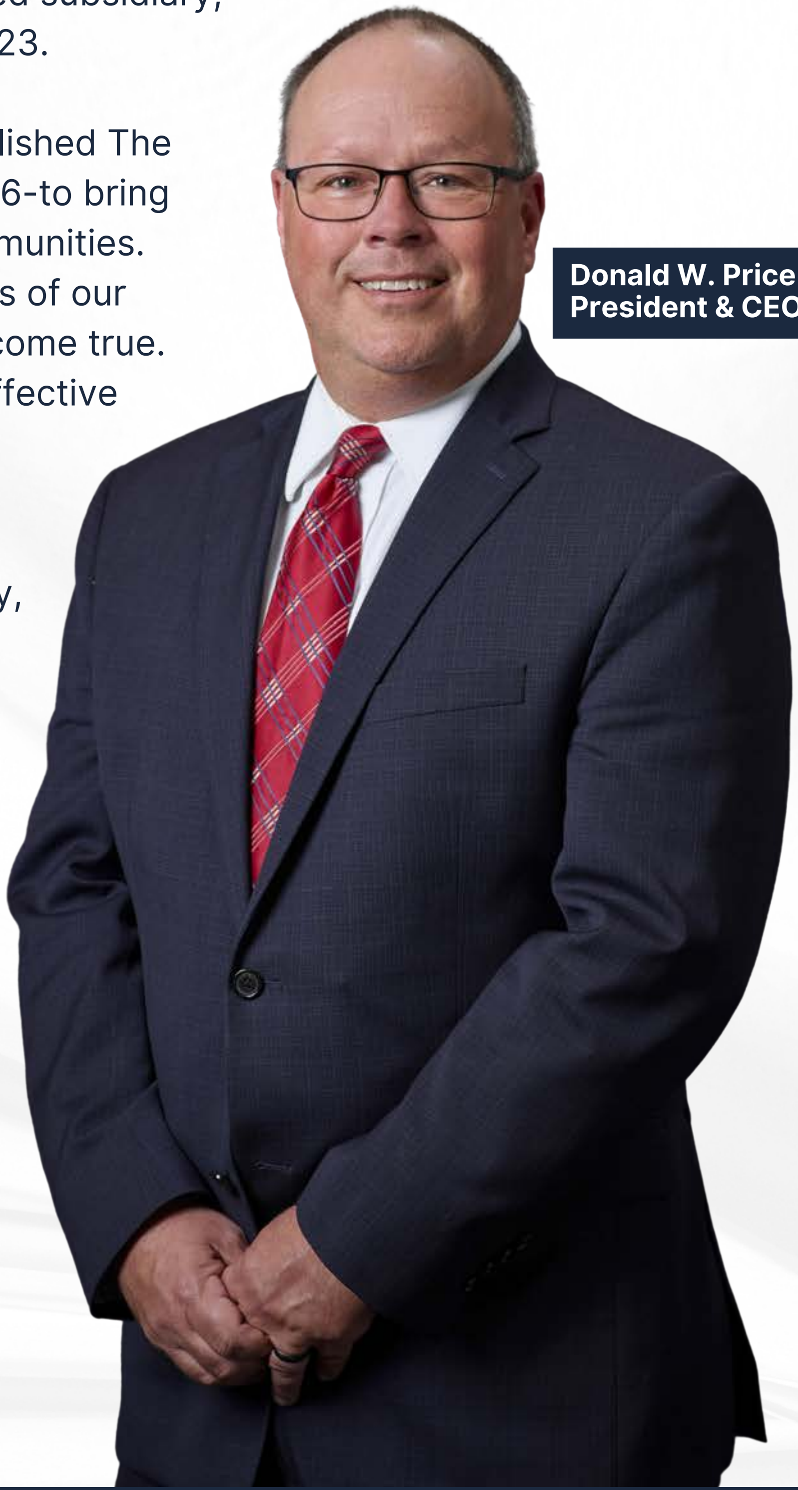
**Dear Shareholders & Friends,**

We are pleased to present to you the financial results of Allendale Bancorp, Inc. and its wholly-owned subsidiary, The First National Bank of Allendale, for 2023.

Our founders had a vision when they established The First National Bank of Allendale back in 1906-to bring economic strength to the surrounding communities. Their message was clear-to meet the needs of our customers and help to make their dreams come true. We have continued on that course, to be effective and make a difference.

We have grown from an original $25,000 capital investment to over $30 million today, and our assets exceed $375 million.

In May, we successfully completed the purchase and assumption transaction of $2.7 million in loans and $9.2 million in deposits of Wabash Savings Bank. We look forward to continuing the personalized service that the Wabash customers were accustomed to receiving. The transaction would not have gone as smoothly without the efforts of the Wabash Savings Bank employees and our operations personnel.



**Donald W. Price**
**President & CEO**

# PRESIDENT'S LETTER TO SHAREHOLDERS

Allendale Bancorp, Inc. maintained its consistent earnings pattern in 2023. After tax earnings were $2,978,726, or $5.15 per share. The Bancorp incurred one-time professional and legal expenses totaling $114,515 related to the Wabash Savings Bank transaction. The transaction allowed the Bank to assume Wabash's Net Operating Loss carryforward for tax purposes. This carryforward will offset the Bank's federal tax expense for future years. The unprecedented rate at which the Federal Reserve has hiked rates over the past two years has increased interest expense and compressed net interest margins. Despite these headwinds, deposit balances have remained stable. Deposit growth of 7% can be attributed to deposits from the State of Illinois Treasurer's office linked directly to agricultural lending activities by the bank. In 2023, gross loans increased by $24 million to $262 million, or 10.09%. This growth preceded by the 20% growth in 2022 created the need to increase our allowance for credit losses. This was accomplished by increasing 2023's Provision for Credit Loss expense to $420,000, compared to $250,000 in 2022. The credit quality of the loan portfolio remains strong. Delinquencies, non-performing loans, and net loan losses remain low and manageable. A close eye is being kept on the agricultural industry heading into 2024. High grain inventories and lower commodity prices could present profitability challenges in the coming year. We value our farming relationships and have consistently supported our agricultural borrowers through many economic cycles.

As a product of continued profitability, dividends paid to our shareholders during 2023 increased by 5.0% from $1.40 per share in 2022 to $1.47 per share in 2023. To compare, total dividends paid to shareholders in 2023 have grown by 22.5% since 2019, when total dividends paid were $1.20 per share.

# PRESIDENT'S LETTER TO SHAREHOLDERS

We are very pleased with the addition of Douglas D. McPherson as a director on our board. Doug brings unique knowledge and experience to the Bank. He has served as Executive Vice President of Mt. Carmel Stabilization Group, Inc. since 1993. Doug serves on the Board of Directors of Wabash General Hospital, West Berwick Golf Club, West Berwick Golf Course Management, and Mt. Carmel Junior Football League. His most rewarding accomplishment was the founding of ON1, a faith-based initiative that has provided programs to benefit local student athletes. His vast experience and commitment to our community will be invaluable as we continue to execute our strategy.

Douglas D. McPherson

The board and our management remain fully committed to keeping our bank as a viable, locally owned institution. As we enter 2024, the Bank will focus on loan and deposit growth, maintaining strong asset quality, and recruiting high-performing employees to address future retirements. Attracting new customers remains a priority as does providing strong leadership and support in the communities we serve. Although we continue to be challenged by the volume and significance of the various legislative and regulatory initiatives enacted over the past few years and those likely to follow in the years ahead, we will continue to make the necessary investments to ensure the safe and sound operation of your Bank. We continue to upgrade our technologies to ensure we offer our customers a range of financial solutions by way of personal service in our branches and through our mobile and online platforms. Additionally, we continue to invest in the tools and talent necessary to navigate future growth and an increasing cyber-risk environment.

# PRESIDENT'S LETTER TO SHAREHOLDERS

The upcoming annual meeting on April 9 will mark Robert Coleman's last meeting as a director of our bank. Rob has been an integral part of this organization for forty years. Serving as president from 1986 to 2016 and board chairman since 2016, the bank has grown and prospered under his leadership.  His positive impact reaches farther than just this bank. His leadership at Wabash General Hospital has improved our area's overall quality of life and created many local jobs. On a personal note, Rob has served as a mentor to me for ten years. His advice and guidance have been greatly beneficial to my career and critical to the ongoing success of our entire bank. We owe him a debt of gratitude for his years of service and wish him the best.

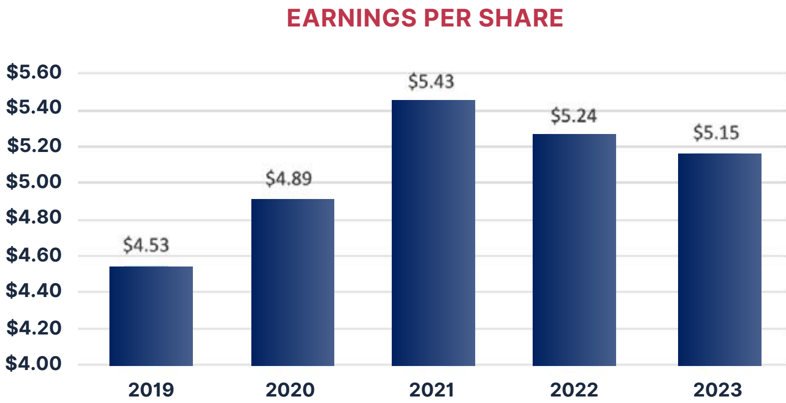

**Robert J. Coleman**

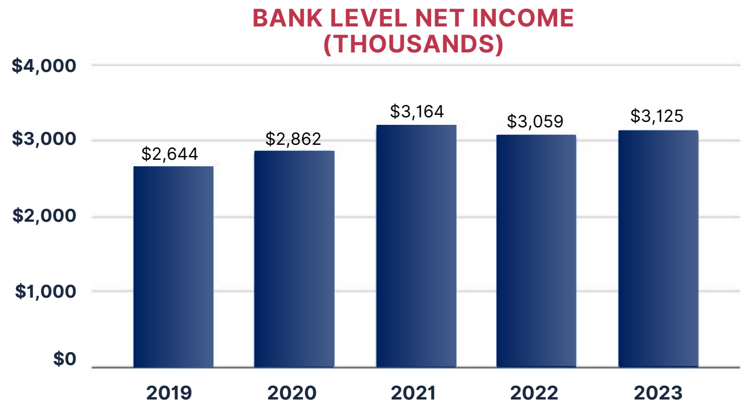
The successful performance of the Bank would not have been possible without the efforts of our committed Board of Directors, dedicated management team, and loyal and knowledgeable staff. We believe as we move forward with our continued growth initiatives, we are well positioned to continue to meet the high standards we have set and to exceed your expectations. Most of all, thank you to our customers and shareholders for your continuous support and having the confidence in us to continually make our bank successful.

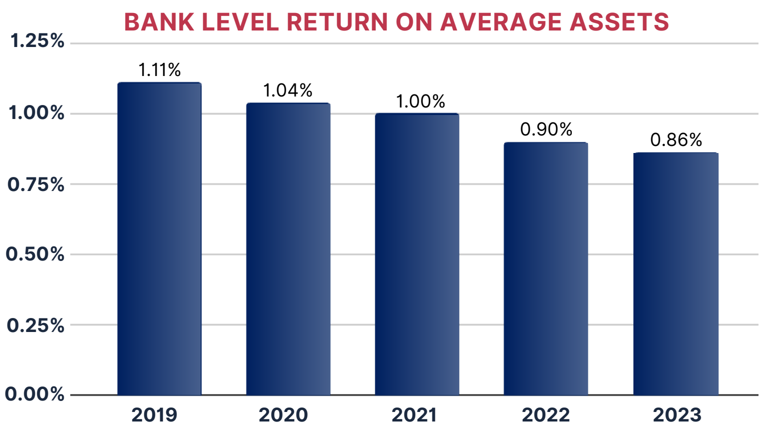
Sincerely,

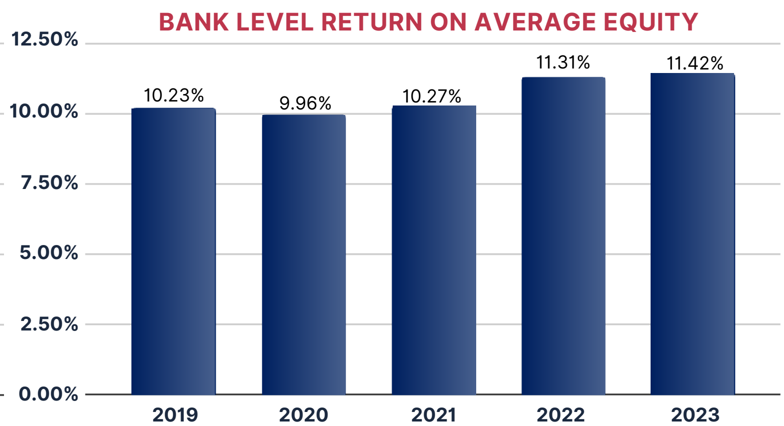
Donald W. Price
President and Chief Executive Officer

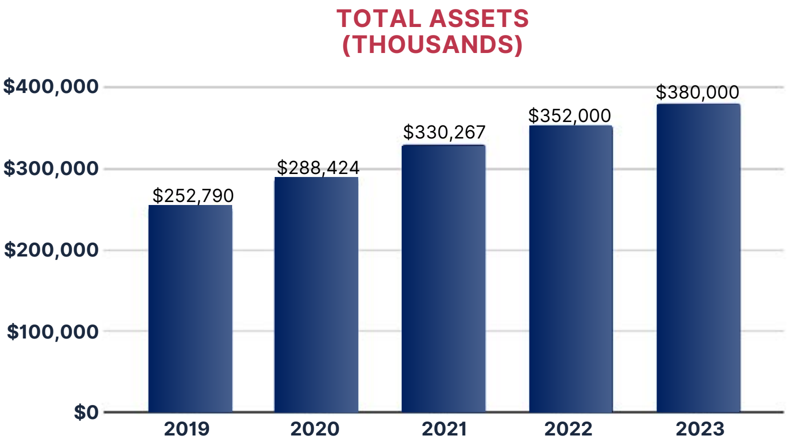
# FINANCIAL HIGHLIGHTS

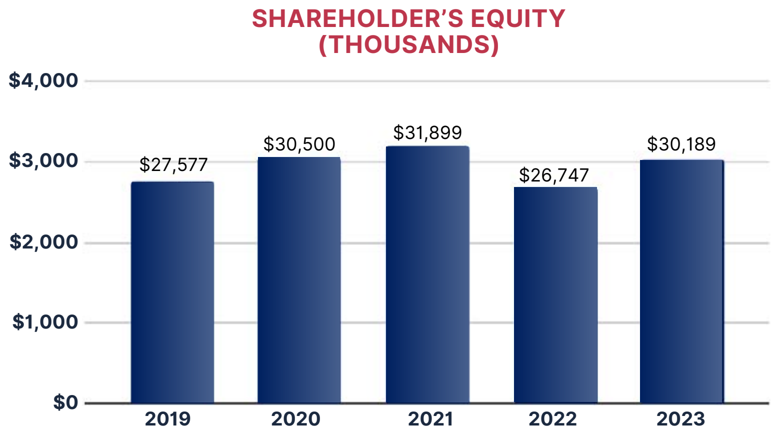


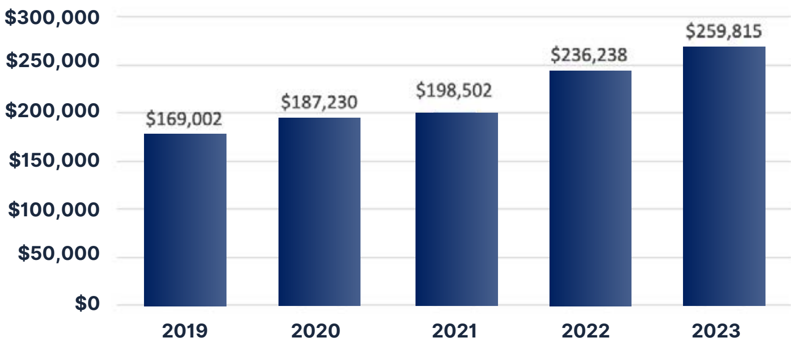



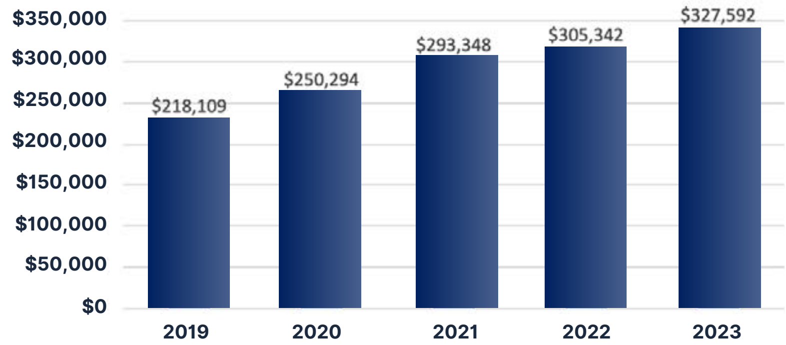

"Community banks like The First National Bank of Allendale continue to be critical providers of credit and other financial services to rural communities, while playing a vital role in the local economies where they have a market presence. I simply delight in the knowledge that this company and this bank are flourishing in a modern banking environment despite the challenges posed by advantaged competition, changing demographics, and rapidly advancing technologies. With the steadfast support of our shareholders, customers, and employees, we will continue to prevail and prosper... as we have since 1906!" -Robert J. Coleman, Chairman of the Board

# FINANCIAL HIGHLIGHTS

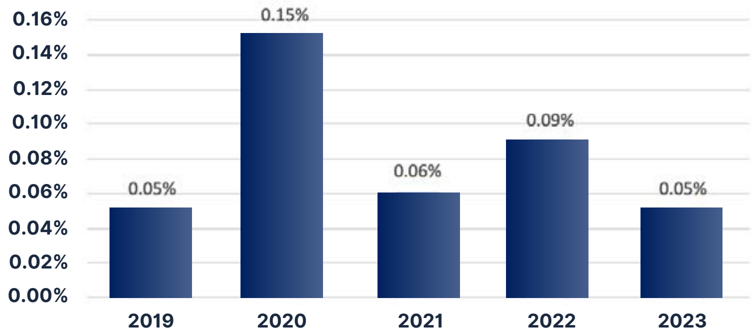
**NET LOANS (THOUSANDS)**



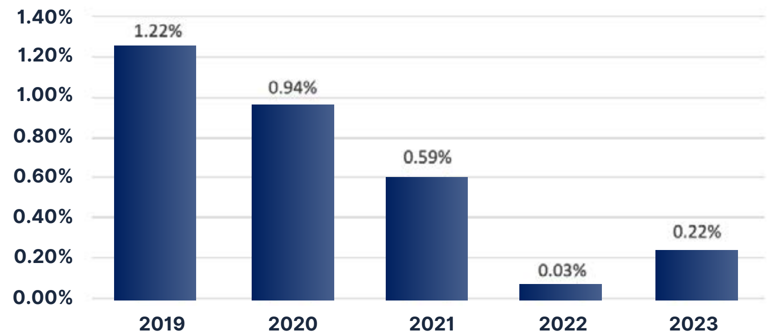

**DEPOSITS (THOUSANDS)**



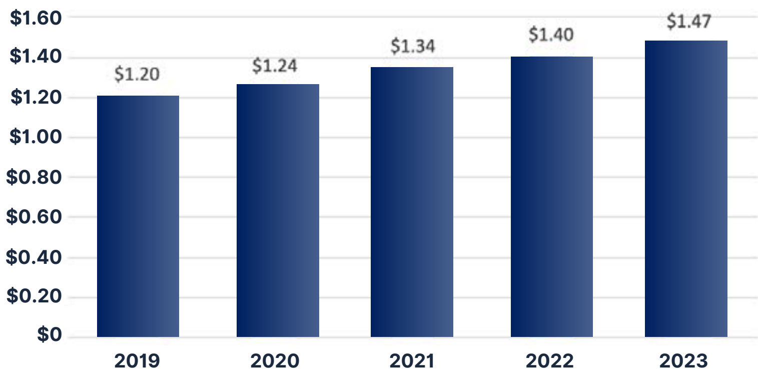

**NET LOAN LOSSES (% OF TOTAL LOANS)**



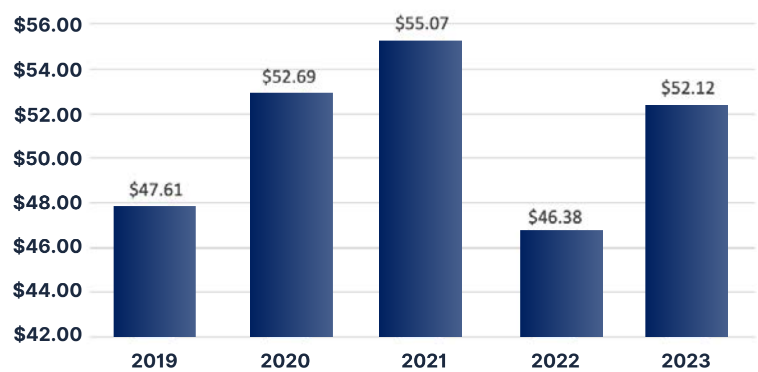

**NON-PERFMORING LOANS (% OF TOTAL LOANS)**




**DIVIDENDS PER SHARE**




**BOOK VALUE PER SHARE**




"FNB continued its history of strong financial performance in 2023, despite the many challenges presented by unprecedented interest rate hikes and other economic and regulatory pressures. This was only possible due to the confidence of our customers, the loyalty of our employees, the guidance of our Board of Directors, and the support of our shareholders. In short, FNB thrives because of our commitment to the communities we serve. When you attend local events, you'll likely see the FNB logo as a sponsor, and maybe even an employee or two helping behind the scenes. This dedication to improving the lives of all those in the small towns we serve makes me immensely proud to be a part of the FNB family!" – Kristin S. Schrader, Senior Vice President and Chief Financial Officer

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Allendale Bancorp, Inc.
Allendale, Illinois

### Opinion

We have audited the accompanying consolidated financial statements of Allendale Bancorp, Inc. (a corporation) and Subsidiaries (Bank), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Allendale Bancorp, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Allendale Bancorp, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Allendale Bancorp, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Phone: (812) 421-8000 Fax: (812) 421-2292 kempercpa.com

To the Board of Directors and Stockholders
Allendale Bancorp, Inc.

**Auditor's Responsibilities for the Audit of the 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 an audit conducted in accordance with generally accepted auditing standards 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 aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Allendale Bancorp, Inc. and Subsidiaries' 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 Allendale Bancorp, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Kemper CPA Group, LLP

March 5, 2024

Certified Public Accountants and Consultants
Evansville, Indiana

# ALLENDALE BANCORP, INC., AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | | |
| Cash | $ 3,989,796 | $ 4,637,786 |
| Due from banks, non-interest bearing | 1,489,732 | 1,411,027 |
| Total Cash and Cash Equivalents | 5,479,528 | 6,048,813 |
| Due from banks, interest bearing | 12,342,312 | 5,306,259 |
| Debt Securities available-for-sale | 80,833,988 | 83,731,788 |
| Loans receivable, net of allowance for credit losses - loans of $2,864,709 in 2023 and $2,371,672 in 2022 | 259,815,186 | 236,238,409 |
| Accrued interest receivable | 3,881,465 | 2,744,443 |
| Premises and equipment, net | 4,399,172 | 4,614,514 |
| Federal Home Loan Bank stock, restricted, at cost | 1,505,880 | 1,167,694 |
| Other stock, restricted, at cost | 157,850 | 157,850 |
| Bank owned life insurance | 6,891,136 | 6,726,445 |
| Other assets | 4,665,064 | 5,117,162 |
| Total Assets | $ 379,971,581 | $ 351,853,377 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Deposits | | |
| Demand deposits | $ 104,053,580 | $ 112,064,678 |
| Savings and NOW deposits | 128,844,254 | 126,332,535 |
| Time deposits | 94,694,199 | 66,906,664 |
| Total Deposits | 327,592,033 | 305,303,877 |
| Accrued expenses and other liabilities | 2,870,668 | 2,522,435 |
| Federal Home Loan Bank advances | 19,319,552 | 17,165,945 |
| Total Liabilities | 349,782,253 | 324,992,257 |
| Stockholders' Equity | | |
| Common stock, $1 par value; 1,000,000 shares authorized and 579,198 issued and outstanding | 579,198 | 579,198 |
| Additional paid-in capital | 1,668,119 | 1,668,119 |
| Retained earnings | 33,482,579 | 31,513,275 |
| Accumulated other comprehensive income, net of income tax | (5,540,568) | (6,899,472) |
| Total Stockholders' Equity | 30,189,328 | 26,861,120 |
| Total Liabilities and Stockholders' Equity | $ 379,971,581 | $ 351,853,377 |

**ALLENDALE BANCORP, INC.,**
**AND SUBSIDIARIES**

## CONSOLIDATED STATEMENTS OF INCOME

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Interest Income | | |
| Loans, including fees | $ 14,044,469 | $ 9,973,331 |
| Investment securities | 1,917,033 | 1,698,716 |
| Federal funds sold | 290,809 | 141,195 |
| Total Interest Income | 16,252,311 | 11,813,242 |
| Interest Expense | | |
| Deposits | 5,082,461 | 1,635,313 |
| Other borrowed funds | 884,807 | 150,393 |
| Total Interest Expense | 5,967,268 | 1,785,706 |
| Net Interest Income | 10,285,043 | 10,027,536 |
| Provision for Credit Losses | (420,000) | (250,000) |
| Net Interest Income after Provision for Credit Losses | 9,865,043 | 9,777,536 |
| Noninterest Income | | |
| Service charges on deposit accounts | 349,520 | 309,484 |
| ATM interchange fees | 458,873 | 453,282 |
| Other income | 1,934 | 30,661 |
| Life insurance | 224,652 | 207,437 |
| Gain on sale of loans | 16,461 | 125,762 |
| Net realized loss on sales of available-for-sale securities | (65,213) | 0 |
| Total Noninterest Income | 986,227 | 1,126,626 |
| Noninterest Expenses | | |
| Salaries and employee benefits | 4,043,566 | 3,997,868 |
| Occupancy | 822,666 | 737,460 |
| FDIC deposit insurance fees | 128,663 | 89,739 |
| Director fees | 181,700 | 181,200 |
| Professional and consulting fees | 430,930 | 339,878 |
| Repairs and maintenance | 159,368 | 183,224 |
| Depreciation and amortization | 382,906 | 339,352 |
| Data processing fees | 470,489 | 382,494 |
| Other expense | 704,381 | 660,912 |
| Total Noninterest Expenses | 7,324,669 | 6,912,127 |
| Income before Income Taxes | 3,526,601 | 3,992,035 |
| Income Tax Expense | 547,875 | 958,976 |
| NET INCOME | $ 2,978,726 | $ 3,033,059 |
| Earnings per share | 5.15 | 5.24 |
| Weighted average shares outstanding | $ 579,198 | $ 579,198 |

See accompanying notes.

## ALLENDALE BANCORP, INC.,
## AND SUBSIDIARIES

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Net income | $ 2,978,726 | $ 3,033,059 |
| Other comprehensive income (expense), net of tax: | | |
| Unrealized gains (losses) on debt securities available for sale: | | |
| Unrealized holding losses arising during the period, net of deferred tax benefit (expense) of $2,431,471 in 2023 and ($3,027,825) in 2022 | 1,410,422 | (7,259,916) |
| Less: reclassification adjustment for gains realized in net income, net of deferred tax benefit (expense) of $13,695 in 2023 and $0 in 2022 | (51,518) | 0 |
| Other comprehensive income (expense), net of income tax | 1,358,904 | (7,259,916) |
| Total comprehensive income (expense) | $ 4,337,630 | $ (4,226,857) |

See accompanying notes.

# ALLENDALE BANCORP, INC.,
# AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

### For Years Ended December 31, 2023 and 2022

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2022 | $ 579,198 | $ 1,668,119 | $ 29,291,093 | $ 360,444 | $ 31,898,854 |
| Comprehensive income (loss): | | | | | |
| Net income | | | 3,033,059 | | 3,033,059 |
| Other comprehensive income (loss) | | | | (7,259,916) | (7,259,916) |
| Total comprehensive income (loss) | | | | | (4,226,857) |
| Cash dividends declared | | | (810,877) | | (810,877) |
| Balance at December 31, 2022 | $ 579,198 | $ 1,668,119 | $ 31,513,275 | $ (6,899,472) | $ 26,861,120 |
| Cumulative change in accounting principle | | | | | |
| Adoption of FASB ASU 2016-13 net of tax effect | | | (158,000) | | (158,000) |
| Comprehensive income: | | | | | |
| Net income | | | 2,978,726 | | 2,978,726 |
| Other comprehensive income | | | | 1,358,904 | 1,358,904 |
| Total comprehensive income | | | | | 4,337,630 |
| Cash dividends declared | | | (851,422) | | (851,422) |
| Balance at December 31, 2023 | $ 579,198 | $ 1,668,119 | $ 33,482,579 | $ (5,540,568) | $ 30,189,328 |

See accompanying notes.

# ALLENDALE BANCORP, INC., AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Cash flows from operating activities: | | |
| Net income | $ 2,978,726 | $ 3,033,059 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | 262,000 | 250,000 |
| Depreciation and amortization | 428,399 | 346,167 |
| Net amortization on securities available-for-sale | 599,275 | 813,153 |
| Loss on sale of available for sale securities | 65,213 | 0 |
| Bank owned life insurance income (expense) | (164,691) | (151,948) |
| (Increase) decrease in: | | |
| Accrued interest receivable | (1,137,022) | (454,618) |
| Other assets | (151,091) | (808,703) |
| Increase (decrease) in: | | |
| Other liabilities | 348,233 | 225,375 |
| Total adjustments | 250,316 | 219,426 |
| Net cash provided by operating activities | 3,229,042 | 3,252,485 |
| Cash flows from investing activities: | | |
| Net increase (decrease) in interest bearing deposits | (7,074,731) | 5,995,634 |
| Proceeds from sales and maturities of available-for-sale debt securities | 12,224,844 | 12,772,750 |
| Purchases of available-for-sale debt securities | (8,036,255) | (6,667,530) |
| Purchase of Federal Reserve Bank stock | (338,186) | (732,283) |
| Net (increase) in loans receivable | (23,996,777) | (37,986,741) |
| Purchases of premises and equipment | (155,878) | (377,411) |
| Net cash used in investing activities | (27,376,983) | (26,995,581) |
| Cash flows from financing activities: | | |
| Net (decrease) in demand, savings and NOW deposit accounts | (5,511,064) | (1,035,069) |
| Net increase in other time deposits | 27,787,535 | 12,978,828 |
| Additional Federal Home Loan Bank advances | 2,153,607 | 14,442,806 |
| Cash dividends | (851,422) | (810,877) |
| Net cash provided by financing activities | 23,578,656 | 25,575,688 |
| Net increase (decrease) in cash and cash equivalents | (569,285) | 1,832,592 |
| Cash and cash equivalents, beginning of year | 6,048,813 | 4,216,221 |
| Cash and cash equivalents, end of year | $ 5,479,528 | $ 6,048,813 |
| Interest paid | $ 5,790,138 | $ 1,741,479 |
| Income taxes paid | $ 901,765 | $ 1,029,432 |
| Adoption of FASB ASU 2016-13 | $ 158,000 | $ 0 |

## Note 1 – Nature of Operations and Significant Accounting Policies

Allendale Bancorp, Inc. (the "Bancorp") and its wholly owned subsidiary, First National Bank of Allendale (the "Bank") provide various banking and other financial services to their customers. The Bank's customers include individuals and commercial enterprises within its principal market area consisting of Wabash, Lawrence, White and Edwards Counties in Illinois. The Bank operates under a national bank charter and provides full banking services. As a national bank, the Bank is subject to regulation by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC).

Additionally, the Bank maintains correspondent banking relationships. Note 4 discusses the types of securities the Bank invests in. Note 5 discusses the types of lending that the Bank engages in. The Bank does not have any significant concentrations to any one industry or customer.

The accounting and reporting policies and practices of the Bank conform with accounting principles generally accepted in the United States of America. The following is a summary of the Bank's significant accounting policies.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Bancorp and the Bank as well Allendale Holdings, LLC. Allendale Holdings, LLC is a Limited Liability Company that the Bank wholly owns.

In consolidation, all significant intercompany balances and transactions have been eliminated.

### Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Comprehensive Income

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

## Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

### Presentation of Cash Flows

The Bank considers all non-interest-bearing deposits in other banks and federal funds sold to be cash and cash equivalents. The Bank has deposit accounts with several financial institutions. The accounts are insured by the FDIC up to $250,000 per bank at December 31, 2023 and 2022. At December 31, 2023 and 2022 the Bank had approximately $757,000 and $750,000 in excess of the FDIC insurance limit, respectively.

### Investment Securities and Related Allowance for Credit Losses

Debt securities classified as available-for-sale (AFS) are those debt securities that the Bank intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movement in interest rates, changes in the maturity mix of the Bank's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. These securities are carried at estimated fair value based on information provided by a third-party pricing service with any unrealized gains or losses excluded from net income and reported in accumulated other comprehensive income (loss), which is reported as a separate component of shareholders' equity, net of the related deferred tax effect.

Management assesses the financial condition and near-term prospects of the issuer, industry and/or geographic conditions, credit ratings as well as other indicators at the individual security level. Impairments below cost in the estimated fair value of individual AFS debt securities when there is an intent to sell or for which it more likely than not the Bank will be required to sell before the impairment is recovered, are realized in noninterest income in the consolidated statements of income.

When there is not an intent to sell or it is more likely than not the Bank will not be required to sell the security before the impairment is recovered, management assesses whether the decline in fair value has resulted from credit losses or other factors. If the present value of discounted cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for AFS credit losses is recorded. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Any future changes in the allowance for credit losses is recorded as provision for (reversal of) credit losses. Losses attributable to other factors are charged to accumulated other comprehensive income.

Gains and losses realized on sales of investment debt securities, determined using the adjusted cost basis of the specific securities sold, are included in noninterest income in the consolidated statements of income.

## Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

### Investment Securities and Related Allowance for Credit Losses (Concluded)

Dividend and interest income, including amortization of premium and accretion of discount arising at acquisition, from all categories of investment securities are included in interest income in the consolidated statements of income.

Restricted stock is stock from the Federal Home Loan Bank of St. Louis ("FHLB"), which is restricted as to its marketability. Because no ready market exists for these investments and they have no quoted market value, the Bank's investment in this stock is carried at cost. A determination as to whether there has been an impairment of restricted stock investments is performed on a quarterly basis and includes a review of the current financial condition of the issuer.

### Loans and Allowances for Credit Losses - Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are carried at amortized cost, which consists of the amount of unpaid principal, adjusted for deferred loan fees and origination costs. Interest on loans is accrued based on the principal amounts outstanding. Nonrefundable loan fees and related direct costs are deferred, and the net amount is amortized to income as a yield adjustment over the life of the loan using the interest method. When principal or interest is delinquent for ninety days or more, the Bank evaluates the loan for nonaccrual status.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans, where ultimate collectability remains in doubt, are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

## Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

### Loans and Allowances for Credit Losses – Loans (Concluded)

With the adoption of ASU 2016-13 on January 1, 2023, an allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to earnings. ASU 2016-13 replaced the previous probably incurred loss model, which incorporated only known information as of the balance sheet date. The expected credit loss model is based on management's best estimate of lifetime expected credit losses inherent in the Bank's relevant financial assets. There are two components of the allowance for credit losses: reserves on pooled loans sharing risk characteristics (portfolio segments) and individually evaluated loans that do not fit within a portfolio segment. For loans, expected credit losses are typically estimated using quantitative methods that consider a variety of factors such as historical loss experience, the current credit quality of the portfolio as well as supportable forecasts of the economic outlook over the life of the loan. When management determines that foreclosure is probable, expected credit losses are accrued based on the differences between the loan balance and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan's value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

Allowance factors and overall size of the allowance may change from period to period based on management's assessment and the relative weights given to each factor. In addition, various regulatory agencies periodically review the allowance for credit losses. These agencies may require the Bank to make additions to the allowance for credit losses based on their judgments of collectability supported by information available to them at the time of their examination.

### Loan Charge-offs

The Bank's charge-off policy states after all collection efforts have been exhausted and the loan is deemed to be a loss, it will be charged to the Bank's established allowance for credit losses. Consumer loans subject to the Uniform Retail Credit Classification are charged-off as follows:

(a) closed end loans are charged-off no later than 120 days after becoming delinquent, (b) consumer loans to borrowers who subsequently declare bankruptcy, where the Company is an unsecured creditor, are charged-off within 60 days of receipt of the notification from the bankruptcy court, (c) fraudulent loans are charged-off within 90 days of discovery and (d) death of a borrower will cause a charge-off to be incurred at such time an actual loss is determined. All other types of loans are generally evaluated for loss potential at the 90th day past due threshold, and any loss is recognized no later than the 120th day past due threshold; each loss is evaluated on its specific facts regarding the appropriate timing to recognize the loss.

## Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

### Loan Modifications

In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the member that the Bank would not otherwise consider, the related loan is classified as a loan modification. The Bank strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral.

### Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation and amortization. The provision for depreciation is computed using straight-line and accelerated methods based on the estimated useful lives of the assets, which range from 5 to 10 years for bank equipment and 39 years for bank buildings. Expenditures for improvements, which extend the life of an asset, are capitalized, and depreciated over the asset's remaining useful life. Gains or losses realized on the disposition of properties and equipment are reflected in the statements of income. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

### Bank Owned Life Insurance

The Bank purchased single-premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policy is classified in noninterest income. These insurance policies can be surrendered subject to certain surrender penalties applied by the insurance carriers, as well as potential income taxes to be paid.

### Foreclosed Properties

Foreclosed properties include properties that have been acquired in complete or partial satisfaction of a debt. These properties are initially recorded at fair value on the date of acquisition. Any write-downs at the time of acquisition are charged to the allowance for credit losses - loans. Subsequent to acquisition, a valuation allowance is established, if necessary, to report these assets at the lower of (a) fair value minus estimated costs to sell or (b) cost. Gains and losses realized on the sale, and any adjustments resulting from periodic re-evaluation of this property are included in noninterest income or expense, as appropriate. Net costs of maintaining and operating the properties are expensed as incurred. There were no foreclosed properties at December 31, 2023 and 2022.

## Note 1 – Nature of Operations and Significant Accounting Policies (Continued)

### Revenue Recognition:

In the ordinary course of business, the Bank recognizes income from various revenue generating activities. Certain revenues are generated from contracts with customers where such revenues are recognized when, or as, services or products are transferred to customers for amounts to which the Bank expects to be entitled. Certain specific policies related to revenue recognition from contracts with customers include:

#### Service Fees

Service fees include charges related to depository accounts under standard service agreements. Fees are generally recognized as services are delivered to or consumed by the customer or as penalties are assessed.

#### ATM Interchange Fees

ATM interchange fees revenue includes interchange fees from ATM cards processed through card association networks, and other transaction fees. The Bank records interchange fees as services are provided.

### Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

In addition, deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Bank does not have uncertain tax positions that are deemed material and did not recognize any adjustments for unrecognized tax benefits. The Bank's policy is to recognize interest and penalties on income taxes in other noninterest expenses. The Bank remains subject to examination for income tax returns for the years ending after December 31, 2020.

## Note 1 – Nature of Operations and Significant Accounting Policies (Concluded)

### Fair Value Measurements

The Bank follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurement*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

### Valuation of Long-Lived Assets

The Bank accounts for the valuation of long-lived assets under FASB ASC 360, *Property, Plant and Equipment*. This guidance requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of the long-lived asset is measured by a comparison of the carrying amount of the 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 estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

### Date of Management's Review

The Bank has evaluated the accompanying consolidated financial statements for subsequent events and transactions through March 5, 2024, the date these financial statements were available for issue, based on FASB ASC 855, *Subsequent Events*, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

## Note 1 – Nature of Operations and Significant Accounting Policies (Concluded)

Accounting Standards Adopted in 2023

On January 1, 2023, the Company adopted FASB ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments held by the Bank that are measured at amortized cost, such as loan receivables and held-to-maturity debt securities. Prior to January 1, 2023, the allowance for losses on such assets was determined based on management's estimate of probable incurred losses. ASU 2016-13 also modified the impairment model on available-for-sale securities whereby credit losses are recognized as an allowance, rather than as a direct write-down. The Bank adopted this new guidance utilizing the modified retrospective transition method for loans and prospectively for debt securities available-for-sale. The adoption of this Standard has an impact of $158,000 on the Bank's equity and changed how the allowance for credit losses is determined. See Note 4, Loans and Allowance for Credit Losses—Loans.

On January 1, 2023, the Company adopted FASB ASU 2022-2, *Financing Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, on a modified retrospective basis. ASU 2022-2 eliminates the troubled debt restructuring recognition and measurement accounting guidance and instead requires entities to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. Expected credit losses are recorded in the allowance for credit losses. The adoption of this Standard did not have a material impact on the Bank's consolidated financial statements. See Note 4.

## Note 2 – Certificates of Deposit

The Bank had certificates of deposits totaling $4,206,926 and $3,750,000 at December 31, 2023 and 2022, respectively, are included in due from banks, interest bearing, in the accompanying consolidated financial statements. The certificates bear interest at rates ranging from 0.50% to 5.10% and have maturities ranging from February 2024 to July 2028, with penalties for early withdrawal. Any penalties for early withdrawal would not have material effect on the consolidated financial statements.

## Note 3 – Investments

### Debt Securities Available-for-Sale

The amortized cost and fair value of debt securities classified as available-for-sale at December 31, 2023 and 2022 are as follows:

| December 31, 2023 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Available-for-sale securities | | | | |
| State and municipal securities | $ 47,507,487 | $ 83,394 | $ 3,799,907 | $ 43,790,974 |
| U.S. government and agency securities | 12,879,729 | 315 | 785,606 | 12,094,438 |
| Mortgage backed securities | 28,418,773 | 8,340 | 3,478,537 | 24,948,576 |
| Total available-for-sale securities | $ 88,805,989 | $ 92,049 | $ 8,064,050 | $ 80,833,988 |

| December 31, 2022 | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Available-for-sale securities | | | | |
| State and municipal securities | $ 49,567,276 | $ 54,656 | $ 5,288,971 | $ 44,332,961 |
| U.S. government and agency securities | 12,630,637 | 1,325 | 980,530 | 11,651,432 |
| Mortgage backed securities | 31,461,172 | 3,639 | 3,717,416 | 27,747,395 |
| Total available-for-sale securities | $ 93,659,085 | $ 59,620 | $ 9,986,917 | $ 83,731,788 |

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Available-for-Sale | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| Due in one year or less | $ 4,436,124 | $ 4,402,421 | $ 4,263,014 | $ 4,223,191 |
| Due from one to five years | 13,787,667 | 13,120,011 | 15,838,340 | 15,000,592 |
| Due in more than five to ten years | 19,040,739 | 17,652,981 | 16,264,494 | 14,935,267 |
| Due after ten years | 23,122,686 | 20,710,039 | 25,832,064 | 21,825,342 |
| Subtotal | 60,387,216 | 55,885,452 | 62,197,912 | 55,984,392 |
| Mortgage backed securities | 28,418,773 | 24,948,536 | 31,461,173 | 27,747,396 |
| Total | $ 88,805,989 | $ 80,833,988 | $ 93,659,085 | $ 83,731,788 |

## Note 3 – Investments (Continued)

Information pertaining to securities with gross unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

| | Less Than 12 Months | | 12 Months or Greater | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| **December 31, 2023** | | | | | | |
| Available-for-sale securities | $ 3,593,273 | $ (41,507) | $ 71,913,242 | $ (8,249,190) | $ 75,506,515 | $ (8,290,697) |
| **December 31, 2022** | | | | | | |
| Available-for-sale securities | $ 3,247,816 | $ (28,555) | $ 79,145,827 | $ (9,958,362) | $ 82,393,643 | $ (9,986,917) |

The bonds in an unrealized loss position at December 31, 2023 and 2022 were temporarily impaired due to the current interest rate environment and not increased credit risk. Timely principal and interest payments continue to be received from the issuer. The Bank does not intend to sell these securities and it is more likely than not that the Bank will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value. All securities owned by the Bank are payable at par at maturity. The securities with unrealized losses consisted of 4 US Treasury all rated AAA by Moody's, 21 US Agency, 20 rated AAA by Moody's and 1 rated AA+ by Standard and Poor's, 118 state and political subdivisions, 8 rated Aa1, 8 rated Aa2, 5 rated Aa3 and 11 rated AAA by Moody's, 1 rated A, 6 rated A+, 5 A1, 32 rated AA, 11 rated AA-, 14 rated AA+ and 6 rated AAA by Standard and Poor's and 10 with no rating and 104 mortgage back securities with no rating. The aggregated book value of the securities was $75,506,515 at December 31, 2023.

Included in the investment portfolio at December 31, 2023 and 2022 are securities valued at approximately $66,600,600 and $57,900,000, respectively, which are pledged to secure public deposits, and for other purposes required or permitted by law.

## Note 3 – Investments (Concluded)

### Restricted Stock

The following table shows the amounts of restricted stock as of December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Federal Home Loan Bank of Chicago | $ 1,505,880 | $ 1,167,694 |
| Federal Reserve Bank | 155,850 | 155,850 |
| Farmer Mac | 2,000 | 2,000 |
| | $ 1,663,730 | $ 1,325,544 |

## Note 4 – Loans and Allowance for Credit Losses - Loans

Loans consist of the following at December 31, 2023 and 2022:

| | **2023** | **2022** |
|---|---|---|
| Construction Real Estate | $ 5,133,517 | $ 3,978,964 |
| Commercial Real Estate | 89,741,025 | 84,387,497 |
| Other Real Estate | | |
| Residential Real Estate | 73,356,535 | 62,445,331 |
| Commercial and Industrial | 74,720,895 | 68,058,664 |
| Consumer and Installment | 19,415,152 | 19,329,596 |
| Leases | 312,771 | 410,029 |
| Total Loans | 262,679,895 | 238,610,081 |
| Less: Allowance for Credit Losses - Loans | (2,864,709) | (2,371,672) |
| Net Loans | $ 259,815,186 | $ 236,238,409 |

**Note 4 – Loans and Allowance for Credit Losses – Loans (Continued)**

The Bank's goal is to mitigate risks from an unforeseen threat to the loan portfolio as a result of an economic downturn or other negative influences. Plans that aid in mitigating these potential risks in managing the loan portfolio include enforcing loan policies and procedures, evaluating the borrower's business plan through the loan term, identifying, and monitoring primary and alternative sources of repayment, and obtaining adequate collateral to mitigate loss in the event of liquidation. Specific reserves are established based upon credit and/or collateral risks on an individual loan basis. A risk rating system is used to estimate potential loss exposure and to provide a measuring system for setting general and specific reserve allocations.

As of December 31, 2023 and 2022, the real estate loan portfolio constituted 63% and 60%, respectively, of the total loan portfolio. This can be broken down further into the following categories: 2% and 2% construction, 35% and 31% commercial real estate and 26% and 27% residential real estate loans, as a percentage of total loans for December 31, 2023 and 2022, respectively. The Bank's construction loans are secured by real property where the loan funds will be used to acquire land and to construct or to improve existing residential or commercial properties. Borrowers are generally required to put equity into the project at levels determined by the loan committee and usually are underwritten with a maximum term of 12 months.

Commercial real estate loans are secured by improved real property which generates income in the normal course of business. Debt service coverage, assuming stabilized occupancy, must be satisfied to support a permanent loan. The debt service coverage ratio is ordinarily at 1.25 to 1.00. These loans are generally underwritten with a term not greater than 10 years or the remaining useful life of the property, whichever is lower. The preferred term is between 3 to 5 years, with amortization to a maximum of 25 years.

Residential real estate loans are secured by the improved real property of the borrower and are usually underwritten with a term of 1 to 5 years but may be underwritten with terms up to 30 years.

The Bank also makes commercial and industrial loans for a variety of purposes, which include working capital, equipment, and accounts receivable financing. This category represents about 29% and 31% of the loan portfolio at December 31, 2023 and 2022, respectively. Loans in this category generally carry a variable interest rate. Commercial loans meet reasonable underwriting standards, including appropriate collateral and cash flow necessary to support debt service. Personal guarantees are generally required but may be limited.

## Note 4 – Loans and Allowance for Credit Losses – Loans (Continued)

The following tables show the allowance for credit losses – loans for the years ended December 31, 2023 and 2022 by portfolio segment:

| December 31, 2023 | Construction Real Estate | Other Real Estate | Commercial and Industrial | Consumer and Installment | Leases | Total |
|---|---|---|---|---|---|---|
| Allowance for Loan Losses: | | | | | | |
| Beginning Balance Prior to Adoption of FASB ASU 2016-13 | $ 28,229 | $ 936,925 | $ 889,913 | $ 439,769 | $ 76,836 | $ 2,371,672 |
| Impact of adopting FASB ASU 2016-13 | 118,000 | 522,000 | (250,000) | (120,000) | (70,000) | 200,000 |
| Charge-offs | 0 | (45,533) | 0 | (198,490) | 0 | (244,023) |
| Recoveries | 0 | 41,950 | 2,451 | 72,658 | 0 | 117,059 |
| Provision | (34,099) | 77,532 | 238,660 | 141,581 | (3,673) | 420,001 |
| Ending Balance | $ 112,130 | $ 1,532,874 | $ 881,024 | $ 335,518 | $ 3,163 | $ 2,864,709 |

| December 31, 2022 | Construction Real Estate | Other Real Estate | Commercial and Industrial | Consumer and Installment | Leases | Total |
|---|---|---|---|---|---|---|
| Allowance for Loan Losses: | | | | | | |
| Beginning Balance | $ 3,720 | $ 838,597 | $ 1,061,559 | $ 401,678 | $ 0 | $ 2,305,554 |
| Charge-offs | 0 | (96,922) | 0 | (151,429) | 0 | (248,351) |
| Recoveries | 0 | 2,680 | 16,212 | 45,577 | 0 | 64,469 |
| Provision | 24,509 | 192,570 | (187,858) | 143,943 | 76,836 | 250,000 |
| Ending Balance | $ 28,229 | $ 936,925 | $ 889,913 | $ 439,769 | $ 76,836 | $ 2,371,672 |

Credit quality indicators as of December 31, 2023 and 2022 are as follows:

The Bank's internally assigned grade:

Pass – Loans in this category have strong asset quality and liquidity along with a multi–year track record of profitability.

Watch – Loans in this category have specific weaknesses which can be corrected and are not seriously harmful to the Bank's overall position in credit. Also, the borrower may be performing as agreed but may be adversely affected by developing problems. Additional monitoring may be required.

## Note 4 – Loans and Allowance for Credit Losses – Loans (Continued)

Special Mention – Loans in this category are currently protected but are potentially weak. The credit risk may be relatively minor yet constitute an increased risk in light of the circumstances surrounding a specific loan.

Substandard – Loans in this category show signs of continuing negative financial trends and unprofitability at various times, and therefore, are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any.

Doubtful – Loans in this category are illiquid and highly leveraged, have negative net worth, cash flow, and continuing trend serious losses. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as loss is deferred until its more exact status may be determined.

Loss – Loans in this category are considered uncollectible and of such little value that their continuance as bankable loans is not warranted. This classification does not mean that the loan has no recovery value, but that it is not practical to defer writing it off, even though partial recovery may be achieved in the future. Such credits should be recommended for charge-off.

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
As of December 31, 2023

| | Construction Real Estate | | Other Real Estate | | |
|---|---|---|---|---|---|
| Grade: | Residential | Other | Farmland | Residential | Other |
| Pass | $ 1,666,310 | $ 3,467,207 | $ 64,920,609 | $ 72,194,824 | $ 22,131,190 |
| Watch | 0 | 0 | 974,999 | 521,542 | 1,152,323 |
| Special Mention | 0 | 0 | 0 | 0 | 0 |
| Substandard | 0 | 0 | 0 | 640,170 | 561,903 |
| Total | $ 1,666,310 | $ 3,467,207 | $ 65,895,608 | $ 73,356,536 | $ 23,845,416 |

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
As of December 31, 2023 (Concluded)

| | | Consumer and Installment | | |
|---|---|---|---|---|
| Grade: | Commercial and Industrial | Automobile | Other | Financing Leases |
| Pass | $ 66,389,475 | $ 8,802,435 | $ 10,454,023 | $ 312,771 |
| Watch | 4,582,231 | 0 | 790 | 0 |
| Special Mention | 1,118,166 | 0 | 0 | 0 |
| Substandard | 2,631,023 | 114,066 | 43,838 | 0 |
| Total | $ 74,720,895 | $ 8,916,501 | $ 10,498,651 | $ 312,771 |

## Note 4 – Loans and Allowance for Credit Losses – Loans (Continued)

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
As of December 31, 2022

| | Construction Real Estate | | Other Real Estate | | |
|---|---|---|---|---|---|
| Grade: | Residential | Other | Farmland | Residential | Other |
| Pass | $ 1,320,131 | $ 2,500,593 | $ 56,448,425 | $ 61,262,940 | $ 25,181,561 |
| Watch | 158,240 | 0 | 2,060,440 | 819,251 | 175,230 |
| Special Mention | 0 | 0 | 0 | 0 | 218,538 |
| Substandard | 0 | 0 | 0 | 363,140 | 303,303 |
| Total | $ 1,478,371 | $ 2,500,593 | $ 58,508,865 | $ 62,445,331 | $25,878,632 |

Credit Exposure
Credit Risk Profile by Internally Assigned Grade
As of December 31, 2022 (Concluded)

| | | Consumer and Installment | | |
|---|---|---|---|---|
| Grade: | Commercial and Industrial | Automobile | Other | Financing Leases |
| Pass | $ 66,234,660 | $ 7,966,493 | $ 11,343,197 | $ 410,029 |
| Watch | 1,133,333 | 8,513 | 0 | 0 |
| Special Mention | 0 | 0 | 0 | 0 |
| Substandard | 690,671 | 0 | 11,393 | 0 |
| Total | $ 68,058,664 | $ 7,975,006 | $ 11,354,590 | $ 410,029 |

## Note 4 – Loans and Allowance for Credit Losses – Loans (Continued)

Age analysis tables of past due loans as of December 31, 2023 and 2022 are as follows:

| December 31, 2023 | 30-59 Days Past Due | 60-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans |
|---|---|---|---|---|---|---|
| Construction real estate: | | | | | | |
| Residential | $ 0 | $ 0 | $ 0 | $ 0 | $ 1,666,310 | $ 1,666,310 |
| Other | 0 | 0 | 0 | 0 | 3,467,207 | 3,467,207 |
| Other real estate: | | | | | | |
| Farmland | 0 | 0 | 0 | 0 | 65,895,609 | 65,895,609 |
| Residential | 362,055 | 617,346 | 286,868 | 1,266,269 | 72,090,266 | 73,356,535 |
| Other | 53,955 | 0 | 74,806 | 128,761 | 23,716,655 | 23,845,416 |
| Commercial | 126,308 | 0 | 75,191 | 201,499 | 74,519,396 | 74,720,895 |
| Consumer: | | | | | | |
| Automobile | 48,795 | 27,957 | 30,903 | 107,655 | 8,808,846 | 8,916,501 |
| Other | 133,433 | 36,423 | 0 | 169,856 | 10,328,795 | 10,498,651 |
| Leases | 0 | 0 | 0 | 0 | 312,771 | 312,771 |
| Total | $ 724,546 | $ 681,726 | $ 467,768 | $ 1,874,040 | $ 260,805,855 | $ 262,679,895 |

| December 31, 2022 | 30-59 Days Past Due | 60-89 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans |
|---|---|---|---|---|---|---|
| Construction real estate: | | | | | | |
| Residential | $ 0 | $ 0 | $ 0 | $ 0 | $ 1,478,371 | $ 1,478,371 |
| Other | 0 | 0 | 0 | 0 | 2,500,593 | 2,500,593 |
| Other real estate: | | | | | | |
| Farmland | 0 | 0 | 0 | 0 | 58,508,865 | 58,508,865 |
| Residential | 421,122 | 0 | 68,973 | 490,095 | 61,955,236 | 62,445,331 |
| Other | 7,049 | 0 | 0 | 7,049 | 25,871,583 | 25,878,632 |
| Commercial | 9,951 | 30,478 | 0 | 40,429 | 68,018,235 | 68,058,664 |
| Consumer: | | | | | | |
| Automobile | 108,653 | 33,387 | 0 | 142,040 | 7,832,966 | 7,975,006 |
| Other | 79,383 | 45,554 | 6,464 | 131,401 | 11,223,189 | 11,354,590 |
| Leases | 0 | 0 | 0 | 0 | 410,029 | 410,029 |
| Total | $ 626,158 | $ 109,419 | $ 75,437 | $ 811,014 | $ 237,799,067 | $ 238,610,081 |

## Note 4 – Loans and Allowance for Credit Losses – Loans (Concluded)

Information on nonaccrual loans as of December 31, 2023 and 2022 is as follows:.

| Other real estate: | 2023 | 2022 |
|---|---|---|
| Residential | $ 388,752 | $ 68,974 |
| Other | 6,267 | 0 |
| Commercial | 75,191 | 0 |
| Consumer: | | |
| Automobile | 30,903 | 0 |
| Other | 0 | 6,464 |
| | $ 501,113 | $ 75,438 |

At December 31, 2023 and 2022, there were no commitments to lend additional funds to borrowers whose loans have been modified.

## Note 5 – Bank Premises and Equipment

Bank premises and equipment consisted of the following at December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Cost: | | |
| Land | $ 66,000 | $ 66,000 |
| Bank premises | 6,686,414 | 6,853,035 |
| Equipment | 4,720,955 | 4,400,918 |
| Total cost | 11,473,369 | 11,319,953 |
| Less accumulated depreciation | (7,074,197) | (6,705,439) |
| Net book value | $ 4,399,172 | $ 4,614,514 |

Depreciation and amortization charged to operations amounts to $368,758 in 2023 and $339,325 in 2022.

## Note 6 – Deposits

Certificates of deposit and other time deposits issued in denominations that meet or exceed the FDIC insurance limit of $250,000 or more are totaled approximately $43,906,667 and $16,459,500 at December 31, 2023 and 2022, respectively, and are included in interest-bearing deposits in the consolidated balance sheet.

At December 31, 2023, the maturity distribution of time deposits are as follows:

| | | |
|---|---|---|
| 2024 | $ | 73,028,009 |
| 2025 | | 11,266,981 |
| 2026 | | 5,143,517 |
| 2027 | | 2,400,942 |
| 2028 | | 2,854,750 |
| Total | $ | 94,694,199 |

## Note 7 – Borrowings

FHLB Advances

Federal Home Loan Bank (FHLB) advances consisted of the following on December 31,

| | 2023 | 2022 |
|---|---|---|
| Seven advances payable at maturity, interest ranging from 2.46% to 4.66% are due monthly for the years ended December 31, 2023 and 2022.<br><br>Notes are collateralized by 1-4 family residential real estate loans, commercial real estate and multifamily real estate and certain agriculture real estate loans. Due dates range from 2024 through 2032. | $19,319,552 | $17,165,945 |

The advances are collateralized by certain loans receivable. The carrying amount of the loans pledged to the FHLB as of December 31, 2023 and 2022 was $95,540,000 and $106,386,000, respectively. At December 31, 2023 and 2022, the Bank has FHLB Letters of Credit securing Wabash County Treasurer, Wabash General Hospital, City of Mount Carmel, and State of Illinois with deposits in the amount of $36,950,000.

## Note 7 – Borrowings (Concluded)

As of December 31, 2022, the Bank has FHLB Letters of Credit securing the Wabash County Treasurer, Wabash General Hospital, City of Mount Carmel, and City of Mount Carmel Firemen Pension Fund with deposits in the amount of $22,500,000.

As of December 31, 2023 maturities of FHLB advances are as follows for the years ending:

| | |
|---|---|
| 2024 | $ 3,371,347 |
| 2025 | 2,772,164 |
| 2026 | 0 |
| 2027 | 0 |
| 2028 | 10,176,041 |
| Thereafter | 3,000,000 |
| | $ 19,319,552 |

## Note 8 – Employee Benefits

The Bank provides a trustee profit-sharing plan to all full-time employees who have completed one year of service. Employees may participate by contributing a percentage of income as a savings supplement to the plan through payroll deductions. The Directors may change the amount provided at any time. Bank contributions to the plan for 2023 and 2022 were $178,328 and $169,004, respectively.

The Bank provides a supplemental executive retirement plan (SERP) for certain bank executives. The bank is using a cash value life insurance policy to finance the SERP agreement. Expenses under this plan were $137,328 and $121,728, respectively. Benefits paid from this plan as of December 31, 2023 and 2022 were $76,000.

## Note 9 – Line of Credit

The Bank has a secure line of credit with the Federal Reserve Bank. The amount available for borrowing fluctuates monthly. The amount available on December 31, 2023 was $10,915,470. Under the agreement the Bank is required to pledge collateral to the Federal Reserve Bank. On December 31, 2023, the Bank has pledged consumer loans in the amount of $14,786,492 to secure this loan. There were no borrowings under this credit facility on December 31, 2023 and 2022. This line of credit can be used for overnight purchases and carries an interest rate of 3%.

## Note 10 – Income Taxes

Significant components of the Bank's deferred tax assets and liabilities at December 31, 2023 and 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for loan losses | $ 687,172 | $ 600,205 |
| Director benefits payable | 542,020 | 510,922 |
| Net unrealized loss on securities available-for-sale | 2,431,472 | 3,027,826 |
| Other | 346,234 | 33,056 |
| | 4,006,898 | 4,172,009 |
| Deferred tax liabilities: | | |
| Accumulated depreciation | (317,407) | (293,604) |
| Prepaid expenses | (142,830) | (196,852) |
| | (460,237) | (490,456) |
| Net deferred tax asset | $ 3,546,661 | $ 3,681,553 |

The deferred tax asset is included in the consolidated balance sheets in the other assets line. There is no valuation allowance for deferred taxes.

Significant components of the provision for income taxes for the years ended December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Current tax provision | | |
| Federal | $ 617,860 | $ 562,260 |
| State | 374,130 | 361,582 |
| | 991,990 | 923,842 |
| Deferred expense (benefit) | (444,115) | 35,134 |
| Total tax expense | $ 547,875 | $ 958,976 |

## Note 10 – Income Taxes (Concluded)

The provision for income taxes differs from that computed by applying statutory rates to income before income tax expense, as indicated in the following analysis:

| | 2023 | 2022 |
|---|---|---|
| Federal statutory income tax at statutory rates | $ 689,500 | $ 570,122 |
| State income tax expense at statutory rates | 357,800 | 365,511 |
| Adjustments related to: | | |
| Tax exempt interest | (283,440) | (195,512) |
| Nondeductible expense | 49,810 | 53,702 |
| Other tax exempt income | (49,410) | (46,367) |
| Other differences | (216,385) | 211,520 |
| Total income tax expense | $ 547,875 | $ 958,976 |

## Note 11 – Stockholders' Equity

Restrictions on Dividends:

The number of dividends the Bank can pay to the Bancorp without prior regulatory approval is limited to its net profits for the current year plus its retained net profits for the preceding two years. At December 31, 2023 and 2022, the Bank was limited from paying dividends to the Bancorp in excess of $6,832,429. The Bank paid approximately $851,000 and $810,000 in dividends in 2023 and 2022.

The Federal Reserve Board has established guidelines with respect to the maintenance of appropriate levels of capital by registered bank holding companies. Compliance with such standards, as presently in effect, or as they may be amended from time to time, could possibly limit the number of dividends that the Bank may pay in the future. In 1985, the Federal Reserve Board issued a policy statement on the payment of cash dividends by bank holding companies. In the statement, the Federal Reserve Board expressed its view that a holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income, or which could only be funded in ways that weaken the holding company's financial health, such as by borrowing.

## Note 11 – Stockholders' Equity (Continued)

Restrictions on Lending From Subsidiary to Parent

Federal law imposes certain restrictions limiting the ability of the Bank to transfer funds to Bancorp in the form of loans or advances. Section 23A of the Federal Reserve Act prohibits the Bank from making loans or advances to Bancorp in excess of 10 percent of its capital stock and surplus, as defined therein. There were no loans or advances outstanding at December 31, 2023 and 2022.

Capital:

The Bank is subject to various regulatory capital requirements administered by 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. Prompt correctible action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to average assets (as defined). Management believes, as of December 31, 2023 and 2022, that the Bank meets all capital adequacy requirements to which it is subject. In addition to these requirements, banking organizations must maintain a 2.5% capital conservation buffer consisting of common Tier I equity to avoid limits on capital distributions and certain bonus payments to executive officers and similar employees.

As of November 6, 2023, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

## Note 11 – Stockholders' Equity (Concluded)

Capital (Concluded):

The Bank's actual capital amounts and ratios at December 31, 2023 and 2022 are presented in the following table:

**REGULATORY CAPITAL RATIOS**

| | Actual | | | For Capital Adequacy Purposes: | | | | To Be Well Capitalized Under Prompt Corrective Action Provisions: | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | Ratio | | Amount | | Ratio | | Amount | | Ratio |
| As of December 31, 2023: | | | | | | | | | | |
| Total Capital | | | | | | | | | | |
| Tier I Capital | | | | | | | | | | |
| (to Average Assets) | $ 34,451,000 | 9.35% | ≥ | $16,583,625 | ≥ | 4.50% | ≥ | $23,954,125 | ≥ | 6.50% |
| | | | | | | | | | | |
| As of December 31, 2022: | | | | | | | | | | |
| Total Capital | | | | | | | | | | |
| Tier I Capital | | | | | | | | | | |
| (to Average Assets) | $ 32,999,000 | 9.53% | ≥ | $15,579,765 | ≥ | 4.50% | ≥ | $22,504,105 | ≥ | 6.50% |

## Note 12 – Fair Value Financial Instruments

FASB ASC 825, *Financial Instruments*, permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a Bank commitment. Subsequent changes must be recorded in earnings.

FASB ASC 820, *Fair Value Measurement*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

## Note 12 – Fair Value Financial Instruments (Continued)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

> Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
>
> Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, liquid mortgage products, active listed equities, and most money market securities. Such instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy. As required by this guidance, the Bank does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid equities, state, municipal and provincial obligations, and certain physical commodities. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

## Note 12 – Fair Value Financial Instruments (Continued)

### Cash and Due From Banks

The carrying amounts reported on the Consolidated Balance Sheets for cash and due from banks approximate those assets' fair values.

### Available-for-Sale-Securities and Restricted Stock

Fair values for available-for-sale securities are based on quoted market prices, except for certain restricted stocks where fair value equals par value because of certain redemption restrictions.

### Loans

For variable-rate loans that are repriced frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans (for example, fixed rate commercial real estate and commercial and industrial loans) are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Fair value for impaired loans is estimated using discounted cash flow analysis or underlying collateral values, where applicable. The carrying amount of accrued interest receivable approximates its fair value.

### Deposits

The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money-market accounts and certificates of deposit approximate their fair values. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently offered on certificates to a schedule of aggregated expected monthly maturities on time deposits. The carrying amount of accrued interest payable approximates its fair value.

### Accrued Interest

The carrying amounts of accrued interest approximate fair values.

## Note 12 – Fair Value Financial Instruments (Continued)

### Federal Home Loan Bank Advances

The fair value of Federal Home Loan Bank Advances is estimated using a discounted cash flow analysis.

The following tables set forth the Bank's assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2023 and 2022.

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets: | | | | | |
| Investment securities | $ 80,833,988 | $ 80,833,988 | $ 0 | $ 80,833,988 | $ 0 |
| Loans | 259,815,186 | 263,418,039 | 0 | 0 | 263,418,039 |
| Federal Home Loan Bank stock, restricted | 1,505,880 | 1,505,880 | 0 | 1,505,880 | 0 |
| Other stock, restricted | 157,850 | 157,850 | 0 | 157,850 | 0 |
| Financial Liabilities: | | | | | |
| Deposits | 327,592,033 | 304,367,826 | 0 | 0 | 304,367,826 |
| Federal Home Loan Bank Advances | 19,319,552 | 19,537,501 | 0 | 19,537,501 | 0 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial Assets: | | | | | |
| Investment securities | 83,731,788 | 83,731,788 | 0 | 83,731,788 | 0 |
| Loans | 236,238,409 | 245,706,559 | 0 | 0 | 245,706,559 |
| Federal Home Loan Bank stock, restricted | 1,167,694 | 1,167,694 | 0 | 1,167,694 | 0 |
| Other stock, restricted | 157,850 | 157,850 | 0 | 157,850 | 0 |
| Financial Liabilities: | | | | | |
| Deposits | 305,303,877 | 295,157,904 | 0 | 0 | 295,157,904 |
| Federal Home Loan Bank Advances | 17,165,945 | 17,167,922 | 0 | 17,167,922 | 0 |

### Impaired Loans

Impaired loans are evaluated and valued at the time the loan is identified as impaired, using the present value of expected cash flows (if used, such amounts are not included in the following tables), the loan's observable market price or the fair value of the collateral (less cost to sell) if the loans are collateral dependent.

## Note 12 – Fair Value Financial Instruments (Concluded)

### Impaired Loans (Concluded)

Market value is measured based on the value of the collateral securing these loans and is classified at a Level 2 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Bank. The value of business equipment, inventory and accounts receivable collateral is based on the netbook value on the business' financial statements and, if necessary, discounted based on management's review and analysis. Discounts applied to appraisals have been in the range of 0% to 50%. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified above.

The following tables set forth the Bank's financial assets that were accounted for at fair value on a nonrecurring basis as of December 31, 2023 and 2022:

| December 31, 2023 | Fair Value | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Impaired loans | | | | |
| Other real estate | $ 395,019 | $ 0 | $ 395,019 | $ 0 |
| Commercial and industrial | 75,191 | 0 | 75,191 | 0 |
| Consumer and installment | 30,903 | 0 | 30,903 | 0 |
| Total impaired loans | $ 501,113 | $ 0 | $ 501,113 | $ 0 |

| December 31, 2022 | Fair Value | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Impaired loans | | | | |
| Other real estate | $ 68,974 | $ 0 | $ 68,974 | $ 0 |
| Commercial and industrial | 0 | 0 | 0 | 0 |
| Consumer and installment | 6,464 | 0 | 6,464 | 0 |
| Total impaired loans | $ 75,438 | $ 0 | $ 75,438 | $ 0 |

## Note 13 – Transactions with Related Parties

Loans:

In the normal course of banking business, loans are made to officers and directors of the Bank, as well as to their affiliates.

Such loans are made in the ordinary course of business with substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. They do not involve more than the normal risk of collectability or present other unfavorable features. An analysis of the activity during 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance, January 1, | $ 5,707,446 | $ 6,169,207 |
| New loans | 7,346,866 | 1,697,407 |
| Less loan repayments | (3,019,785) | (2,159,168) |
| Balance, December 31, | $ 10,034,527 | $ 5,707,446 |

Deposits:

The deposits from related parties totaled $9,252,238 and $6,104,238 at December 31, 2023 and 2022, respectively.

## Note 14 – Commitments and Contingencies

In the normal course of business, there are outstanding commitments, contingent liabilties and other financial instruments that are not reflected in the accompanying consolidated financial statements. These commitments to extend credit and standby letters of credit, which are some of the instruments used by the Bank to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recongized in the consolidated balance sheets.

Outstanding standby letters of credit which are not reflected in the consolidated balance sheets were $3,736,900 on December 31, 2023 and $4,124,765 on December 31, 2022. The Bank evaluates each customer's creditworthiness on a case-by-case basis. As of December 31, 2023 and 2022, standby letters of credit of $1,645,184 and $1,422,111, respectively, were unsecured. The Bank has not had any standby letters of credit drawn upon as of December 31, 2023 and 2022. The Bank does not anticipate any material losses as a result of these transactions.

## Note 15 – Merger

The Bank completed the purchase and assumption of Wabash Savings Bank (WSB) in 2023. This transaction increased loans by approximately $2,700,000 and deposits by approximately $9,200,000. The transaction also allowed the Bank to assume WSB's Net Operating Loss carryforward for tax purposes. This carryforward will offset the Bank's federal tax expense for future years. The Bancorp incurred professional and legal expenses totaling $114,517 to complete the transaction.

# DIRECTORS, OFFICERS & EMPLOYEES

**Directors**
**Allendale Bancorp, Inc. and**
**The First National Bank of Allendale**

Robert J. Coleman
Retired Bank Executive
Chairman of the Board,
The First National Bank of Allendale

Michael A. Dunkel
Retired Businessman

Shane E. Gray
Businessman
President, Gray's Cabinet Co.
Farmer

Philip G. Hipsher
Certified Public Accountant
Treasurer,
Mt. Carmel Stabilization Group, Inc.

Bryan K. Loeffler
Self-employed Businessman

Douglas D. McPherson
Executive Vice President,
Mt. Carmel Stabilization Group, Inc.

Donald W. Price
Bank Executive
President & CEO,
The First National Bank of Allendale

Michael E. White
Oil Producer, Geologist
President, W-Technologies, Inc.

**Officers**
**Allendale Bancorp, Inc.**

Robert J. Coleman
Chairman of the Board

Donald W. Price
President

Bryan K. Loeffler
Secretary/Treasurer

**Officers**
**The First National Bank of Allendale**

Donald W. Price
President & CEO

David R. Guinnip
Senior Vice President &
Senior Loan Officer

Tamara J. McFarland
Senior Vice President
Chief Operating Officer & Cashier

Kristin S. Schrader
Senior Vice President
Chief Financial Officer

Dean H. Ackerman
Senior Vice President
White County Production Region

Katherine M. Clark
BSA Officer & Audit Manager

Gregg W. Wilcox
Vice President
Credit Administration

Mark S. Epperson
Vice President Commercial Lending

Rodney D. Loeffler
Vice President & Loan Officer

Gary A. Ritz
Vice President & Loan Officer

Alexis N. McFarland
Assistant Vice President & Loan Officer

Sean J. Oglesby
IT Manager &
System Administrator

Elizabeth E. Fiero
Assistant Cashier &
Executive Assistant

Elizabeth A. Dunn
Assistant Vice President

Morganna P. Thread
Assistant Vice President
Credit Operations

**Officers**
**The First National Bank of Allendale**
**(**Concluded)

Julia A. Tennes
Assistant Vice President & Mortgage Loan Originator

Sarah E. Ile
Assistant Vice President & Mortgage Loan Officer

Rae Lynn Barbre
Assistant Vice President & Loan Officer

Gloria R. Schnell
Assistant Cashier & Branch Manager

Kimberly K. Reilly
Assistant Cashier

Laura J. Polston
Assistant Cashier

Heather N. McFarland
Assistant Cashier & Universal Banker

**Employees of The First National Bank of Allendale**

| | |
|---|---|
| Mark Bader | Missy Judge |
| Amy Bell | Halley Kocher |
| Lauren Berberich | Cortney Madden |
| Shelby Bozarth | Becky McDowell |
| Dee Breen | Jammie Meredith |
| Phil Coleman | Kaylen Miller |
| Cami Golden | Brinkley Polston |
| Jenna Gowen | Amy Quillen |
| Hailey Greifzu | Brooke Sanders |
| Mary Harness | Daisy Schrader |
| Tara Hayes | Christina Smith |
| Debbie Hipsher | Charles Stoltz |
| Marcerie Hocking | Raegan Sweppy |
| Kirby Hunt | Jillian Wall |
| Bethany Hyatt | Brandy Wayland |
| Kasey Ingram | Michelle Wyatt |























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