Lake Ridge Bancorp, Inc. and Subsidiaries

Monona, Wisconsin

Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

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Independent Auditor's Report

Audit Committee
Lake Ridge Bancorp Inc. and Subsidiaries
Monona, Wisconsin

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

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

In our opinion, the accompanying financial statements referred to above 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 ("GAAP").

We also have audited the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with instructions to the Federal Financial Institutions Examination Council Consolidated Reports of Condition and Income (“Call Report”), as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* issued by COSO in 2013.

Basis for Opinions

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 Financial Statements and Internal Control Over Financial Reporting section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP and for the design, implementation, and maintenance of internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, including in the accompanying Management Report.

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

Auditor's Responsibility for the Audits of the Financial Statements and Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, 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 of financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with GAAP. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with GAAP and with Call Report instructions.

An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Wipfli LLP

Wipfli LLP

April 5, 2024
Milwaukee, Wisconsin

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Balance Sheets
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

Assets	2023	2022
Cash and due from banks	$ 48,956	$ 47,947
Federal funds sold	-	19,763
Cash and cash equivalents	48,956	67,710
Other interest-bearing deposits	1,976	2,968
Securities available for sale, (amortized cost of $353,943 and $397,326)	323,934	361,186
Securities held to maturity	5,743	5,704
Loans held for sale	534	1,039
Loans, net of allowance for credit losses of $23,996 and $23,104	2,392,900	2,228,674
Premises and equipment, net	38,117	39,635
Accrued interest receivable	11,315	9,641
Other investments	37,557	28,166
Cash value of life insurance	52,968	51,724
Mortgage servicing rights	11,001	11,270
Goodwill	28,544	28,544
Intangible assets	31,980	38,240
Other assets	25,235	20,820
TOTAL ASSETS	$ 3,010,760	$ 2,895,321
Liabilities and Stockholders' Equity		
Liabilities:		
Non-interest-bearing deposits	$ 544,828	$ 676,800
Interest-bearing deposits	1,876,719	1,790,387
Total deposits	2,421,547	2,467,187
Borrowed funds	284,799	126,168
Federal funds purchased	3,493	16,283
Subordinated debentures	21,910	21,910
Accrued interest payable	3,722	1,029
Other liabilities	21,452	23,938
Total liabilities	2,756,923	2,656,515
Stockholders' Equity		
Common stock - $2 par value		
Authorized - 5,000,000 shares		
Issued - 1,983,682 shares		
Outstanding - 1,962,686 and 1,967,653 shares	3,967	3,967
Paid-in capital	147,773	147,283
Retained earnings	127,768	117,104
Accumulated other comprehensive income (loss)	(23,707)	(28,550)
Treasury stock, at cost - 20,996 and 16,029 shares	(1,964)	(998)
Total stockholders' equity	253,837	238,806
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,010,760	$ 2,895,321

See accompanying notes to consolidated financial statements.

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income
Years Ended December 31, 2023 and 2022
(Dollars in Thousands, except per share information)

	2023	2022
Interest and dividend income:		
Loans, including fees	$ 126,145	$ 67,708
Securities:		
Taxable	6,938	4,093
Tax-exempt	3,271	2,714
Other	1,593	676
Total interest and dividend income	137,947	75,191
Interest expense:		
Deposits	45,711	8,489
Borrowed funds	14,907	1,903
Subordinated debentures	1,479	724
Total interest expense	62,097	11,116
Net interest income	75,850	64,075
Provision for credit losses	-	10,500
Net interest income after provision for credit losses	75,850	53,575
Noninterest income:		
Customer service fees	6,060	4,540
Mortgage banking income	2,786	4,118
Net increase in cash value of life insurance	1,605	1,039
Trust fee income	3,581	3,368
Other	4,270	4,664
Total noninterest income	18,302	17,729
Noninterest expense:		
Salaries and benefits	39,072	30,933
Office occupancy and equipment	7,407	4,573
Data processing and office operations	9,400	6,236
Advertising and promotional	1,481	832
Professional fees	2,715	3,413
Net loss on sale of securities	19	-
Other	13,299	5,791
Total noninterest expense	73,393	51,778
Income before provision for income taxes	20,759	19,526
Provision for income taxes	3,913	4,483
Net income	$ 16,846	$ 15,043
Earnings per share	$ 8.56	$ 11.52
Weighted-average shares outstanding	1,967,583	1,305,478

See accompanying notes to consolidated financial statements.

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Net Income	$ 16,846	$ 15,043
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on securities	6,112	(37,195)
Reclassification adjustment for amounts realized in net income	19	-
Income tax expense related to items of other comprehensive income	(1,288)	7,811
Other comprehensive income (loss)	4,843	(29,384)
Comprehensive Income (Loss)	$ 21,689	$ (14,341)

See accompanying notes to consolidated financial statements.

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

	Common Stock						
	Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2022	1,094,115	$ 2,188	$ 27,271	$ 105,040	$ 834	$ (998)	134,335
Net income	-	-	-	15,043	-	-	15,043
Dividends paid	-	-	-	(2,979)	-	-	(2,979)
Stock issued for acquisition	889,567	1,779	120,012	-	-	-	121,791
Other comprehensive income (loss)	-	-	-	-	(29,384)	-	(29,384)
Balance at December 31, 2022	1,983,682	3,967	147,283	117,104	(28,550)	(998)	238,806
Adoption of new accounting pronouncement	-	-	-	(2,109)	-	-	(2,109)
Net income	-	-	-	16,846	-	-	16,846
Dividends paid	-	-	-	(4,073)	-	-	(4,073)
Treasury stock purchase - 4,967 shares	-	-	-	-	-	(476)	(476)
Transfer to treasury stock	-	-	490	-	-	(490)	-
Other comprehensive income (loss)	-	-	-	-	4,843	-	4,843
Balance at December 31, 2023	1,983,682	$ 3,967	$ 147,773	$ 127,768	$ (23,707)	$ (1,964)	$ 253,837

See accompanying notes to consolidated financial statements.

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	$ 16,846	$ 15,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	-	10,500
Depreciation and amortization	3,036	1,774
Net (accretion) amortization of discounts and premium on securities	(1,167)	636
Net accretion on loan discounts	(7,224)	(1,805)
Net increase in cash value of life insurance	(1,605)	(1,039)
Amortization of lease right of use asset	549	42
Net loss (gain) on sale or write-up of assets	495	(870)
Amortization of core deposit intangible	6,260	2,074
Deferred income taxes	1,029	(968)
Accretion of discount assumed on deposits	712	240
Change in operating assets and liabilities:		
Loans held for sale	505	(462)
Mortgage servicing rights	269	(1,448)
Accrued interest receivable and other assets	(8,734)	(5,498)
Accrued interest payable and other liabilities	207	8,006
Net cash provided by operating activities	11,178	26,225
Cash flows from investing activities:		
Cash received at acquisition, net of cash paid	-	19,490
Net change in other interest-bearing deposits	992	16,365
Proceeds from sale of securities available for sale	10,762	-
Purchases of securities available for sale	(5,554)	(51,768)
Proceeds from maturities, paydowns, and calls of securities available for sale	39,282	31,585
Net change in loans	(159,215)	(114,254)
Purchase of new BOLI policies	-	(4,000)
Cash proceeds from death benefit on BOLI	361	-
Purchase of other investments	(15,593)	(4,792)
Proceeds from sale or paydown of other investments	6,038	1,810
Proceeds from sale of premises and equipment	-	146
Purchases of premises and equipment	(2,038)	(1,393)
Proceeds from sale of foreclosed assets	93	-
Net cash used in investing activities	(124,872)	(106,811)

Lake Ridge Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Cash flows from financing activities:		
Net change in deposits	$ (46,352)	$ (50,986)
Net (decrease) increase in federal funds purchased	(12,790)	16,283
Proceeds from borrowed funds	1,675,500	62,500
Repayment of borrowed funds	(1,516,869)	(1,256)
Purchase of treasury stock	(476)	-
Dividends paid	(4,073)	(2,979)
Net cash provided by financing activities	94,940	23,562
Net increase in cash and cash equivalents	(18,754)	(57,024)
Cash and cash equivalents on January 1	67,710	124,734
Cash and cash equivalents on December 31	$ 48,956	$ 67,710
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	$ 1,991	$ 6,850
Interest	59,404	10,744
Noncash investing and financing activities:		
Loans transferred to foreclosed properties	$ 104	$ -
Stock issued for merger consideration (see Note 22)	-	122,113

See accompanying notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Organization

On October 3, 2022, S.B.C.P. Bancorp, Inc. and Monona Bankshares, Inc. merged, for accounting purposes, S.B.C.P. was deemed the acquiror. The surviving corporation was renamed Lake Ridge Bancorp, Inc. (the “Company”). More details on the merger can be found in Note 22.

The Company provides a variety of financial services to individual and corporate customers through its wholly owned subsidiary, Lake Ridge Bank (the "Bank"). The Bank operates as a full-service financial institution, with a primary market area including, but not limited to, Dane County, Rock County, and Green County, Wisconsin. In addition, the Bank holds a variety of securities through wholly owned subsidiaries, S.B.C.P. Investment Corporation and Monona Investments, Inc. The Company and the Bank are subject to the regulations of certain federal and state agencies and undergo periodic examinations by those regulatory authorities.

Principles of Consolidation

The consolidated financial statements include the accounts of Lake Ridge Bancorp, Inc. and its subsidiary, Lake Ridge Bank, and its wholly owned subsidiaries, S.B.C.P. Investment Corporation, Monona Investments, Inc., MSB Building, LLC, and MSB Property Holdings, Inc. All significant intercompany balances and transactions have been eliminated.

The Company also owns 100% of the common ownership interest of S.B.C.P. Capital Trust II, III, and IV, which are considered variable interest entities. Since the Company is not the primary beneficiary of the Trust, the accounts of the Trust are not included in the consolidated financial statements.

The Lake Ridge Bank trust department assets held in agency or fiduciary capacity are not assets of the Company or its subsidiaries, and accordingly, are not included in the accompanying consolidated financial statements.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The allowance for credit losses, fair values of assets and liabilities acquired in the merger, fair values of mortgage servicing rights, valuation of the deferred tax asset, and fair value of financial instruments are particularly subject to change in the near-term.

Revenue Recognition

Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Company’s revenue-generating transactions are not subject to ASC 606, including revenue from all interest and dividend income generated from financial instruments. Certain noninterest income items, including mortgage banking income, gain on sales of securities and net increase in cash value of life insurance have been evaluated to not fall with the scope of ASC 606. Elements of noninterest income that are within the scope of ASC 606, are as follows:

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Customer service fees - The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Management reviewed the deposit account agreements and determined that the agreements can be terminated at any time by either the Company or the account holder. Transaction fees, such as balance transfers, wires and overdraft charges are settled the day the performance obligation is satisfied. The Company's monthly service charges and maintenance fees are for services provided to the customer on a monthly basis and are considered a series of services that have the same pattern of transfer each month. The review of service charges assessed on deposit accounts included the amount of variable consideration that is a part of the monthly charges.

Trust fees - Services provided to trust customers are a series of distinct services that have the same pattern of transfer each month. Fees for trust accounts are billed and drafted from trust accounts monthly. The Company records these fees on the income statement on a monthly basis. Fees are assessed based on the total investable assets of the customer's trust account. A signed contract between the Company and the customer is maintained for all customer trust accounts with payment terms identified. It is probable that the fees will be collectible as funds being managed are accessible by the asset manager. Past history of trust fee income recorded by the Company indicates that it is highly unlikely that a significant reversal could occur. There are no contingent incentive fees recorded by the Company that could be subject to a clawback in future periods.

Interchange fees - Customers use a bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company records the amount due when it receives the settlement from the payment network. Payments from the payment network are received and recorded into income on a daily basis. There are no contingent debit card interchange fees recorded by the Company that could be subject to a clawback in future periods. Interchange fee income is included in other noninterest income on the consolidated statements of income.

Crop insurance – The Company earns a fee for insurance sold to customers on behalf of insurance agents. The company receives the fee once all premiums are paid from the customers to the agent. The Company records the revenue over the service period. Crop insurance income is included in other noninterest income on the consolidated statements of income.

Cash and Cash Equivalents

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, cash due from banks, federal funds sold, and interest-bearing deposits, all of which have original maturities of three months or less.

Other Interest-Bearing Deposits

Other interest-bearing deposits consist of interest-bearing deposits with the Federal Home Loan Bank and Federal Reserve Bank and certificates of deposit at other financial institutions, which mature within five years and are carried at cost.

Debt Securities

Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized gains and losses reported in other comprehensive income (loss), net of tax. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Premiums that exceed the amount repayable by the issuer at the next call date are amortized to the next call date. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Note 1: Summary of Significant Accounting Policies (Continued)

Debt Securities (Continued)

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

Allowance for Credit Losses – Held-to-Maturity Securities

Management 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 is excluded from the estimate of credit losses. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the held-to-maturity portfolio into the following major security types: obligations of state and local governments and corporate securities.

Allowance for Credit Losses – Available-For-Sale Securities

Management measures expected credit losses on available-for-sale debt securities on a collective basis by major security type. Accrued interest receivable on available-for-sale debt securities is excluded from the estimate of 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 its 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 fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are then compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). 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.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized gains and losses on the sale of loans held for sale are determined using the specific-identification method and included in mortgage banking income.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans. Interest on loans is accrued and credited to income based on the unpaid principal balance. Loan-origination fees and direct origination costs are recognized as income or expense when received or incurred since capitalization of these fees and costs would not have a significant impact on the financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Loans (Continued)

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication the borrower may be unable to make payments as they become due. Mortgage and commercial loans are placed on nonaccrual when a loan is 90 days past due, or when circumstances suggest the borrower will be unable to make future payments as they become due, unless the loans are well secured and in process of collection. When loans are placed on nonaccrual or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on either the cash basis or cost recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans Acquired in a Transfer

The Company acquired loans (including debt securities) individually and in groups or portfolios during 2022. These loans were initially measured at fair value with no allowance for credit losses. The Company's allowance for credit losses on all acquired loans reflects only those losses incurred subsequent to the acquisition. The Company had no loans considered to be purchased credit deteriorated as of December 31, 2023.

Allowance for Credit Losses - Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The Company's estimate is based on the amortized cost basis of the underlying loan and has made an accounting policy election to exclude accrued interest from the loan's amortized cost basis of the loans. 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 Company uses the current expected credit loss model ("CECL") to estimate the Allowance for Credit Losses. This model considers historical loss rates and other qualitative adjustments, as well as a forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the estimate under the CECL model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the pooled loans; adjusts for forecasted macro-level economic conditions; and determines qualitative adjustments based on factors and conditions unique to the Company.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. Management considers the following when assessing risk in the Company's loan portfolio segments:

- Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities, and various special purpose properties, including hotels and restaurants. Commercial real estate loans also include agricultural real estate loans, which are primarily for land acquisition. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses - Loans (Continued)

- Construction and land development loans are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory infrastructure improvements or (b) the on-site construction of industrial, commercial, residential, or farm buildings. 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 an end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that necessary 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 commercial loans, which include general agricultural loans, are primarily for working capital, physical asset expansion, asset acquisition loans, and other business reasons. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan.
- Municipal loans are granted to local municipalities. The general economic condition of the municipality, sources of funding, and credit rating, if available, are evaluated when assessing municipal credits.
- Residential first and junior mortgage and home equity lines of credit loans are affected by the local residential real estate market, the local economy, and, for variable rate loans, movement in indices tied to these loans. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.
- Multifamily loans include loans to finance nonfarm properties with five or more units in structures primarily to accommodate households on a temporary or permanent basis. These loans are typically originated to finance the acquisition and operations of an apartment or condo building/complex. Multifamily loans are made based primarily on the historical and projected cash flow of the subject multifamily property, with assumptions made for vacancy rates. Cash flows and ultimate loan performance rely on the receipt of rental income from the tenants of the property who are themselves subject to fluctuations in national and local economic and unemployment trends.
- Consumer and other loans may take the form of installment loans, credit card loans, demand loans, or single payment loans and are extended to individuals for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates nonaccrual loans, collateral dependent loans, and other loans with evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

Note 1: Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses - Loans (Continued)

Management evaluates substantially all collectively evaluated loans using the discounted cash flow methodology ("DCF"). DCF uses loan level attributes (such as interest rates and maturity dates,) as well as pool level inputs such as prepayment rates and probability of default and loss given default rate, to estimate credit losses over the contractual term of each collectively evaluated loan. Expected credit losses are determined by comparing the loans amortized cost with the expected future principal and interest cash flows. Individual loan level results are aggregated for collectively evaluated loans and are then adjusted for qualitative factors deemed appropriate by management.

Under the DCF, the Company utilizes peer benchmark historical data for historical loss rate calculations, and the lookback period for each collectively evaluated loan pool is determined by management based upon the estimated remaining life of the pool. Forecasted historical loss rates are calculated using peer benchmark historical data based on the lookback, forecast, and reversion period inputs by management. Management has elected to forecast probability of default rates over an 18-month period and then revert to a long-term average over the following 12 months on a straight-line basis.

The quantitative analysis described above is adjusted for current qualitative factors. The historical loss experience is determined quarterly by portfolio segment or loan class and is based on the loss history for each segment. This loss experience is supplemented with other economic factors based on the risks present for each portfolio segment or loan class. These economic factors include: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. Consideration is given to those current qualitative or environmental factors that are likely to cause estimated credit losses at the evaluation date to differ from the historical loss experience of each loan segment.

The Company may periodically agree to modify the contractual terms of loans. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification. Prior to the adoption of ASU No. 2022-02, loans for which the terms had been modified resulting in a concession, and as experiencing financial difficulties, were considered troubled debt restructurings (TDRs), and were classified as impaired.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on these off-balance sheet unfunded loan commitments is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments including commitments to extend credit, unfunded commitments under lines of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they become payable.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Accounting

The Company is a lessee in multiple noncancelable operating leases. If the contract provides the right to substantially all the economic benefits and the right to direct the use of the identified asset it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the Company's incremental borrowing rate. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Company recognizes short-term lease cost on a straight-line basis over the lease term.

The Company made an accounting policy election for all leases to not separate the lease components of a contract and its associated non-lease components, including its proportionate share of real estate taxes and maintenance expenses.

Other Investments

Other investments consist primarily of equity investments without a readily determinable fair value. Such investments are recorded at cost minus impairment plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment, with any changes recognized through net income. The Company attempts to identify relevant observable transaction prices at least annually, but for certain holdings no such transaction was observed.

The Company's investment in FHLB stock is included in other investments. The Company is required to hold FHLB stock as a member of the FHLB, and transfer of the stock is substantially restricted. The FHLB stock is pledged as collateral for outstanding FHLB advances.

Cash Value of Life Insurance

The Bank has purchased life insurance policies on certain key executives and board members. Cash value of life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Note 1: Summary of Significant Accounting Policies (Continued)

Foreclosed Assets

Assets acquired through or in lieu of loan foreclosure are held for sale and are initially recorded at fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are performed periodically by management, and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations are included in other noninterest expense.

Mortgage Servicing Rights

The Company services mortgage loans it originates on behalf of the FHLB or sells to third-party institutions. Servicing loans includes collecting monthly principal and interest payments from borrowers, passing such payments through to the third-party investors, and maintaining escrow accounts for taxes and insurance. When necessary, the Company also performs collection functions for delinquent loan payments, manages loan foreclosure proceedings, and disposes of foreclosed property. The Company generally earns a servicing fee of 25 basis points on the outstanding loan balance for performing these services, as well as fees and interest income from ancillary sources, such as late fees and float. Servicing fees, late fees, and other ancillary income earned each year are reported in the consolidated statements of income as a component of mortgage banking income.

Mortgage servicing rights are recognized as separate assets when rights are acquired through the origination of mortgage loans on behalf of the FHLB or through sale of mortgage loans. Mortgage servicing rights are recognized as a component of mortgage banking income and are measured at fair value at acquisition and at each subsequent reporting date. The fair value of mortgage servicing rights is estimated using market prices for comparable contracts, when available, or 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 costs to service, a discount rate, custodial earnings rate, ancillary income, default rates and losses, and prepayment speeds. The fair value of mortgage servicing rights may change because of changes in discount rates, prepayment expectations, default rates, and other factors. Changes in fair value are recognized each period and reported in the consolidated statements of income as a component of mortgage banking income.

Goodwill and Intangible Assets

Intangible assets attributable to the value of core deposits and customer lists acquired in purchase transactions are stated at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis over the estimated lives of the assets. The excess of purchase price over fair value of net assets acquired (goodwill) is not amortized.

The Company evaluates whether goodwill and other intangible assets may be impaired at least annually and whenever events or changes in circumstances indicate it is more likely than not the fair value of the reporting unit or asset is less than its carrying amount.

Derivative Instruments and Hedging Activities

FASB ASC 815, Derivatives and Hedging (“ASC 815”), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company’s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

Note 1: Summary of Significant Accounting Policies (Continued)

Derivative Instruments and Hedging Activities (Continued)

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply, or the Company elects not to apply hedge accounting.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) is shown on the consolidated statements of comprehensive income (loss). The Company's accumulated other comprehensive income (loss) is comprised of the unrealized gain (loss) on securities available for sale and is shown on the consolidated statements of stockholders' equity.

Income Taxes

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the current enacted tax rates that will be in effect when these differences are expected to reverse. Provision (credit) for deferred taxes is the result of changes in the deferred tax assets and liabilities.

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as provision for income taxes.

Advertising

Advertising costs are expensed as incurred.

Rate Lock Commitments

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Rate lock commitments are recorded only to the extent of fees received, since recording the estimated fair value of these commitments would not have a significant impact on the consolidated financial statements.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets through an agreement to repurchase them before their maturity.

Note 1: Summary of Significant Accounting Policies (Continued)

Reclassifications

From time-to-time it is necessary to make certain reclassifications to prior-year financial statements to conform to the current-year financial statements.

Earnings Per Share

Earnings per common share are computed based on the weighted average number of common shares outstanding during each year. There are no dilutive shares during 2023 and 2022.

New Accounting Pronouncements

The Company recently adopted the following Accounting Standard Updates (ASU) issued by the Financial Accounting Standards Board (FASB):

On January 1, 2023, the Company adopted ASU 2016-13 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 loan receivables 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, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, 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 a write-down on available-for-sale debt securities management does not intend to sell or believes that 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 (OBS) 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 GAAP. The Company recorded a net decrease to retained earnings of $2,109 as of January 1, 2023, for the cumulative effect of adopting ASC 326.

ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment* - This standard eliminates Step 2 from the goodwill impairment test, and a goodwill impairment charge will be recognized for the amount by which the carrying amount of a reporting unit exceeds the reporting unit's estimated fair value. This new standard is effective for goodwill impairment tests in annual periods beginning after December 15, 2022. The adoption of this standard did not have a material impact on the financial statements.

ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures* – The amendments in this Update eliminate the accounting guidance for TDRs in Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. This new accounting standard is effective for financial statements issued for interim and annual periods beginning after December 15, 2022. The new disclosure required under this standard is included in Note 4.

Subsequent Events

Subsequent events have been evaluated through April 5, 2024, which is the date the financial statements were available to be issued.

Note 2: Cash and Due From Banks

Effective March 12, 2021, the Federal Reserve's board of directors approved the final rule reducing the required reserve requirement ratios to zero percent, effectively eliminating the requirement to maintain reserve balances in cash or on deposit with the Federal Reserve Bank. This reduction in the required reserves does not have a defined timeframe and may be revised by the Federal Reserve's board in the future.

In the normal course of business, the Company maintains cash and due from bank balances with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of $250. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

Included in cash and due from banks are certificates of deposit investments totaling $1,225 and $2,205 as of December 31, 2023 and 2022, respectively. As of December 31, 2023, certificate balances totaling $490 are scheduled to mature in 2024 and $735 are scheduled to mature in 2026.

The Company is required to maintain reserve balances on deposit with credit card and debit card servicing companies. The reserve balance is adjusted periodically based on the sales volume of cardholders. The total required reserve balance on deposit for the debit card and credit card servicing company as of December 31, 2023 and 2022, was approximately $811.

Note 3: Securities

The amortized cost and estimated fair value of securities with gross unrealized gains and losses at December 31 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2023				
Securities Available for Sale:				
U.S. treasury securities	$ 17,544	$ 2	$ 69	$ 17,477
U.S. government-sponsored mortgage-backed securities	119,114	78	14,465	104,727
U.S. government-sponsored agency securities	26,380	-	1,958	24,422
U.S. government-sponsored asset-backed securities	12,699	11	1,635	11,075
Obligations of states and local governments	169,011	462	11,422	158,051
Corporate securities	9,195	-	1,013	8,182
Total Securities Available for Sale	$ 353,943	$ 553	$ 30,562	$ 323,934
Securities Held to Maturity:				
Obligations of states and local governments	$ 1,615	$ -	$ 38	$ 1,577
Corporate securities	4,128	-	298	3,830
Total Securities Held to Maturity	$ 5,743	$ -	$ 336	$ 5,407

Note 3: Securities (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2022				
Securities Available for Sale:				
U.S. treasury securities	$ 32,161	$ 4	$ 171	$ 31,994
U.S. government-sponsored mortgage-backed securities	132,446	19	15,919	$ 116,546
U.S. government-sponsored agency securities	26,380	-	2,715	$ 23,665
U.S. government-sponsored asset-backed securities	14,693	19	1,833	12,879
Obligations of states and local governments	180,632	245	15,647	165,230
Corporate securities	11,014	-	142	10,872
Total Securities Available for Sale	$ 397,326	$ 287	$ 36,427	$ 361,186
Securities Held to Maturity:				
Obligations of states and local governments	$ 1,615	$ -	$ 8	$ 1,607
Corporate securities	4,089	-	98	3,991
Total Securities Held to Maturity	$ 5,704	$ -	$ 106	$ 5,598

Fair values of securities are estimated based on financial models or prices paid for similar securities. It is possible interest rates could change considerably, resulting in a material change in the estimated fair value.

The following table shows the fair value and gross unrealized losses of securities with unrealized losses at December 31, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position.

Note 3: Securities (Continued)

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2023						
Available for sale						
U.S. treasury securities	$ 4,599	$ 2	$ 9,305	$ 67	$ 13,904	$ 69
U.S. government-sponsored mortgage-backed securities	18,972	188	78,886	14,277	97,858	14,465
U.S. government-sponsored agency securities	-	-	24,422	1,958	24,422	1,958
U.S. government-sponsored asset-backed securities	28	-	10,059	1,635	10,087	1,635
Obligations of state and local governments	21,096	216	97,449	11,206	118,545	11,422
Corporate securities	6,258	891	673	122	6,931	1,013
Totals	$ 50,953	$ 1,297	$ 220,794	$ 29,265	$ 271,747	$ 30,562
2022						
Available for sale						
U.S. treasury securities	$ 28,414	$ 171	$ -	$ -	$ 28,414	$ 171
U.S. government-sponsored mortgage-backed securities	58,155	2,718	54,463	13,201	112,618	15,919
U.S. government-sponsored agency securities	6,052	78	17,613	2,637	23,665	2,715
U.S. government-sponsored asset-backed securities	3,768	307	7,611	1,526	11,379	1,833
Obligations of state and local governments	99,295	4,796	44,501	10,851	143,796	15,647
Corporate securities	0	0	701	142	701	142
Totals	$ 195,684	$ 8,070	$ 124,889	$ 28,357	$ 320,573	$ 36,427
Held to maturity						
Obligations of state and local governments	$ 1,608	$ 7	$ -	$ -	$ 1,608	$ 7
Corporate securities	3,991	98	-	-	3,991	98
Totals	$ 5,599	$ 105	$ -	$ -	$ 5,599	$ 105

Note 3: Securities (Continued)

The following table presents the number and aggregate depreciation from the Bank's amortized cost basis of securities available for sale in a continuous unrealized loss position by security type, as of December 31, 2023:

	Number of Securities	Aggregate Depreciation
U.S. treasury securities	5	0.5%
U.S. government-sponsored mortgage-backed securities	298	12.9%
U.S. government-sponsored agency securities	26	7.4%
U.S. government-sponsored asset-backed securities	31	14.0%
Obligations of state and local governments	366	8.8%
Corporate securities	24	12.8%
Total	750	10.1%

These unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of any underlying assets, or applicable credit enhancements. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company has determined that no allowance for credit losses is required on available for sale securities as of December 31, 2023.

The Company regularly evaluates various attributes of securities held to maturity to determine the appropriateness of the allowance for credit losses. The credit quality indicators monitored differ depending on the security type. Corporate securities held to maturity are comprised of investments in subordinated debt and trust preferred securities issued by other financial institutions. The Company considers publicly available data and payment history to evaluate the financial condition of the issuer. The Company has one municipal bond classified as held to maturity. The municipality is within the Company's market area, and the Company regularly evaluates the financial status of the municipality based on credit ratings, payment history, and financial information from the municipality.

No held to maturity securities were past due or on nonaccrual status as of December 31, 2023 and 2022, and the Company has determined that no allowance for credit losses is required on held to maturity securities as of December 31, 2023.

The following is a summary of amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2023. Contractual maturities will differ from expected maturities for mortgage-backed and asset-backed securities because borrowers may have the right to call or prepay obligations without penalties.

	Available for Sale		Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 24,697	$ 24,554	$ -	$ -
Due after one year through five years	72,172	70,000	2,611	2,567
Due after five years through ten years	50,568	47,586	3,132	2,840
Due after ten years	74,693	65,992	-	-
Subtotal	222,130	208,132	5,743	5,407
Mortgage-related securities	119,114	104,727	-	-
Asset-backed securities	12,699	11,075	-	-
Total	$ 353,943	$ 323,934	$ 5,743	$ 5,407

Note 3: Securities (Continued)

During the year ended December 31, 2023, gross proceeds from the sales of available-for-sale securities totaled $10,762. As a result of these sales, gross gains totaled $24 and gross losses totaled $43. There were no securities sold during the year ended December 31, 2022.

As of December 31, 2023, the amortized cost and estimated fair value of securities pledged to secure public deposits and for other purposes required or permitted by law was $51,770 and $49,462, respectively. As of December 31, 2022, the amortized cost and estimated fair value of securities pledged to secure public deposits and for other purposes required or permitted by law was $11,833 and $11,593, respectively.

Note 4: Loans

The following table presents total loans at December 31 by portfolio segment and class of loan:

	2023	2022
Commercial:		
Commercial real estate	$ 918,143	$ 916,021
Construction and land development	276,821	186,267
Commercial other	266,458	287,380
Residential:		
First mortgages	436,422	415,339
Junior mortgages and home equity lines of credit	61,315	61,539
Multifamily	383,420	325,342
Consumer and other:		
Credit cards	6,128	8,863
Municipal	29,731	31,169
Other	38,458	19,866
Subtotals	2,416,896	2,251,786
Allowance for credit losses	(23,996)	(23,104)
Deferred loan fees	-	(8)
Loans, net	$ 2,392,900	$ 2,228,674

At December 31, 2023 and 2022, deposit accounts totaling $496 and $322, respectively, were in an overdraft position and reclassified as loans.

Note 4: Loans (Continued)

Analysis of the allowance for credit losses for the years ended December 31, 2023 and 2022, follows:

	Commercial	Residential	Consumer and Other	Total
Balance at January 1, 2022	$ 15,247	$ 2,993	$ 237	$ 18,477
Provision (credit) for credit losses	8,167	2,161	172	10,500
Loans charged off	(6,243)	-	(264)	(6,507)
Recoveries of loans previously charged off	516	3	115	634
Balance at December 31, 2022	$ 17,687	$ 5,157	$ 260	$ 23,104
Provision (credit) for credit losses	-	-	-	-
Loans charged off	(143)	-	(420)	(563)
Recoveries of loans previously charged off	34	3	71	108
Adoption of ASU No. 2016-13	462	465	420	1,347
Balance at December 31, 2023	$ 18,040	$ 5,625	$ 331	$ 23,996
Allowance for credit losses at December 31, 2022:				
Individually analyzed loans	70	25	-	95
Collectively analyzed loans	17,617	5,132	260	23,009
Totals	$ 17,687	$ 5,157	$ 260	$ 23,104

Analysis of loans evaluated for impairment follows:

	Commercial	Residential	Consumer and Other	Total
Loans at December 31, 2022:				
Individually evaluated	$ 11,165	$ 450	$ -	$ 11,615
Collectively evaluated	1,450,257	880,707	74,317	2,405,281
Total	$ 1,461,422	$ 881,157	$ 74,317	$ 2,416,896

A loan is considered to be collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The following table presents collateral dependent loans by portfolio segment and collateral type for year ended December 31, 2023.

Note 4: Loans (Continued)

	Collateral Type		
	Real Estate	Other Business Assets	Total
Commercial	$ 7,045	$ 3,054	$ 10,099
Residential	1,859	-	1,859
Consumer and Other	-	-	-
Total	8,904	3,054	11,958

Information regarding impaired loans for year ended December 31, 2022, follows:

	Recorded Investment	Principal Balance	Related Allowance	Average Investment	Interest Recognized
Loans with no related allowance for loan losses:					
Commercial real estate	$ 3,908	$ 4,063	N/A	$ 4,038	$ 136
Construction and land development	3,270	3,284	N/A	3,285	157
Commercial - Other	3,565	3,620	N/A	3,874	190
Residential first mortgages	291	511	N/A	298	9
Residential junior liens and home equity lines	135	369	N/A	184	8
Totals	$ 11,169	$ 11,847	N/A	$ 11,679	$ 500
Loans with an allowance for loan losses:					
Commercial real estate	$ 412	$ 468	$ 65	$ 481	$ 10
Commercial - Other	10	16	5	18	1
Residential junior liens and home equity lines	24	24	25	24	-
Totals	$ 446	$ 508	$ 95	$ 523	$ 11
Grand totals	$ 11,615	$ 12,355	$ 95	$ 12,202	$ 511

In addition to the Allowance for Credit Losses on loans, the Company has established an allowance for off-balance sheet unfunded loan commitments. This reserve is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments and is determined quarterly based on similar methodology used for loans. Upon adoption of CECL on January 1, 2023, the Company recorded an allowance for credit losses on unfunded commitments totaling $1,700. The allowance is also $1,700 as of December 31, 2023.

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for credit losses. The credit quality indicators monitored differ depending on the class of loan.

Note 4: Loans (Continued)

Commercial, multifamily, and municipal loans are generally evaluated using the following internally prepared ratings:

- "Pass" ratings are assigned to loans with adequate collateral and debt service ability such that collectability of the contractual loan payments is highly probable.
- "Watch/Special mention" ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectability of the contractual loan payments is still probable.
- "Substandard" ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectability of the contractual loan payments is no longer probable.
- "Doubtful" ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectability of the contractual loan payments is unlikely.

Single-family residential real estate and consumer loans are generally evaluated based on whether the loan is performing according to the contractual terms of the loan.

Information regarding the credit quality indicators most closely monitored by class and by vintage year as of December 31 follows:

	2023	2022	2021	Prior	Revolving	Total
As of December 31, 2023						
Commercial real estate:						
Risk Rating						
Pass	36,190	117,092	192,300	452,069	7,072	804,723
Special mention	4,354	3,947	18,372	81,888	1,776	110,337
Substandard	-	-	1,606	1,477	-	3,083
Doubtful	-	-	-	-	-	-
Total commercial real estate	40,544	121,039	212,278	535,434	8,848	918,143
Total commercial real estate charged off	-	-	-	-	-	-
Construction and land development:						
Risk Rating						
Pass	81,633	117,758	32,492	9,294	17,721	258,898
Special mention	-	12,724	-	1,077	-	13,801
Substandard	200	-	-	3,922	-	4,122
Doubtful	-	-	-	-	-	-
Total construction and land development	81,833	130,482	32,492	14,293	17,721	276,821
Total construction and land development charged off	-	-	-	-	-	-
Commercial - other:						
Risk Rating						
Pass	42,397	44,957	34,426	52,749	72,495	247,024
Special mention	1,790	5,133	864	3,011	4,365	15,163
Substandard	513	552	-	3,157	49	4,271
Doubtful	-	-	-	-	-	-
Total commercial - other	44,700	50,642	35,290	58,917	76,909	266,458
Total commercial - other charged off	-	-	-	143	-	143

Note 4: Loans (Continued)

	2023	2022	2021	Prior	Revolving	Total
Municipal:						
Risk Rating						
Pass	631	16,332	3,574	4,194	5,000	29,731
Special mention	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Total municipal	631	16,332	3,574	4,194	5,000	29,731
Total municipal charged off	-	-	-	-	-	-
Residential multifamily						
Risk Rating						
Pass	25,569	100,476	95,401	149,972	2,699	374,117
Special mention	-	-	-	9,160	-	9,160
Substandard	-	-	143	-	-	143
Doubtful	-	-	-	-	-	-
Total residential multifamily	25,569	100,476	95,544	159,132	2,699	383,420
Total residential multifamily charged off	-	-	-	-	-	-
Residential real estate						
Payment performance						
Performing	64,939	119,000	121,886	132,757	55,758	494,340
Nonperforming	-	953	352	1,936	156	3,397
Total residential real estate	64,939	119,953	122,238	134,693	55,914	497,737
Total residential real estate charged off	-	-	-	-	-	-
Credit card and other						
Payment performance						
Performing	4,855	2,533	8,174	14,000	15,022	44,584
Nonperforming	-	-	-	2	-	2
Total credit card and other	4,855	2,533	8,174	14,002	15,022	44,586
Total credit card and other charged off	92	23	55	250	-	420
Total loans	263,071	541,457	509,590	920,665	182,113	2,416,896
Total loans charged off	92	23	55	393	-	563

Note 4: Loans (Continued)

Information regarding the credit quality indicators most closely monitored for commercial loans by class as of December 31 follows:

	Pass	Watch/Special Mention	Substandard	Doubtful	Totals
2022					
Commercial real estate	$ 797,548	$ 103,813	$ 14,660	$ -	$ 916,021
Construction and land development	170,215	12,781	3,271	-	186,267
Commercial - Other	260,731	19,612	7,037	-	287,380
Municipal	31,169	-	-	-	31,169
Residential multifamily	319,973	5,355	14	-	325,342
Totals	$ 1,579,636	$ 141,561	$ 24,982	$ -	$ 1,746,179

Information regarding the credit quality indicators most closely monitored for residential real estate and consumer loans by class as of December 31 follows:

	Peforming	Non-performing	Totals
2022			
Residential first mortgages	$ 413,608	$ 1,731	$ 415,339
Residential junior liens and home equity lines	61,293	246	61,539
Credit cards	8,863	-	8,863
Other consumer	19,787	79	19,866
Totals	$ 503,551	$ 2,056	$ 505,607

Note 4: Loans (Continued)

Loan aging information as of December 31 follows:

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
2023				
Commercial real estate	$ 917,457	$ 214	$ 472	$ 918,143
Construction and land development	276,821	-	-	276,821
Commercial - Other	263,582	1,020	1,856	266,458
Residential first mortgages	433,394	1,948	1,080	436,422
Residential junior liens and home equity lines	60,806	474	35	61,315
Residential multifamily	383,420	-	-	383,420
Credit cards	6,124	2	2	6,128
Municipal	29,731	-	-	29,731
Other consumer	38,456	-	2	38,458
Totals	$ 2,409,791	$ 3,658	$ 3,447	$ 2,416,896

	Accruing				
	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Nonaccrual Loans	Total Loans
2022					
Commercial real estate	$ 911,463	$ 193	$ -	$ 4,365	$ 916,021
Construction and land development	186,016	251	-	-	186,267
Commercial - Other	284,251	108	84	2,937	287,380
Residential first mortgages	412,928	680	-	1,731	415,339
Residential junior liens and home equity lines	61,032	261	-	246	61,539
Residential multifamily	325,342	-	-	-	325,342
Credit cards	8,852	10	1	-	8,863
Municipal	31,169	-	-	-	31,169
Other consumer	19,782	3	2	79	19,866
Totals	$ 2,240,835	$ 1,506	$ 87	$ 9,358	$ 2,251,786

Note 4: Loans (Continued)

Information regarding nonaccrual loans during the year ended December 31, 2023, follows:

	Nonaccrual Loans With No Allowance for Credit Loss	Nonaccrual Loans With an Allowance for Credit Loss	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Amortized Cost Basis of Loans 90+ Days Past Due Not on Nonaccrual
2023					
Commercial real estate	$ 1,629	$ -	$ 1,629	$ 4,365	$ -
Construction and land development	-		-	-	-
Commercial - Other	2,738	2,051	4,789	2,937	233
Residential first mortgages	1,542		1,542	1,731	211
Residential junior liens and home equity lines	271		271	246	-
Residential multifamily	256		256	-	-
Credit cards	-		-	-	2
Municipal	-		-	-	-
Other consumer	2		2	79	-
Totals	$ 6,438	$ 2,051	$ 8,489	$ 9,358	$ 446

The Company recognized $72 of interest income on nonaccrual loans during the year ended December 31, 2023.

The following table presents the amortized cost basis of loans at December 31, 2023, that were both experiencing financial difficulty and modified during the year ended December 31, 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Total Class of Financing Receivable
2023					
Commercial real estate	$ -	$ 45	$ -	$ -	0.0%
Commercial - other	-	2,906	-	-	1.1%
Totals	$ -	$ 2,951	$ -	$ -	0.1%

The Company had one troubled debt restructuring during 2022. The restructure was a commercial-other loan with a pre- and post-modification balance of $158.

There was no financial effect of the loan modifications presented above.

Note 4: Loans (Continued)

The Company has committed to lend additional amounts totaling $0 to the borrowers included in the previous table.

None of the loans listed in the previous table are past due as of December 31, 2023.

No troubled loan modifications defaulted in 2023 within 12 months of the modification date. One troubled debt modification defaulted in 2022 that was within 12 months of the modification date. The defaulted loan was a commercial-other totaling $81.

Note 5: Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. As of December 31, 2023 and 2022, the Company had no derivatives designated as hedging instruments.

Non-designated Hedges

Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings.

Note 5: Derivative Instruments and Hedging Activities (Continued)

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments on the income statement as of December 31, 2023 and 2022.

	Derivative Assets		Derivative Liabilities	
	As of December 31, 2023			
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives not designated as hedging instruments				
Interest rate products	$ 33,357	$ 1,614	$ 33,357	$ 1,624
Other derivatives	3,908	4		
Total derivatives not designated as hedging instruments	$ 37,265	$ 1,618	$ 33,357	$ 1,624

	Derivative Assets		Derivative Liabilities	
	As of December 31, 2022			
	Notional Amount	Fair Value	Notional Amount	Fair Value
Derivatives not designated as hedging instruments				
Interest rate products	$ 5,383	$ 821	$ 5,383	$ 822
Total derivatives not designated as hedging instruments	$ 5,383	$ 821	$ 5,383	$ 822

Fair Value Hedges

All fair value hedges were terminated during 2022 when the fair value hedges had unrealized gains of $3,642. The unrealized gain as of the termination dates is being amortized into income over the remaining term of the original swap. As of December 31, 2023, $3,304 remains to be recognized. Recognized income totaled $205 and $133 for the years ended December 31, 2023 and 2022, respectively.

Note 6: Premises and Equipment

An analysis of premises and equipment at December 31 follows:

	2023	2022
Land and improvements	$ 7,390	$ 7,444
Buildings and improvements	46,355	45,823
Furniture and equipment	14,378	14,429
Subtotals	68,123	67,696
Accumulated depreciation	(30,006)	(28,061)
Premises and equipment, net	$ 38,117	$ 39,635

Depreciation of premises and equipment charged to operating expense totaled $2,854 and $1,774 in 2023 and 2022, respectively.

Note 7: Leases

The Company leases various branch locations under operating leases. The leases entered into include one or more options to renew. The renewal terms can extend the lease term from 5 to 15 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal option periods are included in the measurement of the Right-of-Use (ROU) asset and lease liability when the exercise is reasonably certain to occur. As of December 31, 2023, the Company has recorded an ROU asset totaling $3,680, which is included in other assets. As of December 31, 2023, the Company has also recorded a lease obligation liability totaling $3,727, which is included in other liabilities.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments plus, for one of the Company's leases, variable payments. The Company's office space leases require it to make variable payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine the lease liability and are recognized as variable lease costs when incurred.

Lease expenses totaled $530 at December 31, 2023 and $578 at December 31, 2022 and the majority of the expenses are related to operating lease costs.

The weighted-average lease term totaled 9.1 years as of December 31, 2023. The weighted-average discount rate totaled 3.89% as of December 31, 2023.

Scheduled maturities of remaining lease liabilities, included within other liabilities on the consolidated balance sheet, as of December 31, 2023 is as follows:

2024	$ 540
2025	455
2026	445
2027	454
2028	463
Thereafter	2,116
Total future lease payments	4,473
Less: amount representing future interest	(746)
Total	$ 3,727

Note 8: Other Investments

Other investments consisted of the following at December 31:

	2023	2022
FHLB stock	$ 12,711	$ 5,941
Bankers' Bank stock	8,198	7,668
S.B.C.P Capital Trust II, III, and IV	660	660
Tax credit partnerships	10,257	8,905
Qualified investment fund	442	436
SBA loan investment fund	500	500
Other	4,789	4,056
Totals	$ 37,557	$ 28,166

The Company's investments in tax credit partnerships are considered equity-method investments. The company reduces the investment balance as tax credits are realized. The investment is evaluated for impairment on an annual basis.

The remaining investments are considered equity investments without a readily determinable market value. The following table details the changes in the carrying amount of equity securities without a readily determinable market value, both annually and cumulatively, as of and for the years ended December 31:

	2023	2022
Carrying Value, end of year	$ 27,300	$19,261
Impairments and downward adjustments	(17)	(28)
Upward adjustments	586	1,263

Adjustments in fair value have been recorded based on observed transaction prices from sales of identical securities. The Company makes reasonable efforts to observe transaction prices, but for some investments no such transactions have been observed. During 2023 and 2022, the Company purchased additional equity securities totaling $7,540 and $0 and received reinvested stock dividends totaling $0 and $122, respectively. The Company also acquired $10,998 in other investments as part of the merger transaction in 2022.

Note 9: Mortgage Servicing

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were $1,060,229 and $1,078,164 at December 31, 2023 and 2022, respectively. The following is a summary of changes in the balance of mortgage servicing rights for the years ending December 31:

	2023	2022
Beginning balance	$ 11,270	$ 4,896
Acquired in merger	-	4,926
Fair value adjustment	(269)	1,448
Ending balance	$ 11,001	$ 11,270

Note 9: Mortgage Servicing (Continued)

The estimated fair value of mortgage servicing rights was determined using a valuation model that calculates the present value of expected future servicing and ancillary income, net of expected servicing costs. The model incorporates various assumptions, such as discount rates and prepayment speeds based on market data from independent organizations.

Information about the estimated fair value of mortgage servicing rights at December 31, 2023 and 2022 follows:

	2023	2022
Range of discount rates	9.8% to 11.8%	9.0% to 11.0%
Range of prepayment speeds	5.2% to 12.1%	7.1% to 8.6%

Note 10: Foreclosed Assets

An analysis of the activity in foreclosed assets for the years ended December 31 is as follows:

	2023	2022
Balance at beginning	$ -	$ 76
Other real estate acquired	104	184
Sales of other real estate	(104)	(260)
Balance at end	$ -	$ -

As of December 31, 2023 and 2022, the Company had no residential real estate foreclosed assets and there were no residential real estate loans in the process of foreclosure.

Expenses related to foreclosed assets include the following for the years ended December 31:

	2023	2022
Net (gain) loss on sales	$ 11	$ (250)
Operating and maintenance expenses, net of rental income	11	24
Total expense	$ 22	$ (226)

Net operating and maintenance expenses are included in other noninterest expense on the income statement.

Note 11: Intangible Assets and Goodwill

The gross carrying amount and accumulated amortization of intangible assets and goodwill for the years ended December 31 are as follows:

Note 11: Intangible Assets and Goodwill (Continued)

	2023		2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangible	$ 41,027	$ 9,429	$ 41,027	$ 3,303
Customer list	$ 935	$ 553	$ 935	$ 419
Goodwill	$ 28,544	$ -	$ 28,544	$ -

Intangible assets include the core deposit and customer list intangibles. Amortization expense totaled $6,260 and $2,074 for the years ended December 31, 2023 and 2022, respectively.

The following table shows the estimated future amortization expense for the core deposit intangible and customer list. The projections of amortization expense are based on existing asset balances as of December 31, 2023:

2024	$ 6,260
2025	6,260
2026	5,966
2027	5,584
2028	5,584
Thereafter	2,326
Total	$ 31,980

Note 12: Deposits

The composition of deposits at December 31 is as follows:

	2023	2022
Non-interest-bearing demand	$ 544,828	$ 676,800
Interest-bearing demand	719,672	709,509
Savings	330,270	305,864
Money market	483,630	547,163
Time	343,147	227,851
Total deposits	$ 2,421,547	$ 2,467,187

Time deposits of $250 or more totaled $70,654 and $36,035 at December 31, 2023 and 2022, respectively.

Deposits from a large corporation totaled 5.9% and 5.3% of total deposits as of December 31, 2023 and 2022, respectively.

Note 12: Deposits (Continued)

The scheduled maturities of time deposits at December 31, 2023, are summarized as follows:

2024	$	264,344
2025		72,827
2026		3,037
2027		1,409
2028		1,494
Thereafter		36
Total	$	343,147

Note 13: Borrowed Funds

Borrowed funds consist of the following at December 31:

	2023		2022	
	Rates	Amount	Rates	Amount
FHLB putable fixed rate advances	-	$ -	4.27%	$ 23,000
FHLB fixed rate advances	4.62%	223,000	4.29%	69,500
Bankers' Bank variable rate loan	7.75%	4,661	6.75%	4,662
Bankers' Bank fixed term loans	3.70%	27,138	3.68%	29,006
FRB Bank Term Funding Loan	4.88%	30,000		
Totals		$ 284,799		$ 126,168

Following is a summary of scheduled principal maturities and fixed term advances as of December 31, 2023:

	Fixed-Rate Maturities		Variable Rate Maturities	
	Weighted Average Rate	Amount	Weighted Average Rate	Amount
2024	5.06%	$ 91,595		$ -
2025	4.49%	118,828		-
2026	4.37%	47,894		-
2027	3.67%	1,405		-
2028	3.75%	1,268		-
Thereafter	3.75%	19,147	7.75%	4,662
Total		$ 280,137		$ 4,662

Actual maturities may differ from the scheduled principal maturities because of call options on the various advances. Rates in the table above are based on rates that were effective as of December 31, 2023.

The Company prepaid FHLB advances totaling $11,500 and $5,000 for the years ended December 31, 2023 and 2022. Prepayment penalties of $0 and $34 were recognized as a component of other noninterest expense on the consolidated income statement for the years ended December 31, 2023 and 2022.

Note 13: Borrowed Funds (Continued)

The Company has a master contract agreement with the FHLB that provides for borrowing up to the lesser of 20 times the FHLB stock owned, a determined percentage of the book value of the Company's qualifying loans, or a determined percentage of the Company's assets. The FHLB provides both fixed and floating rate advances. Floating rates are tied to short-term market rates of interest. Advances with call provisions permit the FHLB to request payment beginning on the call date and quarterly thereafter. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. The Company pledged $1,579,621 and $1,145,312 of qualifying loans as of December 31, 2023 and 2022, respectively. FHLB advances are also secured by $12,711 of FHLB stock owned by the Company at December 31, 2023, and $5,941 as of December 31, 2022.

The available borrowings are further reduced by letters of credit issued for the benefit of municipal depositors for balances in excess of insured amounts. These letters of credit totaled $153,500 as of December 31, 2023 and $126,000 as of December 31, 2022. The available borrowings are further reduced by the credit enhancement provided under the Mortgage Partnership Finance Program of $1,502 and $1,293 at December 31, 2023 and 2022, respectively (see Note 18).

At December 31, 2023, the Company’s available and unused portion of this borrowing agreement totaled $459,223, based on collateral pledged. Additional FHLB stock would need to be purchased to utilize this amount.

At December 31, 2023, the Company had the following credit agreements in place:

- Term loan with Bankers’ Bank which matures in September 2030. The rate on the loan is 3.75% as of December 31, 2023, and is fixed for the life of the loan. The loan calls for quarterly principal and interest payments with a final payment of all unpaid principal and interest due at maturity. As of December 31, 2023, $25,039 was outstanding on this loan.

- A fixed rate term loans with Bankers’ Bank. The fixed rate loan requires quarterly payments of $184 including interest at 3.10%. The note matures in January 2027. As of December 31, 2023, $2,098 was outstanding on this loan.

- A variable rate loan with Bankers’ Bank that requires quarterly interest payments at prime less 0.75% (7.75% at December 31, 2023). The note matures in January 2027. As of December 31, 2023, $4,661 was outstanding on this loan.

- A $3,000 revolving line of credit with Bankers’ Bank available for general corporate purposes. The available balance was $3,000 as of December 31, 2023, and it matured on January 3, 2024. The stated interest rate was prime rate minus 0.50%. The line of credit was renewed in January 2024 for $12,000. The stated interest rate is prime rate minus 0.75% (7.75% at December 31, 2023). The note matures January 2025.

- An additional $13,880 is available through the Federal Reserve Bank Term Funding Program. The Company had $43,880 in securities pledged to the program as of December 31, 2023. The outstanding balance of the loan as of December 31, 2023, was $30,000.

Note 14: Subordinated Debentures

In September 2005, the Company issued to S.B.C.P. Capital Trust II an adjustable rate junior subordinated debenture for $4,382, due September 15, 2035. The junior subordinated debenture has a floating rate of three-month LIBOR plus 1.45%, with the rate resetting on each succeeding quarterly payment date. The effective interest rate was 7.10% and 6.22% as of December 31, 2023 and 2022, respectively. The junior subordinated debenture is redeemable by the Company, subject to the receipt by the Company of prior approval from the Federal Reserve Bank (FRB), if then required under applicable capital guidelines or policies of the FRB. The Company may redeem the debenture on any March 15, June 15, September 15, and December 15.

In December 2006, the Company issued to S.B.C.P. Capital Trust III an adjustable rate junior subordinated debenture for $10,310, due December 15, 2036. The junior subordinated debenture has a floating rate of three-month LIBOR plus 1.73%. The effective interest rate was 7.38% and 6.50% as of December 31, 2023 and 2022, respectively. The junior subordinated debenture is redeemable by the Company, subject to the receipt by the Company of prior approval from the FRB, if then required under applicable capital guidelines or policies of the FRB. The Company may redeem the debenture on any March 15, June 15, September 15, and December 15.

In July 2007, the Company issued to S.B.C.P. Capital Trust IV an adjustable rate junior subordinated debenture for $7,217, due September 15, 2037. The junior subordinated debenture has a floating rate of three-month LIBOR plus 1.57%. As of December 31, 2023 and 2022, the effective interest rate was 7.22% and 6.34%. The junior subordinated debenture is redeemable by the Company, subject to the receipt by the Company of prior approval from the FRB, if then required under applicable capital guidelines or policies of the FRB. The Company may redeem the debenture on any March 15, June 15, September 15, and December 15.

The Company has fully and unconditionally guaranteed all of the obligations of S.B.C.P. Capital Trusts II, III, and IV. The guarantee covers the quarterly distributions and payments on liquidation or redemption of the trust preferred securities, but only to the extent of funds held by the trusts. The trust preferred securities qualify under the risk-based capital guidelines as Tier 1 capital, up to 25% of total Tier 1 capital, for regulatory purposes.

Note 15: Income Taxes

The components of the provision for income taxes are as follows:

	2023	2022
Current tax expense:		
Federal	$ 2,884	$ 3,882
State	-	1,544
Total current	2,884	5,426
Deferred tax expense:		
Federal	(44)	(868)
State	-	(75)
Total deferred	(44)	(943)
Valuation allowance	1,073	-
Total provision for income taxes	$ 3,913	$ 4,483

Note 15: Income Taxes (Continued)

A summary of the sources of differences between income taxes at the federal statutory rate and the provision for income taxes for the years ended December 31 follows:

	2023		2022	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Tax expense at statutory rate	$ 4,359	21.0 %	$ 4,100	21.0 %
Increase (decrease) in taxes resulting from:				
Tax-exempt interest	(687)	(3.3)	(643)	(3.3)
Cash surrender value of life insurance	(337)	(1.6)	(221)	(1.1)
Tax credits	(1,121)	(5.4)	(102)	(0.5)
State taxes	-	0.0	1,160	5.9
Valuation allowance	1,073	5.2	-	-
Other	626	2.9	189	1.0
Total provision for income taxes	$ 3,913	18.8 %	$ 4,483	23.0 %

Deferred income taxes are provided for the temporary differences between the financial reporting bases and the tax bases of the Company's assets and liabilities. The major components of the net deferred tax asset as of December 31 are presented below:

	2023	2022
Deferred tax assets:		
Allowance for losses on loans and leases	$ 6,537	$ 6,294
Deferred compensation	1,070	1,224
Merger related fair value adjustments	3,159	4,591
State net operating losses	166	166
Unrealized losses on securities	5,397	7,590
Total deferred tax assets	16,329	19,865
Deferred tax liabilities:		
Premises and equipment	1,112	3,509
Other investments	2,491	2,293
Mortgage servicing rights	2,997	3,070
Other	807	861
Total deferred tax liabilities	7,407	9,733
Less valuation allowance	1,073	-
Net deferred tax asset	$ 7,849	$ 10,132

The Company has state net operating loss carryforwards totaling approximately $2,265 that may be applied against future state taxable income and expires in 2031.

Note 15: Income Taxes (Continued)

The state of Wisconsin passed a law in 2023 eliminating state tax income derived from loans to small business Wisconsin residents with a commercial or agricultural purpose. Small business is currently defined as any loan with an origination balance of $5 million or less. As a result, the Company is not expected to have state income tax expense going forward. In 2023 the Company recorded a deferred tax asset impairment of $1,073.

Note 16: Deferred Compensation

The Company has phantom stock and other deferred compensation plans with key officers. The Company accrues a phantom stock benefit for all participating officers based on a percentage of salary as certain levels of return on equity are met. The balance of deferred compensation, included in other liabilities, at December 31, 2023 and 2022, was $3,927 and $3,588, respectively. The amount charged to operations was $464 and $1,088 for 2023 and 2022, respectively, and is included in salaries and benefits.

Although not part of the deferred compensation plan, the Company has purchased life insurance on the officers that could provide funding for the payment of benefits. The cash value of the life insurance as of December 31, 2023 and 2022, was $52,968 and $51,724, respectively.

Note 17: Employee Benefits Plans

The Company has two separate 401(k) profit sharing plans. Employees are allowed to defer a portion of their compensation subject to certain limitations. The Company makes discretionary profit-sharing contributions to the plan on behalf of the employees. Contributions totaled $0 and $2,368 for 2023 and 2022.

For Lake Ridge Bank employees, the Company has a trusteed non-contributory Employee Stock Ownership (ESOP) covering substantially all those employees. Company contributions to the ESOP are discretionary and determined annually. The ESOP had no outstanding indebtedness at any time during 2023 or 2022 and all ESOP shares have been fully allocated. The company’s safe harbor discretionary match contribution was $1,271 and $760 to the ESOP in 2023 and 2022, respectively, to recover repurchase obligations.

Note 18: Commitments, Contingencies, and Credit Risk

Financial Instruments With Off-Balance-Sheet Credit Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon, and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

Note 18: Commitments, Contingencies, and Credit Risk (Continued)

Financial Instruments With Off-Balance-Sheet Credit Risk (Continued)

The following commitments were outstanding at December 31:

	Notional Amount	
	2023	2022
Commitments to Extend Credit	$539,760	$612,098
Standby Letters of Credit	9,120	13,175
Credit Enhancement Under the FHLB of Chicago Mortgage Partnership Finance Program	1,502	1,274

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates 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 upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments. Standby letters of credit are not reflected in the consolidated financial statements, since recording the fair value of these guarantees would not have a significant impact on the consolidated financial statements.

The Company participates in the FHLB Mortgage Partnership Finance Program (the "Program"). In addition to entering into forward commitments to sell mortgage loans to a secondary market agency, the Company enters into firm commitments to deliver loans to the FHLB through the Program. Under the Program, loans are funded by the FHLB, and the Company receives an agency fee reported as a component of gain on sale of loans. The Company had firm commitments outstanding to deliver loans through the Program at December 31, 2023. Once delivered to the Program, the Company provides a contractually agreed-upon credit enhancement and performs servicing of the loans. Under the credit enhancement, the Company is liable for losses on loans delivered to the Program after application of any mortgage insurance and a contractually agreed-upon credit enhancement provided by the Program subject to an agreed-upon maximum. The Company received a fee for this credit enhancement. The Company does not anticipate that any credit losses will be incurred in excess of anticipated credit enhancement fees.

Legal Contingencies

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the consolidated financial statements.

Concentration of Credit Risk

The majority of the Company's loans, commitments, and standby letters of credit have been granted to customers in the Company's market area. The concentrations of credit by type are set forth in Note 4. Standby letters of credit were granted primarily to commercial borrowers.

Note 19: Related-Party Transactions

A summary of loans to directors, executive officers, principal stockholders, and their affiliates is as follows for the years ended December 31:

	2023	2022
Balance at beginning	$ 51,038	$ 17,127
New Loans	56,117	5,714
Adjustments related to changes in related parties	-	31,979
Repayments	(3,364)	(3,782)
Balance at end	$ 103,791	$ 51,038

Deposits from directors, executive officers, principal stockholders, and their affiliates totaled $31,873 and $28,900 as of December 31, 2023 and 2022, respectively.

Note 20: Regulatory Matters

The Banks are 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 financial statements.

As of December 31, 2023, Lake Ridge Bank was considered well capitalized under the regulatory framework for prompt corrective action. The Bank must maintain minimum regulatory capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

As of December 31, 2023 and 2022, the Banks reported capital ratios under the Basel III capital requirements which required the Company to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1, and Total capital to risk-weighted assets and of Tier 1 capital to average assets to ensure capital adequacy.

Note 20: Regulatory Matters (Continued)

The Bank's actual capital amounts and ratios as of December 31, are presented in the following table:

	Actual		For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio		Amount	Ratio
2023-Lake Ridge Bank							
Common Equity Tier 1 (to risk-weighted assets)	$ 270,691	10.2%	$ 119,633	4.5%	≥	$ 172,804	6.5%
Total capital (to risk weighted assets)	$ 296,387	11.1%	$ 212,681	8.0%	≥	$ 265,852	10.0%
Tier 1 capital (to risk weighted assets)	$ 270,691	10.2%	$ 159,511	6.0%	≥	$ 212,681	8.0%
Tier 1 capital (to average assets)	$ 270,691	9.2%	$ 118,310	4.0%	≥	$ 147,888	5.0%
2022-State Bank of Cross Plains							
Common Equity Tier 1 (to risk-weighted assets)	$ 173,956	11.9%	$ 66,005	4.5%	≥	$ 95,340	6.5%
Total capital (to risk weighted assets)	$ 187,545	12.8%	$ 117,342	8.0%	≥	$ 146,678	10.0%
Tier 1 capital (to risk weighted assets)	$ 173,956	11.9%	$ 88,007	6.0%	≥	$ 117,342	8.0%
Tier 1 capital (to average assets)	$ 173,956	10.6%	$ 73,857	4.5%	≥	$ 106,682	6.5%
2022-Monona Bank							
Common Equity Tier 1 (to risk-weighted assets)	$ 85,201	8.0%	$ 48,064	4.5%	≥	$ 69,425	6.5%
Total capital (to risk weighted assets)	$ 94,716	8.9%	$ 85,447	8.0%	≥	$ 106,808	10.0%
Tier 1 capital (to risk weighted assets)	$ 85,201	8.0%	$ 64,085	6.0%	≥	$ 85,447	8.0%
Tier 1 capital (to average assets)	$ 85,201	7.2%	$ 53,122	4.5%	≥	$ 76,731	6.5%

Note 21: Fair Value Measurements

Some assets, such as securities available for sale, are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets, such as individually evaluated loans and foreclosed assets, may be measured at fair value on a nonrecurring basis. Following is a description of the valuation methodology and significant inputs used for each asset measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset within the fair value hierarchy.

Note 21: Fair Value Measurements (Continued)

Securities available for sale - Securities available for sale are classified as Level 2 measurements within the fair value hierarchy. Level 2 securities include U.S. government and agency securities and mortgage and asset-backed securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data. Level 3 securities include most corporate securities, which are not actively traded in a market. Fair values of Level 3 securities are calculated using discounted cash flow models that incorporate various assumptions, including expected cash flows and market credit spreads. When comparable sales are available, these are used to validate the models used.

Loans - Loans are not measured at fair value on a recurring basis. However, loans individually evaluated may be measured at fair value on a nonrecurring basis. The fair value measurement of an individually evaluated loan that is collateral dependent is based on the fair value of the underlying collateral. All other individually evaluated loan measurements are based on the present value of expected future cash flows discounted at the applicable effective interest rate and, thus, are not fair value measurements. Fair value measurements of underlying collateral utilize some observable market data, such as independent appraisals reflecting recent comparable sales; however, they also include significant management estimates about assumptions market participants would use to measure fair value and are therefore considered Level 3 measurements.

Appraisals for collateral-dependent individually evaluated loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Department reviews the assumptions and approaches utilized in the appraisal as well as the overall fair value measurement and compares it to other data sources, such as recent market data or industry-wide statistics. On a regular basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to appraised values to arrive at fair value. Recent analysis performed indicated that a discount of 5% to 10% should be applied to appraisals, depending on the type and value of the property.

Other investments – Other investments are not measured at fair value on a recurring basis. However, the balance of other investments are adjusted when observable transaction prices are observed on identical shares. Management considers such observations to constitute a Level 2 measurement.

Foreclosed assets - Real estate and other property acquired through or in lieu of loan foreclosure are not measured at fair value on a recurring basis. However, foreclosed assets are initially measured at fair value (less estimated costs to sell) when they are acquired and may also be measured at fair value (less estimated costs to sell) if they become subsequently impaired. The fair value measurement for each asset may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets but include significant unobservable data and are therefore considered Level 3 measurements.

Note 21: Fair Value Measurements (Continued)

Appraisals for foreclosed assets are performed by certified general appraisers (for commercial properties and other personal properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Department reviews the assumptions and approaches utilized in the appraisal as well as the overall fair value measurement and compares it to other data sources, such as recent market data or industry-wide statistics. On a regular basis, the Company compares the actual selling price of collateral that has been sold to the most recent appraised value to determine what additional adjustment should be made to appraised values to arrive at fair value. Recent analysis performed indicated that a discount of 5% to 10% should be applied to appraisals, depending on the type and value of the property.

Derivatives - Derivative instruments are classified as Level 2 measurements within the fair value hierarchy. The fair value measurement of a derivative instrument is based on a discounted cash flow model that utilizes observable market data, such as market interest rates and interest rate curves.

Mortgage servicing rights - Mortgage servicing rights are measured at fair value on a recurring basis. Serviced loan pools are stratified by year of origination, and a fair value measurement is obtained for each stratum from an independent firm. The measurement is based on recent sales of mortgage servicing rights with similar characteristics. Since the fair value measurement is based on observable market data, it is considered a Level 2 measurement.

Information regarding the fair value of assets and liabilities measured at fair value on a recurring basis as of December 31 follows:

		Recurring Fair Value Measurements Using		
	Assets / Liabilities Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets / Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023				
Assets - Securities available for sale	$ 323,934	$ -	$ 322,684	$ 1,250
Assets - Mortgage servicing rights	11,001	-	11,001	-
Assets - Derivatives	1,618	-	1,618	-
Total	$ 336,553	$ -	$ 335,303	$ 1,250
Liabilities - Derivatives	$ 1,624	$ -	$ 1,624	$ -
2022				
Assets - Securities available for sale	$ 361,186	$ -	$ 350,940	$ 10,246
Assets - Mortgage servicing rights	11,270	-	11,270	-
Assets - Derivatives	821	-	821	-
Total	$ 373,277	$ -	$ 363,031	$ 10,246
Liabilities - Derivatives	$ 822	$ -	$ 822	$ -

Note 21: Fair Value Measurements (Continued)

The following reconciles the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31:

	2023	2022
Balance at beginning	$ 10,246	$ 15,512
Purchases, issuances, maturities, and settlements	(8,996)	(5,266)
Balance at end	$ 1,250	$ 10,246

Information regarding the fair value of assets measured at fair value on a nonrecurring basis as of December 31 follows:

		Nonrecurring Fair Value Measurements Using		
	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2023				
Loans	$ 1,291	$ -	$ -	$ 1,291
Other investments	10,410	-	10,410	-
Total	$ 11,701	$ -	$ 10,410	$ 1,291
2022				
Loans	$ 351	$ -	$ -	$ 351
Other investments	8,104	-	8,104	-
Total	$ 8,455	$ -	$ 8,104	$ 351

Loans with a carrying amount of $2,760 were considered impaired and were written down to their estimated fair value of $1,291. As a result, the Company recognized a specific valuation allowance of $1,469 as of December 31, 2023. As of December 31, 2022, impaired loans with a carrying amount of $446 were written down to their estimated fair value of $351 with a specific valuation allowance totaling $95.

Other investments with a carrying value of $9,720 were written up to their value of $10,307 as of December 31, 2023, based on observed transaction prices. As a result, the Company recorded upward adjustments through income totaling $586. Other investments with a carrying value of $119 were written down as of December 31, 2022, to their estimated fair value of $103 based on observed transaction prices. As a result, the Company recorded downward adjustments through income of $16. Other investments with a carrying value of $6,743 were written up to their estimated fair value of $7,668 as of December 31, 2022, based on observed transaction prices. As a result, the Company recorded net upward adjustments through income totaling $925. Other investments with a carrying value of $493 were written down to their estimated fair value of $436 based on observed transaction prices. As a result, the Company recorded downward adjustments through income totaling $57.

Note 21: Fair Value Measurements (Continued)

The following presents quantitative information about nonrecurring Level 3 fair value measurements at December 31:

Asset	Fair Value	Valuation Technique (s)	Unobservable Input(s)	Standard range of discount
2023				
Individually evaluated loans	$ 1,291	Market and/or income approach	Management discount on appraised values	5%-10%
2022				
Impaired loans	$ 351	Market and/or income approach	Management discount on appraised values	5%-10%

The Company estimates fair value of all financial instruments regardless of whether such instruments are measured at fair value.

The carrying value and estimated fair value of financial instruments at December 31 follows:

			Fair Value Hierarchy		
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
2023					
Financial assets:					
Cash and cash equivalents	$ 48,956	$ 48,956	$ 48,956	$ -	$ -
Other interest-bearing deposits	1,976	1,976	-	1,976	-
Securities available for sale	323,934	323,934	-	322,684	1,250
Securities held to maturity	5,743	5,407	-	-	5,407
Loans held for sale	534	534	-	534	-
Loans, net	2,392,900	2,285,568	-	-	2,285,568
Other investments	37,557	39,327	-	10,410	28,917
Accrued interest receivable	11,315	11,315	11,315	-	-
Derivatives	1,618	1,618	-	1,618	-
Cash value of life insurance	52,968	52,968	52,968	-	-
Total financial assets	$ 2,877,501	$ 2,771,603	$ 113,239	$ 337,222	$2,321,142
Financial liabilities:					
Deposits	$ 2,421,547	$ 2,419,308	$ -	$ -	$2,419,308
Derivatives	1,624	1,624	-	1,624	-
Borrowed funds	284,799	285,534	-	-	285,534
Subordinated debentures	21,910	21,910	-	-	21,910
Accrued interest payable	3,722	3,722	3,722	-	-
Total financial liabilities	$ 2,733,602	$ 2,732,098	$ 3,722	$ 1,624	$2,726,752

Note 21: Fair Value Measurements (Continued)

	Carrying Value	Estimated Fair Value	Fair Value Hierarchy		
			Level 1	Level 2	Level 3
2022					
Financial assets:					
Cash and cash equivalents	$ 67,710	$ 67,710	$ 67,710	$ -	$ -
Other interest-bearing deposits	2,968	2,968	-	2,968	-
Securities available for sale	361,186	361,186	-	350,940	10,246
Securities held to maturity	5,704	5,598	-	-	5,598
Loans held for sale	1,039	1,039	-	1,039	-
Loans, net	2,228,674	2,157,201	-	-	2,157,201
Other investments	28,166	28,166	-	8,104	20,062
Accrued interest receivable	9,641	9,641	9,641	-	-
Derivatives	821	821	-	821	-
Cash value of life insurance	51,724	51,724	51,724	-	-
Total financial assets	$ 2,757,633	$ 2,686,054	$ 129,075	$ 363,872	$2,193,107
Financial liabilities:					
Deposits	$ 2,467,187	$ 2,461,567	$ -	$ -	$2,461,567
Derivatives	822	822	-	822	-
Borrowed funds	126,168	126,168	-	-	126,168
Subordinated debentures	21,910	21,910	-	-	21,910
Accrued interest payable	1,029	1,029	1,029	-	-
Total financial liabilities	$ 2,617,116	$ 2,611,496	$ 1,029	$ 822	$2,609,645

Limitations – The fair value of a financial instrument is the current amount that would be exchanged between market participants, other than in a forced liquidation. Air value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time based upon relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgements regarding future expected loss experienced, current economic conditions, risk characteristics, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the balance sheets. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Note 22: Business Combination

On October 3, 2022, the Company merged with Monona Bankshares, Inc. and acquired its wholly owned subsidiary Monona Bank. For accounting purposes, S.B.C.P. Bancorp, Inc. (renamed Lake Ridge Bancorp, Inc.) was deemed the acquiror for accounting purposes. Results of operations for Monona Bankshares, Inc. from October 3, 2022 are included in the consolidated state of income. Goodwill of $13,539 acquired in the transaction consists largely of the synergies and economies of scale expected from combining operations. Of the goodwill recognized, none is expected to be deductible for income tax purposes. Consideration paid for the net assets acquired included 889,567 shares of the Company's common stock. The estimated fair value of the common stock issued was $122,113 based on an independent third-party valuation. Costs related to the acquisition are included in other noninterest expense on the consolidated statement of income and totaled approximately $1,976 for the year ended December 31, 2022.

The following summarizes assets acquired and liabilities assumed at the Acquisition Date:

Cash and due from banks	$	16,735
Federal funds sold		2,755
Securities		110,022
Loans		966,892
Premises and equipment		20,832
Other investments		10,998
Core deposit premium intangible asset		37,214
Other assets		22,961
Deposits		1,039,946
Borrowed funds		32,821
Other liabilities		7,068
Indentifiable net assets acquired		108,574
Goodwill		13,539
Total consideration paid	$	122,113