TEB BANCORP INC

TEB Bancorp, Inc.

# 2022 Annual Report

TEB BANCORP INC

To our Valued Shareholders:

On behalf of our Board of Directors and staff, we are pleased to present the 2022 Annual Report for TEB Bancorp, Inc., the holding company for The Equitable Bank, S.S.B.

We entered the 2022 fiscal year with less uncertainty regarding the COVID-19 pandemic, which included a return to the office for our entire staff and a reopening of the economy. Our primary objective through the year was to deploy cash and cash equivalents without compromising our sound lending practices. We were able to deploy in excess of $42.4 million in cash and cash equivalents during the fiscal year through both our residential and commercial lending departments. We also prioritized improving our processes to make us more efficient for the benefit of all of our stakeholders.

In fiscal year 2022 we reported net income of over $1.47 million and ended with total assets of over $318 million. We highlight the growth of our loan portfolio, which grew to over $266.4 million compared to $215.4 million from the start of the fiscal year.

Our regulatory capital levels continue to remain above required minimums with Tier 1 capital to average assets and total capital to risk weighted assets of 11.46% and 17.33% respectively. These capital levels allow us to continue on our path of measured growth of assets without compromising credit quality.

In 2023, it is our goal to continue to remain competitive and strive to be the community bank of choice for both existing and future customers while enhancing shareholder value. We thank you for your continued support and commitment to TEB Bancorp, Inc. and The Equitable Bank, S.S.B.

Sincerely,

Jennifer Provancher

John P Matter

Jennifer L. Provancher
Chief Executive Officer

John P. Matter
Chairman of the Board

**Independent Auditor's Report**

To the Stockholders and the Board of Directors of TEB Bancorp Inc.:

**Opinion**

We have audited the consolidated financial statements of TEB Bancorp, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations, comprehensive (loss) income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

As of and for the year ended June 30, 2022, we conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). As of and for the year ended June 30, 2021, we conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Our responsibilities under these standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements 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 opinion.

**Responsibilities of Management for the Consolidated Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS or PCAOB standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS or PCAOB standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Milwaukee, Wisconsin
September 21, 2022

**TEB BANCORP, INC. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | $ 6,662,282 | $ 5,577,965 |
| Federal funds sold | 506,988 | 43,799,524 |
| Cash and cash equivalents | 7,169,270 | 49,377,489 |
| | | |
| Interest bearing deposits in banks | 95,112 | 326,245 |
| Available for sale securities - stated at fair value | 33,174,033 | 32,868,700 |
| Loans, less allowance for loan losses of $1,481,729 and $1,412,489 at June 30, 2022 and June 30, 2021, respectively | 266,377,430 | 215,419,951 |
| Loans held for sale | 1,075,575 | 6,866,900 |
| Other real estate owned, net | 167,590 | 167,590 |
| Premises and equipment, net | 7,678,701 | 7,912,493 |
| Federal Home Loan Bank stock | 1,031,200 | 1,031,200 |
| Accrued interest receivable and other assets | 1,605,642 | 1,731,234 |
| **TOTAL ASSETS** | $ 318,374,553 | $ 315,701,802 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **LIABILITIES** | | |
| Deposits | | |
| Demand | $ 112,070,949 | $ 108,991,043 |
| Savings and NOW | 92,971,872 | 88,156,887 |
| Certificates of deposit | 78,205,138 | 72,738,385 |
| Total Deposits | 283,247,959 | 269,886,315 |
| Federal Home Loan Bank borrowings | — | 5,000,000 |
| Advance payments by borrowers for property taxes and insurance | 3,333,001 | 3,434,519 |
| Accrued interest payable and other liabilities | 1,422,749 | 4,257,101 |
| Total Liabilities | 288,003,709 | 282,577,935 |
| | | |
| **STOCKHOLDERS' EQUITY** | | |
| Preferred stock ($0.01 par value, 5,000,000 authorized, no shares issued or outstanding as of June 30, 2022 and June 30, 2021, respectively) | — | — |
| Common stock ($0.01 par value, 20,000,000 authorized, 2,624,343 issued and outstanding as of June 30, 2022 and June 30, 2021) | 26,243 | 26,243 |
| Additional paid in capital | 11,319,328 | 11,319,328 |
| Retained earnings | 24,859,017 | 23,388,455 |
| Accumulated other comprehensive loss | (5,833,744) | (1,610,159) |
| Total Stockholders' Equity | 30,370,844 | 33,123,867 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 318,374,553 | $ 315,701,802 |

See accompanying notes to consolidated financial statements.

**TEB BANCORP, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the year ended June 30, 2022 | For the year ended June 30, 2021 |
|---|---|---|
| **INTEREST AND DIVIDEND INCOME** | | |
| Interest and fees on loans | $ 8,062,412 | $ 9,878,788 |
| Interest and dividends on investment securities | 791,525 | 607,612 |
| Interest on federal funds sold | 34,429 | 1,877 |
| Interest on deposits in banks | 441 | 865 |
| Total Interest and Dividend Income | 8,888,807 | 10,489,142 |
| | | |
| **INTEREST EXPENSE** | | |
| Interest on deposits | 1,020,882 | 1,264,092 |
| Interest on Federal Home Loan Bank borrowings | 440 | 6,806 |
| Interest on federal funds purchased | — | 264 |
| Total Interest Expense | 1,021,322 | 1,271,162 |
| | | |
| Net interest income before provision for loan losses | 7,867,485 | 9,217,980 |
| Provision for loan losses | 75,000 | 150,000 |
| Net interest income after provision for loan losses | 7,792,485 | 9,067,980 |
| | | |
| **NON-INTEREST INCOME** | | |
| Service fees on deposits | 370,718 | 408,867 |
| Service fees on loans | 248,640 | 224,397 |
| Gain on sales of mortgage loans | 3,713,757 | 12,032,795 |
| Income on sale of uninsured products | 490,505 | 503,254 |
| Net gain on sale of other real estate owned | — | 33,066 |
| Gain on sales of securities | 35,067 | — |
| Other income | 28,661 | 25,081 |
| Total Non-Interest Income | 4,887,348 | 13,227,460 |
| | | |
| **NON-INTEREST EXPENSES** | | |
| Compensation and benefits | 6,365,376 | 10,000,197 |
| Occupancy | 2,069,923 | 2,121,311 |
| Advertising | 170,420 | 164,180 |
| Data processing services | 1,058,002 | 1,066,607 |
| FDIC assessment | 82,688 | 89,945 |
| Cost of operations for other real estate owned | 12,615 | 174,340 |
| Insurance expense | 112,596 | 115,950 |
| Professional fees | 342,758 | 524,787 |
| Other expenses | 994,893 | 1,652,136 |
| Total Non-Interest Expenses | 11,209,271 | 15,909,453 |
| | | |
| Income before income taxes | 1,470,562 | 6,385,987 |
| Income tax expense | — | — |
| **NET INCOME** | $ 1,470,562 | $ 6,385,987 |
| | | |
| Basic income per share | $ 0.56 | $ 2.43 |
| Diluted income per share | $ 0.56 | $ 2.43 |

See accompanying notes to consolidated financial statements.

**TEB BANCORP, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

| | For the year ended June 30, 2022 | For the year ended June 30, 2021 |
|---|---|---|
| Net income | $ 1,470,562 | $ 6,385,987 |
| Other comprehensive income (loss), net of tax | | |
| Unrealized gains/losses on securities | | |
| Net unrealized holding losses arising during the year | (4,469,644) | (75,243) |
| Reclassification adjustment for gains realized in net income | (35,067) | — |
| Tax effect | — | — |
| Change in pension obligation | 281,126 | 3,300,920 |
| Tax effect | — | — |
| Other comprehensive (loss) income, net of tax | (4,223,585) | 3,225,677 |
| **COMPREHENSIVE (LOSS) INCOME** | $ (2,753,023) | $ 9,611,664 |

See accompanying notes to consolidated financial statements.

**TEB BANCORP, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

| | Number of Shares | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|
| **BALANCES - July 1, 2020** | 2,624,343 | $ 26,243 | $ 11,319,328 | $ 17,002,468 | $ (4,835,836) | $ 23,512,203 |
| Net income | | | | 6,385,987 | | 6,385,987 |
| Other Comprehensive Income, net of tax | | | | | 3,225,677 | 3,225,677 |
| **BALANCES - June 30, 2021** | 2,624,343 | $ 26,243 | $ 11,319,328 | $ 23,388,455 | $ (1,610,159) | $ 33,123,867 |
| Net income | | | | 1,470,562 | | 1,470,562 |
| Other Comprehensive Loss, net of tax | | | | | (4,223,585) | (4,223,585) |
| **BALANCES - June 30, 2022** | 2,624,343 | $ 26,243 | $ 11,319,328 | $ 24,859,017 | $ (5,833,744) | $ 30,370,844 |

See accompanying notes to consolidated financial statements.

**TEB BANCORP, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the year ended June 30, 2022 | For the year ended June 30, 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | $ 1,470,562 | $ 6,385,987 |
| Adjustments to reconcile net income to net cash flows provided by operating activities | | |
| Provision for loan losses | 75,000 | 150,000 |
| Depreciation | 541,911 | 554,500 |
| Net amortization and accretion | 33,977 | (34,309) |
| Origination of mortgage loans held for sale | (166,136,409) | (496,487,911) |
| Proceeds from sales of mortgage loans held for sale | 175,641,491 | 520,343,833 |
| Gain on sale of mortgage loans held for sale | (3,713,757) | (12,032,795) |
| Gain on sale of other real estate owned, net | — | (33,066) |
| Gain on sale or disposal of assets, net | — | (7,510) |
| Gain on sale of investments | (35,067) | — |
| Changes in assets and liabilities: | | |
| Accrued interest receivable and other assets | 125,592 | 42,252 |
| Accrued interest payable and other liabilities | (2,553,223) | (6,450,768) |
| Net cash flows provided by operating activities | 5,450,077 | 12,430,213 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from maturities or calls of securities available for sale | 2,381,796 | 4,282,964 |
| Proceeds from sales of securities available for sale | 1,869,248 | — |
| Purchase of securities available for sale | (9,060,000) | (16,895,000) |
| Change in loans | (51,032,479) | 21,698,908 |
| Change from redemption of FHLB stock | — | 314,300 |
| Change in interest bearing deposits in banks | 231,132 | 2,386,919 |
| Proceeds from sale of other real estate owned | — | 2,032,585 |
| Charge-offs on other real estate owned | — | 152,765 |
| Proceeds from sale of premises and equipment | — | 26,400 |
| Purchase of premises and equipment, net | (308,119) | (525,842) |
| Net cash flows (used in) provided by investing activities | (55,918,422) | 13,473,999 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net decrease in deposits | 13,361,644 | 13,814,784 |
| FHLB advance proceeds | 8,500,000 | 50,500,000 |
| FHLB advance repayments | (13,500,000) | (54,500,000) |
| Change in advance payments by borrowers for property taxes and insurance | (101,518) | 552,452 |
| Net cash flows provided by financing activities | 8,260,126 | 10,367,236 |
| **Net Change in Cash and Cash Equivalents** | (42,208,219) | 36,271,448 |
| | | |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | 49,377,489 | 13,106,041 |
| **CASH AND CASH EQUIVALENTS - END OF PERIOD** | $ 7,169,270 | $ 49,377,489 |
| | | |
| **SUPPLEMENTAL CASH FLOW DISCLOSURES** | | |
| Cash paid for interest | $ 1,017,347 | $ 1,300,434 |
| Loans transferred to other real estate owned | — | 31,619 |

See accompanying notes to consolidated financial statements.

## NOTE 1 – Summary of Significant Accounting Policies

### *Organization*

On April 30, 2019, The Equitable Bank, S.S.B. (the "Bank") converted to a stock savings bank and is now organized in the mutual holding company structure. The Bank issued all of its outstanding stock to a new holding company, TEB Bancorp, Inc. (the "Bancorp"), which sold 1,309,547 shares of common stock to the public at $10.00 per share, representing 49.9% of its outstanding shares of common stock for gross proceeds of approximately $13.1 million. The net proceeds received were approximately $11.4 million after offering costs. TEB Bancorp, Inc. is organized as a corporation under the laws of the State of Maryland. The Bank utilized $100,000 of proceeds received from the offering as initial capitalization of TEB MHC. TEB MHC has been organized as a mutual holding company under the laws of the State of Wisconsin and owns 1,314,796 shares, or 50.1% of the outstanding common stock of TEB Bancorp, Inc.

The Bank is a state-chartered savings bank providing a full range of financial services. The Bank grants commercial, residential and consumer loans, and accepts deposits from customers primarily in the Metropolitan Milwaukee area, which is in southeastern Wisconsin. The Bank is subject to competition from other financial institutions and nonfinancial institutions providing financial products. Additionally, the Bank is subject to the regulations of certain regulatory agencies and undergoes periodic examination by those regulatory agencies.

All depositors who had liquidation rights with respect to the Bank as of the effective date of the reorganization continue to have such rights solely with respect to TEB MHC so long as they continue to hold their deposit accounts with the Bank. In addition, all persons who become depositors of the Bank subsequent to the reorganization will have such liquidation rights with respect to TEB MHC.

At June 30, 2022, the significant assets of TEB Bancorp, Inc. were the capital stock of the Bank and a deposit account held at the Bank. The liabilities of TEB Bancorp, Inc. were insignificant. The Company is subject to regulation and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board").

Effective May 7, 2022, the Company is no longer subject to the financial reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

### *Principles of Consolidation*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts and operations of TEB Bancorp, Inc. and its wholly-owned subsidiaries, the Bank, Equitable Investment Corp., and Equity Credit Corp. (the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

### *Use of Estimates*

In preparing the consolidated financial statements in conformity with U.S. GAAP, management of the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the pension actuarial assumptions, and the valuation of deferred tax assets.

***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 recognized as performance obligations are satisfied.

The majority of the Company's revenue-generating transactions are not subject to ASC 606, including all interest and dividend income generated from financial instruments. Certain noninterest income items, including gain on sales of loans, gain on sales of securities, and other noninterest income have been evaluated and determined to not fall within the scope of ASC 606. Elements of noninterest income that fall within the scope of ASC 606 are as follows:

***Service charges and other 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 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. It was found that the waiver of service charges due to insufficient funds and dormant account fees is immaterial and did not require a change in the accounting treatment for these fees under the new revenue standards.

***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. These funds are included in "Service fees on deposits" on the Consolidated Statements of Operations. There are no contingent debit card interchange fees recorded by the Company that could be subject to a clawback in future periods.

***Cash and Due From Banks***

For purposes of reporting cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, all of which mature within 90 days. The Company maintains amounts due from banks, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

***Interest Bearing Deposits in Banks***

Interest bearing deposits in banks mature within one year and are carried at cost, which approximates fair value.

***Securities***

Available for sale securities are stated at fair value and unrealized holding gains and losses on available for sale securities are reported as accumulated other comprehensive income (loss), net of applicable deferred income tax and adjusted for any applicable valuation allowance, a separate component of equity. Available for sale securities are written down to market value through operations if an impairment of value is deemed other than temporary due to credit issues. Gains or losses on the sale of securities, if any, are determined on the specific identification method. Securities transactions are recorded on the trade date.

***Loans***

Loans are carried at the unpaid principal balance adjusted for deferred loan fees and costs and charge-offs. Loan origination and commitment fees and certain direct loan origination costs are deferred and the net amounts amortized as an adjustment of the related loan's yield over the contractual life of the related loan.

Interest on loans is accrued on the unpaid principal balances as earned. Loans are normally placed on nonaccrual status when contractually past due 90 days or more as to interest or principal payments. Additionally, whenever management becomes aware of facts or circumstances that may adversely impact the collectability of principal or interest on a loan, it is management's practice to place such loan on nonaccrual status immediately, rather than delaying such action until the loan becomes 90 days past due. When a loan is placed on nonaccrual, previously accrued and uncollected interest on such loan is reversed, amortization of related loan fees is suspended, and income is recorded only to the extent that loan payments are subsequently received in cash and a determination has been made that the principal balance of the loan is collectible. If collectability of the principal is in doubt, payments received are applied to loan principal.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status and the probability of collecting scheduled principal and interest payment when due.

A troubled debt restructuring ("TDR") includes a loan modification where a borrower is experiencing financial difficulty and a concession is granted to that borrower that would not otherwise have been considered except for the borrower's financial difficulties. TDRs may be on accrual or nonaccrual status based upon the performance of the borrower and management's assessment of collectability. TDRs placed on nonaccrual may return to accrued status based on performance in accordance with terms of the restructuring, generally six months.

***Loans Held for Sale***

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to operations. All sales are made without recourse.

***Allowance for Loan Losses***

The allowance for loan losses ("ALL") is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the ALL when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the ALL. The ALL consists of specific reserves on certain impaired loans from analyses developed through specific credit allocations for individual loans. The specific reserve relates to all loans for which the ALL is estimated on a loan by loan basis using either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. The general reserve is based on the Company's historical loss experience along with consideration of certain qualitative factors such as (i) changes in the nature, volume, and terms of loans, (ii) changes in lending personnel, (iii) changes in the quality of the loan review function, (iv) changes in nature and volume of past-due, nonaccrual, and/or classified loans, (v) changes in concentration of credit risk, (vi) changes in economic and industry conditions, (vii) changes in legal and regulatory requirements, (viii) unemployment and inflation statistics, and (ix) changes in underlying collateral values.

There are many factors affecting the ALL; some are quantitative while others require qualitative judgment. The ALL reflects management's best estimate of the probable and inherent losses on loans. The adequacy of the ALL is reviewed and approved by the Company's Board of Directors. Allocations of the ALL may be made for specific loans, but the entire ALL is available for any loan that, in management's judgment, should be charged-off.

As an integral part of their examination process, various regulatory agencies review the ALL as well. Such agencies may require that changes in the ALL be recognized when such regulatory credit evaluations differ from those of management based on information available to the regulators at the time of their examinations.

***Premises and Equipment, Net***

Premises and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization expense is provided on the straight-line method over the estimated useful life of the asset for financial reporting purposes, and the straight-line and accelerated methods for income tax purposes. Amortization of leasehold improvements is provided on the straight-line method over the lesser of the term of the respective lease or the estimated economic life of the improvements.

***Other Real Estate Owned, Net***

Other real estate owned is initially recorded at the fair market value of the real estate acquired less the estimated costs to sell the real estate at the date title is received, establishing a new cost basis, with any write-down charged to the allowance for loan losses. Costs relating to development or improvement of property are capitalized up to the fair value of the property. Valuations are periodically performed by management and independent third parties and a charge to expense is taken if the carrying value of a property exceeds its fair value less estimated costs to sell. Income and expense related to the operations of other real estate owned is recorded net in "Cost of operations of other real estate owned" as a component of non-interest expenses on the consolidated statements of operations. Gains and losses on the sale of other real estate owned are recorded in "Gain on sale of other real estate owned" as a component of non-interest income in the consolidated statements of operations.

***Federal Home Loan Bank Stock***

The Bank is a member of the Federal Home Loan Bank ("FHLB") system. Members are required to own a certain amount of FHLB stock based on the Bank's level of borrowings from the FHLB and other factors, and may invest in additional amounts of FHLB stock. The Bank's investment in FHLB of Chicago stock meets the minimum amount required by current regulations and is carried at cost, which approximates fair value. FHLB stock is evaluated quarterly for impairment. Based on management's evaluation, no impairment has been recorded on these securities. Both cash and stock dividends are reported as income.

***Defined Benefit Pension Plan***

The Bank has a defined benefit pension plan (the "Plan") covering substantially all of its employees hired prior to March 31, 2012. The benefits are based on years of service and the employee's average monthly pay received during the five highest consecutive calendar years in the last 10 years of employment under the Plan. Management contributes annually the amounts necessary to provide for defined benefit payments upon retirement or death as determined by the Plan's actuary. The Plan was frozen effective March 31, 2012 for all employees. No additional benefits are being accrued for active participants after that date and no new participants will be entered into the Plan.

The Bank records annual amounts relating to the Plan based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality, assumed rates of return, compensation increases, and turnover rates. The Bank reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends where appropriate to do so. The effect of modifications to those assumptions is recorded in accumulated other comprehensive income (loss) and amortized to net periodic pension cost over future periods. The Bank believes that the assumptions utilized in recording its obligations under its plan are reasonable based on its experience and market conditions.

***Comprehensive Income (Loss)***

U.S. GAAP generally requires that recognized revenue, expenses, gains, and losses be included in income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section and changes in the funded status of the pension plan, such items, along with net income are components of comprehensive income (loss).

***Income Taxes***

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company recognizes the tax effects from an uncertain tax position in the consolidated financial statements only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized, upon ultimate settlement with the relevant tax authority. The Company recognizes interest and penalties accrued or released related to uncertain tax positions in current income tax expense or benefit.

***Transfers of Financial Assets***

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

***Advertising***

Advertising costs are accrued and expensed in the period incurred.

***Off-Balance Sheet Financial Instruments***

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

***COVID -19***

In December 2019, a coronavirus (COVID-19) was reported in China and in March 2020 was declared a national emergency in the United States. The COVID-19 pandemic caused significant economic dislocation as many state and local governments have ordered non-essential businesses to close and residents to shelter in place at home. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the full impact of the COVID-19 outbreak on our business. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated and how the economy continues to reopen. Nonetheless, the Company has not incurred any significant disruptions to its business activities.

The Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was signed into law on March 27, 2020 and provided over $2.0 trillion in emergency economic relief to individuals and businesses impacted by the COVID-19 pandemic. The CARES Act authorized the Small Business Administration (“SBA”) to temporarily guarantee loans under a new 7(a) loan program call the Paycheck Protection Program (“PPP”). Although we were not already a qualified SBA lender, we enrolled in the PPP by completing the required documentation.

In October 2020, the SBA approved an extension of the deferment period without modifications on the PPP loans originated. The Company agreed to extend the deferment period for six months from the first payment date.

In late December of 2020, as part of the Taxpayer Certainty and Disaster Recovery Act, the PPP loan portal was reopened for first draw PPP loan applications. A second draw was made available to qualified businesses starting January 13, 2021. Eligible borrowers will qualify for full forgiveness if employee and compensations levels are maintained with at least 60 percent attributed to payroll costs. The remaining can be used for interest on mortgages, rents, and utilities.

Eligibility for first draws required, that together with their affiliates, employers have 500 or fewer employees. Second draw eligibility required borrowers to have received a first draw PPP Loan and will or had used the full amount only for authorized use, had no more than 300 employees and demonstrated at least a 25% reduction in gross receipts between comparable quarters of 2019 and 2020.

Since the reopening in January 2021, the Company has originated 9 first and second draw PPP loans totaling $729,000 and netting fees of $32,000. As of December 31, 2021, all of those loans received full forgiveness from the SBA .

Prior to the reopening, The Company had recorded 17 PPP loans totaling $1.1 million. These 17 loans generated fees net to the Company of $44,000. As of March 24, 2021 all of the 17 loans had received full forgiveness from the SBA.

To work with customers impacted by COVID-19, the Company was offering short-term (i.e., three months or less with the potential to extend up to six months, if necessary) loan modifications on a case by case basis to borrowers who were current in their payments at the inception of the loan modification program. Under Section 4013 of the CARES Act, loans less than 30 days past due as of December 30, 2020 are considered current for COVID-19 modifications. A financial institution can then suspend the requirements under U.S. GAAP for loan modifications related to COVID-19 that would otherwise be categorized as a TDR, and suspend any determination of a loan modified as a result of COVID-19 as being a TDR, including the requirement to determine impairment for accounting purposes. Financial institutions wishing to utilize this authority must make a policy election, which applies to any COVID-19 modification made between March 1, 2020 and the earlier of either January 1, 2022 or the 60th day after the end of the COVID-19 national emergency. Similarly, the Financial Accounting Standards Board (“FASB”) has confirmed that short-term modifications made on a good faith basis in response to COVID-19 to loan customers who were current prior to any relief are not TDRs. Lastly, prior to the enactment of the CARES Act, the banking regulatory agencies provided guidance as to how certain short-term modifications would not be considered TDRs, and have subsequently confirmed that such guidance could be applicable for loans that do not qualify for favorable accounting treatment under Section 4013 of the CARES Act. On December 27, 2020, the Consolidated Appropriations Act, 2020 (the “CAA Act”), which both funded the federal government until September 30, 2021 and broadly addressed additional COVID-19 responses and relief. Amoung the additional relief measures included are certain extensions to elements of the CARES Act, including extension of temporary relief from TDRs established under Section 4013 of the CARES Act to the earlier of a) January 1, 2022, or b) the date that is 60 days after the date on which the national COVID-19 emergency terminates.

As of June 30, 2022, the Company had provided modifications for 75 loans in our current portfolio aggregating $17.9 million, which excludes any loans that had been paid off subsequent to modification. Of these modifications, $17.6 million, or 98.4%, were performing in accordance with the accounting treatment under Section 4013 of the CARES Act and therefore did not qualify as TDRs. Three loans totaling $277,000 did not qualify for the favorable accounting treatment under Section 4013 of the CARES Act and therefore each loan was reported as a TDR; however, all of the loans were transferred out of TDR status after receiving six consequtive monthly payments after the end of the deferral period. Management has evaluated the loans and determined that based on the liquidation value of the collateral, no specific reserve is necessary. Details with respect to loan modification requests are as follows:

| | As of June 30, 2022 | | | |
|---|---|---|---|---|
| | Payments Resumed | | Payments Deferred | |
| **Loan Classification** | **Number of Loans** | **Balance** | **Number of Loans** | **Balance** |
| Construction, land, development | 2 | $ 109,224 | — | $ — |
| 1-4 family owner occupied | 49 | 7,417,267 | 1 | 222,916 |
| 1-4 family non-owner occupied | 11 | 1,216,292 | — | — |
| Multifamily | 6 | 7,366,868 | — | — |
| Commercial owner occupied | 2 | 1,410,385 | — | — |
| Commercial non-owner occupied | 1 | 101,824 | — | — |
| Consumer and installment loans | 3 | 42,290 | — | — |
| Total loan modification requests | 74 | $ 17,664,150 | 1 | $ 222,916 |

### *Subsequent Events*

Management has reviewed the Company’s operations for potential disclosure or financial statement impacts related to events occurring after June 30, 2022, but prior to the release of these financial statements. Based on the results of this review, no subsequent event disclosure or financial statement impacts to these financial statements are required as of September 21, 2022.

### *Recent Accounting Pronouncements*

The FASB issues Accounting Standards Updates (“ASU”s) to the FASB ASC. This section provides a summary description of recent ASUs that had or that management expects may have an impact on the consolidated financial statements issued upon adoption.

***Recently Adopted Accounting Pronouncements***

In August 2018, the FASB issued ASU No. 2018-14, "Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans." ASU 2018-14 applies to all employers that sponsor defined benefit pension or other postretirement plans. The amendments require that an employer disclose an explanation of the reasons for significant gains and losses related to changes in the net benefit obligation for the period. Multiple disclosure requirements are also removed with this amendment, including: (1) the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year; (2) the amount and timing of plan assets expected to be returned to the employer; (3) related party disclosures about significant transactions between the employer or related parties and the plan; and (4) the effects of a one-percentage-point change in assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic benefit costs. Additional disclosure requirements contained within Subtopic 715-20 are also clarified. The amendments are effective for fiscal years ending after December 15, 2021. Although this ASU impacted the Company's defined benefit pension plan disclosures, there was no additional impact to the Company's consolidated financial statements.

***Recently Issued, But Not Yet Effective Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." Topic 842 was subsequently amended by ASU 2018-10, "Codification Improvements to Topic 842, Leases" and ASU 2018-11, "Leases (Topic 842)". The amendments in this update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For leases with a term of 12 months or less, the amendments permit lessees to make an accounting policy election by class of underlying assets not to recognize lease assets and lease liabilities. For finance leases, the amendments in this update require a lessee to (1) recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, on the balance sheet; (2) recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of operations; (3) classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the least liability and variable lease payments within operating activities in the statement of cash flows. For operating leases, the amendments in this update require a lessee to (1) recognized a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; (2) recognized a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; (3) classify all cash payments within operating activities in the statement of cash flows. On October 16, 2019, the FASB approved the proposal to delay the effective date for this standard for private and all other entities. Due to the Company's extended transition period election, the amendments are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company's current leases are comprised predominantly of leases for real estate which are classified as operating leases under current accounting standards and, as such, are excluded from the consolidated balance sheet. ASU 2016-02 will require the Company to record these leases within its consolidated balance sheet. Management is currently evaluating other impacts this guidance will have on the consolidated financial statements of the Company.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments." Topic 326 was subsequently amended by ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses; ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses"; and ASU 2019-05, "Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief." This ASU replaces the current incurred loss impairment methodology with a methodology that reflected expected credit losses measured at amortized cost and certain other instruments, including loans, held-to-maturity debt securities, net investments in leases, and off-balance-sheet credit exposures. On October 16, 2019, the FASB approved the proposal to delay the effective date for this standard for private and all other entities. Due to the Company's extended transition period election, the update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Management is currently evaluating the potential impact on its consolidated financial statements of the Company; however, due to the significant differences in the revised guidance from existing U.S. GAAP, the implementation of this guidance may result in material changes in the Company's accounting for credit losses on financial instruments.

In January 2021, the FASB issued ASU No. 2021-01, "Reference Rate Reform (Topic 848)." ASU 2021-01 responds to concerns about structural risks of interbank offered rates (IBORs) and particularly the risk of cessation of the London Interbank Offered Rate (LIBOR). The amendments clarify the scope of Topic 848 as to the accounting for derivatives within a company's portfolio and amend the expedients and exceptions to capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. While the Company has no hedging instruments, it does have loans that adjust to LIBOR at varying periods within the term on the loan. This ASU was effective upon its issuance on January 7, 2021, however the amendments related to the discounting transition are optional. The Company has yet to adopt this ASU, but management does not expect it to have a material impact on the Company's financial statements.

## NOTE 2 – Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer liabilities in an orderly transaction between market participants at the measurement date (exit price) and establishes a framework for measuring fair value.

To determine fair value, the Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company is able to classify fair value balances based on the observability of those inputs. The guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

> Level 1 - Fair value is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as listed equities and U.S. Treasury securities.

> Level 2 - Fair value is based upon quoted prices for similar, but not identical, assets and liabilities in active markets, and other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. This also includes quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

> Level 3 - Fair value is based upon financial models using primarily unobservable inputs. Unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

***Assets***

***Available for sale securities*** Where quoted prices for securities are available in an active market, those securities are classified within Level 1 of the valuation hierarchy. If such quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Examples of securities with similar characteristics, which would generally be classified within Level 2 of the valuation hierarchy, include certain AAA-rated U.S. government sponsored agency securities, municipal obligations, and mortgage-backed securities. A security using financial models based upon primarily unobservable inputs, such as commercial paper, would generally be classified within Level 3 of the valuation hierarchy.

***Loans*** The Company does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for loan losses may be established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, or liquidation value and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the collateral exceeds the recorded investments in such loans and for which carrying amount will remain at amortized cost. Impaired loans where an allowance is established based on the fair value of collateral or expected cash flows require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, less selling costs, the Company records the impaired loan as a non-recurring Level 3 valuation.

***Other real estate owned, net*** Assets on which the underlying collateral has been repossessed are initially recorded at the fair market value of the real estate acquired less estimated costs to sell, establishing a new cost basis.

Subsequently, other real estate owned is carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, less selling costs, the Company records the repossessed asset as a non-recurring Level 3 valuation.

The following tables set forth, by level within the fair value hierarchy, the Company's financial assets that were accounted for at fair value on a recurring and non-recurring basis as of June 30, 2022 and 2021, respectively. According to fair value guidance, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

*The following table presents assets measured at fair value on a recurring basis:*

| | Fair Value as of June 30, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Securities classified as available for sale: | | | | |
| Obligations of states and political subdivisions | $ — | $ 26,339,457 | $ — | $ 26,339,457 |
| US government agency obligations | — | 5,189,566 | — | 5,189,566 |
| Municipal leases | — | 846,542 | — | 846,542 |
| Certificates of deposit | — | 798,468 | — | 798,468 |
| Total | $ — | $ 33,174,033 | $ — | $ 33,174,033 |

| | Fair Value as of June 30, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Securities classified as available for sale: | | | | |
| Obligations of states and political subdivisions | $ — | $ 23,775,999 | $ — | $ 23,775,999 |
| US government agency obligations | — | 5,981,978 | — | 5,981,978 |
| Mortgage-backed securities | — | 1,274,916 | — | 1,274,916 |
| Municipal leases | — | 1,002,989 | — | 1,002,989 |
| Certificates of deposit | — | 832,818 | — | 832,818 |
| Total | $ — | $ 32,868,700 | $ — | $ 32,868,700 |

*Assets measured at fair value on non-recurring basis:*

| | Fair Value as of June 30, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Impaired loans with a valuation allowance, net | $ — | $ — | $ 111,181 | $ 111,181 |
| Other real estate owned, net | — | — | 167,590 | 167,590 |
| Total | $ — | $ — | $ 278,771 | $ 278,771 |

| | Fair Value as of June 30, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Impaired loans with a valuation allowance, net | $ — | $ — | $ 116,906 | $ 116,906 |
| Other real estate owned, net | — | — | 167,590 | 167,590 |
| Total | $ — | $ — | $ 284,496 | $ 284,496 |

Loans with a carrying amount of approximately $188,000 and $206,000 were considered impaired as of June 30, 2022 and June 30, 2021 and a specific allowance for loan losses of $77,000 and $89,000, respectively, was established against these loans.

Other real estate owned with carrying amounts of approximately $168,000 were determined to be at their fair value as of June 30, 2022 and June 30, 2021.

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

| | As of June 30, 2022 | | | |
|---|---|---|---|---|
| | Fair Value | Valuation Technique | Unobservable Input(s) | Range/Weighted Average |
| Impaired loans with a valuation allowance, net | $ 111,181 | Market price or appraised value | Discount on appraised values for selling costs | 5% - 15% |
| Other real estate owned, net | $ 167,590 | Market price or appraised value | Discount on appraised values for selling costs | 5% - 15% |

| | As of June 30, 2021 | | | |
|---|---|---|---|---|
| | Fair Value | Valuation Technique | Unobservable Input(s) | Range/Weighted Average |
| Impaired loans with a valuation allowance, net | $ 116,906 | Market price or appraised value | Discount on appraised values for selling costs | 5% - 15% |
| Other real estate owned, net | $ 167,590 | Market price or appraised value | Discount on appraised values for selling costs | 5% - 15% |

***Financial Disclosures about Fair Value of Financial Instruments***

Accounting guidance requires disclosures of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair values. Certain financial instruments and all non-financial instruments are excluded from the scope of the guidance.

The estimated fair values of financial instruments are as follows:

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| **FINANCIAL ASSETS** | | | | |
| Cash and cash equivalents | $ 7,169,270 | $ 7,169,270 | $ 49,377,489 | $ 49,377,489 |
| Interest bearing deposits in banks | $ 95,112 | $ 95,112 | $ 326,245 | $ 326,245 |
| Available for sale securities | $ 33,174,033 | $ 33,174,033 | $ 32,868,700 | $ 32,868,700 |
| Loans, net | $ 266,377,430 | $ 253,582,070 | $ 215,419,951 | $ 217,957,441 |
| Loans held for sale | $ 1,075,575 | $ 1,075,575 | $ 6,866,900 | $ 6,866,900 |
| Federal Home Loan Bank stock | $ 1,031,200 | $ 1,031,200 | $ 1,031,200 | $ 1,031,200 |
| Accrued interest receivable | $ 879,816 | $ 879,816 | $ 790,884 | $ 790,884 |
| **FINANCIAL LIABILITIES** | | | | |
| Deposits | $ 283,247,959 | $ 282,227,211 | $ 269,886,315 | $ 258,477,900 |
| Federal Home Loan Bank borrowings | $ — | $ — | $ 5,000,000 | $ 5,000,000 |
| Accrued interest payable | $ 80,423 | $ 80,423 | $ 35,020 | $ 35,020 |

The methods and assumptions that were used to estimate the fair value of financial assets and financial liabilities that are measured at fair value on a recurring and non-recurring basis have been previously disclosed. The following methods and assumptions were used to estimate the fair value of other financial instruments for which it is practicable to estimate that value:

**Cash and cash equivalents** – Due to their short term nature, the carrying amount of cash equivalents approximates fair value and is categorized in level 1 of the fair value hierarchy.

**Interest bearing deposits in banks** – The carrying amount approximates fair value and is categorized in level 2 of the fair value hierarchy.

**Available for sale securities** – The fair value is estimated using quoted market prices or by using pricing models and is categorized in level 2 of the fair value hierarchy.

**Loans**– The fair value of variable rate loans that reprice frequently are based on carrying values. The fair value of other loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and is categorized in level 3 of the fair value hierarchy.

**Loans held for sale** – Fair value is based on commitments on hand from investors or prevailing market prices and is categorized in level 2 of the fair value hierarchy.

**Federal Home Loan Bank stock** – No secondary market exists for FHLB stock. The stock is bought and sold at par by the FHLB and management believes the carrying amount approximates fair value and is categorized in level 2 of the fair value hierarchy.

**Accrued interest receivable** – Due to their short term nature, the carrying amount approximates fair value and is categorized in level 1 of the fair value hierarchy.

**Deposits** – Fair value of deposits with no stated maturity, such as demand deposits, savings, and money market accounts, by definition, is the amount payable on demand on the reporting date. Fair value of fixed rate time deposits is estimated using discounted cash flows applying interest rates currently offered on similar time deposits. Deposits are categorized in level 3 of the fair value hierarchy.

**Federal Home Loan Bank borrowings** – The carrying amount approximates fair value and is categorized in level 2 of the fair value hierarchy.

**Accrued interest payable** – Due to their short term nature, the carrying amount approximates fair value and is categorized in level 1 of the fair value hierarchy.

The estimated fair value of fee income on letters of credit at June 30, 2022 and 2021 is insignificant. Loan commitments on which the committed interest rate is less than the current market rate are also insignificant at June 30, 2022 and 2021.

## NOTE 3 – Cash and Due From Banks

In March 2020, the Federal Reserve Board reduced reserve requirements to U.S. banks to 0%. Accordingly, the Bank had no required reserves with the Federal Reserve Bank of Chicago at June 30, 2022 and 2021.

## NOTE 4 – Available for Sale Securities

Amortized costs and fair values of available for sale securities are summarized as follows:

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Obligations of states and political subdivisions | $ 29,751,192 | $ 800 | $ 3,412,535 | $ 26,339,457 |
| U.S. government agency obligations | 5,642,552 | — | 452,986 | 5,189,566 |
| Mortgage-backed securities | — | — | — | — |
| Municipal leases | 998,099 | — | 151,557 | 846,542 |
| Certificates of deposit | 800,000 | 812 | 2,344 | 798,468 |
| | $ 37,191,843 | $ 1,612 | $ 4,019,422 | $ 33,174,033 |

| | June 30, 2021 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Obligations of states and political subdivisions | $ 23,350,108 | $ 508,588 | $ 82,697 | $ 23,775,999 |
| U.S. government agency obligations | 5,999,632 | 15 | 17,669 | 5,981,978 |
| Mortgage-backed securities | 1,229,820 | 45,096 | — | 1,274,916 |
| Municipal leases | 1,002,239 | 2,185 | 1,435 | 1,002,989 |
| Certificates of deposit | 800,000 | 32,818 | — | 832,818 |
| | $ 32,381,799 | $ 588,702 | $ 101,801 | $ 32,868,700 |

The following tables present the portion of the Company's available for sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position:

| | June 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Continuous Unrealized Losses Existing for Less Than 12 Months | | Continuous Unrealized Losses Existing for 12 Months or Greater | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Obligations of states and political subdivisions | $ 24,674,901 | $ 3,126,969 | $ 1,464,434 | $ 285,566 | $ 26,139,335 | $ 3,412,535 |
| U.S. government agency obligations | 2,742,987 | 257,013 | 2,446,579 | 195,973 | 5,189,566 | 452,986 |
| Municipal leases | 846,542 | 151,557 | — | — | 846,542 | 151,557 |
| Certificates of deposit | 222,656 | 2,344 | — | — | 222,656 | 2,344 |
| | $ 28,487,086 | $ 3,537,883 | $ 3,911,013 | $ 481,539 | $ 32,398,099 | $ 4,019,422 |

Management does not believe any individual unrealized loss as of June 30, 2022 represents other than temporary impairment. The Company held $3.9 million, comprised of twelve securities, in obligations of state and political subdivisions and agencies at June 30, 2022 that have an unrealized loss existing for 12 months or greater. Management believes the temporary impairment in fair value was caused by market fluctuations in interest rates. Although these securities are classified as available for sale, management does not have the intent to sell the security and it is more likely than not it will be able to hold the security through a recovery period or until maturity.

| | June 30, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Continuous Unrealized Losses Existing for Less Than 12 Months | | Continuous Unrealized Losses Existing for 12 Months or Greater | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Obligations of states and political subdivisions | $ 4,487,481 | $ 82,697 | $ — | $ — | $ 4,487,481 | $ 82,697 |
| U.S. government agency obligations | 5,481,963 | 17,669 | — | — | 5,481,963 | 17,669 |
| Municipal leases | 588,000 | 1,435 | — | — | 588,000 | 1,435 |
| | $ 10,557,444 | $ 101,801 | $ — | $ — | $ 10,557,444 | $ 101,801 |

Management does not believe any individual unrealized loss as of June 30, 2021 represents other than temporary impairment. The Company held no securities at June 30, 2021 that have an unrealized loss existing for 12 months or greater. Management believes the temporary impairment in fair value was caused by market fluctuations in interest rates. Although these securities are classified as available for sale, management does not have the intent to sell the security and it is more likely than not it will be able to hold the security through a recovery period or until maturity.

The amortized cost and fair value of available for sale securities as of June 30, 2022 are shown below by contractual maturity.

| | Amortized Cost | Fair Value |
|---|---|---|
| Due in one year or less | $ 2,541,231 | $ 2,520,684 |
| Due after one year through 5 years | 10,780,465 | 10,330,289 |
| Due after 5 years through 10 years | 7,545,289 | 6,741,517 |
| Due after 10 years | 16,324,858 | 13,581,543 |
| Total | $ 37,191,843 | $ 33,174,033 |

During the year ended June 30, 2022, the Company sold five securities with a value of $1.9 million for a gain of $35,000. During the year ended June 30, 2021, the Company did not sell any available for sale securities. The Company did not have any available for sale securities pledged at June 30, 2022 and June 30, 2021 as collateral on public deposits and for other purposes as required or permitted by law.

## NOTE 5 – Loans

Major classifications of loans are as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Construction, land, development | $ 7,314,421 | $ 2,458,461 |
| 1-4 family owner occupied | 86,980,743 | 72,011,570 |
| 1-4 family non-owner occupied | 24,661,503 | 22,368,557 |
| Multifamily | 115,192,971 | 91,876,323 |
| Commercial owner occupied | 4,537,745 | 6,405,226 |
| Commercial non-owner occupied | 21,598,045 | 14,182,106 |
| Consumer and installment loans | 7,573,731 | 7,530,197 |
| Total loans | 267,859,159 | 216,832,440 |
| Less: | | |
| Allowance for loan losses | (1,481,729) | (1,412,489) |
| Loans, net | $ 266,377,430 | $ 215,419,951 |

Deferred loan fees, net of costs are included within the unpaid principal balances above.

The Company engages in a variety of lending activities, including commercial, residential real estate and consumer transactions. The Company focuses its lending activities on individuals, professionals and small to medium sized businesses. Risks associated with lending activities include economic conditions and changes in interest rates, which can adversely impact both the ability of borrowers to repay their loans and the value of the associated collateral.

Commercial and industrial loans, commercial real estate loans, construction loans and residential real estate loans with a business purpose are generally perceived as having more risk of default than residential real estate loans with a personal purpose and consumer loans. These types of loans involve larger loan balances to a single borrower or groups of related borrowers and are more susceptible to a risk of loss during a downturn in the business cycle. Commercial real estate and residential real estate loans secured for a business purpose are originated primarily within the metropolitan Milwaukee market area at conservative loan-to-value ratios and often backed by the individual guarantees of the borrowers or owners. Repayment of this kind of loan is dependent upon either the ongoing cash flow of the borrowing entity or the resale of or lease of the subject property. Commercial real estate loans may be affected to a greater extent than residential loans by adverse conditions in real estate markets or the economy because commercial real estate borrowers' ability to repay their loans depends on successful development of their properties, as well as the factors affecting residential real estate borrowers. Commercial and industrial loans may involve greater risk because the availability of funds to repay these loans depends on the successful operation of the borrower's business. The assets financed are used within the business for its ongoing operation. Repayment of these kinds of loans generally comes from the cash flow of the business or the ongoing conversions of assets, such as accounts receivable and inventory, to cash. Typical collateral for commercial and industrial loans includes the borrower's accounts receivable, inventory and machinery and equipment.

The Company originates fixed-rate and adjustable-rate real estate-residential mortgage loans for personal purposes that are secured by first liens on the underlying 1-4 family residential properties. Credit risk exposure in this area of lending is minimized by the evaluation of the credit worthiness of the borrower, including debt-to-income ratios, credit scores and adherence to underwriting policies that emphasize conservative loan-to-value ratios of generally no more than 80%. Residential mortgage loans granted in excess of the 80% loan-to-value ratio criterion are generally insured by private mortgage insurance.

The real estate-home equity portfolio primarily consists of variable-rate home equity lines of credit, and to a lesser extent, fixed-rate home equity loans. Risks associated with loans secured by residential properties are generally lower than commercial loans and include general economic risks, such as the strength of the job market, employment stability and the strength of the housing market. Since most loans are secured by a primary or secondary residence, the borrower's continued employment is the greatest risk to repayment.

The Company offers a variety of loans to individuals for personal and household purposes. Consumer loans are generally considered to have greater risk than first or second mortgages on real estate because they may be unsecured, or, if they are secured, the value of the collateral may be difficult to assess and is more likely to decrease in value than real estate. Credit risk in this portfolio is controlled by conservative underwriting standards that consider debt-to-income levels and the creditworthiness of the borrower and, if secured, collateral values.

Policies have been established that set standards for the maximum commercial real estate loan amount by type of property, loan terms, pricing structures, loan-to-value limits by property type, as well as policies and procedures for granting exceptions to established underwriting standards.

The Company's residential real estate lending policies require all loans to have viable repayment sources. Residential real estate loans are evaluated for the adequacy of these repayment sources at the time of approval using such factors as credit scores, debt-to-income ratios and collateral values. Home equity loans and lines of credit are generally governed by the same lending policies.

Origination activities for construction real estate loans are similar to those described above for commercial real estate and residential real estate lending.

The Company has purchased loan participations in which they are not the primary lender. At June 30, 2022 and 2021, the aggregate amount of purchased participations was $14.0 million and $5.5 million, respectively. The Company has also participated out portions of loans that exceeded its loans-to-one borrower legal lending limit and for risk diversification. At June 30, 2022 and 2021 the Company had participated out portions of loans with aggregate balances of $47.6 million and $29.3 million, respectively.

Non-performing loans are as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Nonaccrual loans | $ 681,815 | $ 793,141 |
| Total non-performing loans | $ 681,815 | $ 793,141 |
| | | |
| Restructured loans, accruing | $ — | $ — |
| Total impaired loans | $ 681,815 | $ 793,141 |

Impaired loans are as follows as of:

| | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Construction, Land, Development | 1-4 Family Owner Occupied | 1-4 Family Non-Owner Occupied | Multifamily | Commercial Owner Occupied | Commercial Non-Owner Occupied | Consumer & Installment | Total |
| **With related allowance recorded** | | | | | | | | |
| Recorded investment | $ — | $ — | $ — | $ — | $ 180,579 | $ — | $ 7,365 | $ 187,944 |
| Unpaid principal balance | — | — | — | — | 180,579 | — | 7,365 | 187,944 |
| Related allowance | — | — | — | — | 69,398 | — | 7,365 | 76,763 |
| **With no related allowance recorded** | | | | | | | | |
| Recorded investment | $ — | $ 493,871 | $ — | $ — | $ — | $ — | $ — | $ 493,871 |
| Unpaid principal balance | — | 493,871 | — | — | — | — | — | 493,871 |
| Related allowance | — | — | — | — | — | — | — | — |
| **Total** | | | | | | | | |
| Recorded investment | $ — | $ 493,871 | $ — | $ — | $ 180,579 | $ — | $ 7,365 | $ 681,815 |
| Unpaid principal balance | — | 493,871 | — | — | 180,579 | — | 7,365 | 681,815 |
| Related allowance | — | — | — | — | 69,398 | — | 7,365 | 76,763 |
| Average recorded balance | $ — | $ 505,275 | $ — | $ — | $ 181,140 | $ — | $ 15,537 | $ 701,952 |
| Interest income recognized while impaired | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Interest income recognized on a cash basis while impaired | — | 14,141 | — | — | — | — | — | 14,141 |
| Total interest on impaired loans | $ — | $ 14,141 | $ — | $ — | $ — | $ — | $ — | $ 14,141 |

Impaired loans are as follows as of:

| | June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Construction, Land, Development | 1-4 Family Owner Occupied | 1-4 Family Non-Owner Occupied | Multifamily | Commercial Owner Occupied | Commercial Non-Owner Occupied | Consumer and Installment | Total |
| **With related allowance recorded** | | | | | | | | |
| Recorded investment | $ — | $ — | $ — | $ — | $ 182,532 | $ — | $ 23,133 | $ 205,665 |
| Unpaid principal balance | — | — | — | — | 182,532 | — | 23,133 | 205,665 |
| Related allowance | — | — | — | — | 65,626 | — | 23,133 | 88,759 |
| **With no related allowance recorded** | | | | | | | | |
| Recorded investment | $ — | $ 587,476 | $ — | $ — | $ — | $ — | $ — | $ 587,476 |
| Unpaid principal balance | — | 587,476 | — | — | — | — | — | 587,476 |
| Related allowance | — | — | — | — | — | — | — | — |
| **Total** | | | | | | | | |
| Recorded investment | $ — | $ 587,476 | $ — | $ — | $ 182,532 | $ — | $ 23,133 | $ 793,141 |
| Unpaid principal balance | — | 587,476 | — | — | 182,532 | — | 23,133 | 793,141 |
| Related allowance | — | — | — | — | 65,626 | — | 23,133 | 88,759 |
| Average recorded balance | $ — | $ 780,405 | $ 41,013 | $ — | $ 181,950 | $ — | $ 109,214 | $ 1,112,582 |
| Interest income recognized while impaired | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Interest income recognized on a cash basis while impaired | — | 20,084 | — | — | — | — | — | 20,084 |
| Total interest on impaired loans | $ — | $ 20,084 | $ — | $ — | $ — | $ — | $ — | $ 20,084 |

Loans are individually evaluated for impairment once a weakness or adverse trend is identified that may jeopardize the repayment of the loan in accordance with the terms of the loan.

The following are the Company’s risk rating definitions:

Pass: Loans in this category are to persons or entities that span from having financial characteristics of unquestioned strength to entities that have potential risks that if left uncorrected could at some point result in deterioration of the Bank’s credit position. Loans in this category are rated “1” through “4” with the lower risk being identified with a lower numerical rating. General characteristics that are monitored include borrower net worth, liquidity and entity profitability.

Special Mention: Loans in this category contain some weakness or potential weakness that if left uncorrected may result in the deterioration of the repayment capacity. Loans in this category are rated as a "5".

Substandard: Loans in this category exhibit the same characteristics as "5" rated credits and are inadequately protected by the current net worth and paying capacity of the obligor and/or of the collateral pledged as security for the asset. Loans in this category are rated as a "6".

Real Estate in Judgement: Loans in this category have been placed in non-accrual and the Bank has taken legal action to preserve its position. Loans in this category are rated as a "7".

The following is a summary of loans by risk rating:

| | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Construction, Land, | 1-4 Family Owner Occupied | 1-4 Family Non-Owner Occupied | Multifamily | Commercial Owner Occupied | Commercial Non-Owner Occupied | Consumer and Installment | Total |
| 1-4 | $ 7,314,421 | $ 86,486,872 | $ 24,661,503 | $ 115,192,971 | $ 3,199,290 | $ 21,598,045 | $ 7,566,366 | $ 266,019,468 |
| 5 | — | — | — | — | 1,157,876 | — | — | 1,157,876 |
| 6 | — | 493,871 | — | — | — | — | 7,365 | 501,236 |
| 7 | — | — | — | — | 180,579 | — | — | 180,579 |
| Total | $ 7,314,421 | $ 86,980,743 | $ 24,661,503 | $ 115,192,971 | $ 4,537,745 | $ 21,598,045 | $ 7,573,731 | $ 267,859,159 |

| | June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Construction, Land, Development | 1-4 Family Owner Occupied | 1-4 Family Non-Owner Occupied | Multifamily | Commercial Owner Occupied | Commercial Non-Owner Occupied | Consumer and Installment | Total |
| 1-4 | $ 2,458,461 | $ 71,319,957 | $ 22,368,557 | $ 91,876,323 | $ 5,064,818 | $ 10,917,142 | $ 7,507,064 | $ 211,512,322 |
| 5 | — | 104,137 | — | — | 1,157,876 | 3,264,964 | — | 4,526,977 |
| 6 | — | 587,476 | — | — | 182,532 | — | 23,133 | 793,141 |
| 7 | — | — | — | — | — | — | — | — |
| Total | $ 2,458,461 | $ 72,011,570 | $ 22,368,557 | $ 91,876,323 | $ 6,405,226 | $ 14,182,106 | $ 7,530,197 | $ 216,832,440 |

The following is a summary of past due loans:

| | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Construction, Land, Development | 1-4 Family Owner Occupied | 1-4 Family Non-Owner Occupied | Multifamily | Commercial Owner Occupied | Commercial Non-Owner Occupied | Consumer and Installment | Total |
| 30-59 days, accruing | $ — | $ 821,396 | $ — | $ — | $ — | $ — | $ — | $ 821,396 |
| 60-89 days, accruing | — | — | — | — | — | — | — | — |
| 90 days & over or nonaccrual | — | 493,871 | — | — | 180,579 | — | 7,365 | 681,815 |
| Total | $ — | $ 1,315,267 | $ — | $ — | $ 180,579 | $ — | $ 7,365 | $ 1,503,211 |

| | June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Construction, Land, Development | 1-4 Family Owner Occupied | 1-4 Family Non-Owner Occupied | Multifamily | Commercial Owner Occupied | Commercial Non-Owner Occupied | Consumer and Installment | Total |
| 30-59 days, accruing | $ — | $ 535,696 | $ — | $ — | $ — | $ — | $ — | $ 535,696 |
| 60-89 days, accruing | — | — | — | — | — | — | — | — |
| 90 days & over or nonaccrual | — | 587,476 | — | — | 182,532 | — | 23,133 | 793,141 |
| Total | $ — | $ 1,123,172 | $ — | $ — | $ 182,532 | $ — | $ 23,133 | $ 1,328,837 |

As of June 30, 2022 and 2021 there were no loans 90 days or over that were not on nonaccrual.

Certain directors and executive officers of the Company, and their related interests, had loans outstanding in the aggregate amounts of $2,368,467 and $1,063,485 at June 30, 2022 and 2021, respectively. During the year ended June 30, 2022, three new loans were made totaling $1.3 million, and repayments totaled $47,452. Additional, changes in the makeup of directors and executive officers resulted in a net increase in loans outstanding of $152,169. During the year ended June 30, 2021, one new loan was made totaling $384,000, one loan was paid off totaling $357,261 and repayments totaled $43,784. Except for loans with a discounted interest rate made to executive officers pursuant to a program that is available to all Company employees and that complies with applicable banking regulations, these loans were made on substantially the same terms, including collateral, as those prevailing at the same time for comparable transactions with unrelated persons and did not involve more than normal risks of collectability or present other unfavorable features.

TDRs involve the granting of some concession to a distressed borrower resulting in a loan modification such as; payment schedule changes, interest rate reductions, or principal charge-offs. There were no new TDRs during the year ending June 30, 2022 and two new TDRs during the year ending June 30, 2021, totaling $105,000. There were no TDRs that defaulted during the period that were modified within the previous year as of June 30, 2022 and June 30, 2021. Two TDRs were transferred out of TDR status during the year ended June 30, 2022 and one loan was transferred out of TDR status during the year ended June 30, 2021. There were no TDRs as of June 30, 2022 and two TDRs as of June 30, 2021 with a balance of $104,000. Pricipal payments made on TDRs were $600 and $5,000 during the years ended June 30, 2022 and 2021, respectively. As discussed within Note 1, under Section 4013 of the CARES Act, until January 1, 2022, a financial institution can suspend the requirements under U.S. GAAP for loan modifications related to COVID-19 that would otherwise be categorized as a TDR and suspend any determination of a loan modified as a result of COVID-19 as being a TDR, including the requirement to determine impairment for accounting purposes. Management has evaluated the loan and determined that based on the liquidation value of the collateral, no specific reserve is necessary.

Loans that have previously been restructured in a troubled debt restructuring and are no longer impaired based on the terms specified in their restructuring agreement and are now at a rate equal to or greater than a rate the Bank is willing to accept for a loan with comparable risk are transferred out of TDR status. Two loans were transferred out of TDR status during the year ended June 30, 2022.

## NOTE 6 – Allowance for Loan Losses

The allowance for loan losses reflected in the accompanying consolidated financial statements represents the allowance available to absorb probable and inherent loan losses in the loan portfolio. An analysis of changes in the allowance is presented in the following tables:

| | June 30, 2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Construction, Land, Development** | **1-4 Family Owner Occupied** | **1-4 Family Non-Owner Occupied** | **Multifamily** | **Commercial Owner Occupied** | **Commercial Non-Owner Occupied** | **Consumer** | **Unallocated** | **Total** |
| **Allowance** | | | | | | | | | |
| Balance at 6/30/21 | $ 11,063 | $ 326,408 | $ 115,645 | $ 459,382 | $ 99,851 | $ 230,459 | $ 66,523 | $ 103,158 | $ 1,412,489 |
| Charge-offs | — | — | — | — | — | — | (7,452) | — | (7,452) |
| Recoveries | — | — | — | — | — | — | 1,692 | — | 1,692 |
| Provision | 20,023 | 74,891 | (4,668) | 116,583 | (7,578) | (95,471) | (12,562) | (16,218) | 75,000 |
| Balance at 6/30/22 | $ 31,086 | $ 401,299 | $ 110,977 | $ 575,965 | $ 92,273 | $ 134,988 | $ 48,201 | $ 86,940 | $ 1,481,729 |
| **Allowance** | | | | | | | | | |
| Ending balance individually evaluated for impairment | $ — | $ — | $ — | $ — | $ 69,398 | $ — | $ 7,365 | $ — | $ 76,763 |
| Ending balance collectively evaluated for impairment | 31,086 | 401,299 | 110,977 | 575,965 | 22,875 | 134,988 | 40,836 | 86,940 | 1,404,966 |
| Ending balance | $ 31,086 | $ 401,299 | $ 110,977 | $ 575,965 | $ 92,273 | $ 134,988 | $ 48,201 | $ 86,940 | $ 1,481,729 |
| **Loans** | | | | | | | | | |
| Ending balance individually evaluated for impairment | $ — | $ 493,871 | $ — | $ — | $ 180,579 | $ — | $ 7,365 | $ — | $ 681,815 |
| Ending balance collectively evaluated for impairment | 7,314,421 | 86,486,872 | 24,661,503 | 115,192,971 | 4,357,166 | 21,598,045 | 7,566,366 | — | 267,177,344 |
| Total loans | $ 7,314,421 | $ 86,980,743 | $ 24,661,503 | $ 115,192,971 | $ 4,537,745 | $ 21,598,045 | $ 7,573,731 | $ — | $ 267,859,159 |
| Less allowance | $ 31,086 | $ 401,299 | $ 110,977 | $ 575,965 | $ 92,273 | $ 134,988 | $ 48,201 | $ 86,940 | $ 1,481,729 |
| Total loans, net | $ 7,283,335 | $ 86,579,444 | $ 24,550,526 | $ 114,617,006 | $ 4,445,472 | $ 21,463,057 | $ 7,525,530 | $ (86,940) | $ 266,377,430 |

| | June 30, 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Construction, Land, Development** | **1-4 Family Owner Occupied** | **1-4 Family Non-Owner Occupied** | **Multifamily** | **Commercial Owner-Occupied** | **Commercial Non-Owner Occupied** | **Consumer** | **Not Specifically Allocated** | **Total** |
| **Allowance** | | | | | | | | | |
| Balance at 6/30/20 | $ 13,795 | $ 356,434 | $ 77,220 | $ 286,665 | $ 95,711 | $ 312,670 | $ 97,312 | $ 113,620 | $ 1,353,427 |
| Charge-offs | — | (61,491) | — | — | — | — | (29,994) | — | (91,485) |
| Recoveries | — | — | — | — | — | — | 547 | — | 547 |
| Provision | (2,732) | 31,465 | 38,425 | 172,717 | 4,140 | (82,211) | (1,342) | (10,462) | 150,000 |
| Balance at 6/30/21 | $ 11,063 | $ 326,408 | $ 115,645 | $ 459,382 | $ 99,851 | $ 230,459 | $ 66,523 | $ 103,158 | $ 1,412,489 |
| **Allowance** | | | | | | | | | |
| Ending balance individually evaluated for impairment | $ — | $ — | $ — | $ — | $ 65,626 | $ — | $ 23,133 | $ — | $ 88,759 |
| Ending balance collectively evaluated for impairment | 11,063 | 326,408 | 115,645 | 459,382 | 34,225 | 230,459 | 43,390 | 103,158 | 1,323,730 |
| Ending balance | $ 11,063 | $ 326,408 | $ 115,645 | $ 459,382 | $ 99,851 | $ 230,459 | $ 66,523 | $ 103,158 | $ 1,412,489 |
| **Loans** | | | | | | | | | |
| Ending balance individually evaluated for impairment | $ — | $ 587,476 | $ — | $ — | $ 182,532 | $ — | $ 23,133 | $ — | $ 793,141 |
| Ending balance collectively evaluated for impairment | 2,458,461 | 71,424,094 | 22,368,557 | 91,876,323 | 6,222,694 | 14,182,106 | 7,507,064 | — | 216,039,299 |
| Total loans | $ 2,458,461 | $ 72,011,570 | $ 22,368,557 | $ 91,876,323 | $ 6,405,226 | $ 14,182,106 | $ 7,530,197 | $ — | $ 216,832,440 |
| Less allowance | $ 11,063 | $ 326,408 | $ 115,645 | $ 459,382 | $ 99,851 | $ 230,459 | $ 66,523 | $ 103,158 | $ 1,412,489 |
| Total loans, net | $ 2,447,398 | $ 71,685,162 | $ 22,252,912 | $ 91,416,941 | $ 6,305,375 | $ 13,951,647 | $ 7,463,674 | $ (103,158) | $ 215,419,951 |

## NOTE 7 – Loan Servicing

The unpaid principal balance of loans serviced for others, which is not included in the consolidated financial statements, was $24,419,034 and $12,471,488 at June 30, 2022 and 2021, respectively. The Company maintained no custodial balances at June 30, 2022 and June 30, 2021 in connection with the foregoing loan servicing.

## NOTE 8 – Other Real Estate Owned, Net

Other real estate owned properties are summarized as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Beginning balance | $ 167,590 | $ 2,288,255 |
| Charge offs | — | (152,765) |
| Transfer from loans | — | 31,619 |
| Sale proceeds | — | (2,032,585) |
| Net gain on sale of other real estate owned | — | 33,066 |
| Other real estate owned, net | $ 167,590 | $ 167,590 |

There was no recorded investment in 1-4 family owner occupied properties that were in process of foreclosure at June 30, 2022 and June 30, 2021. At June 30, 2022 and June 30, 2021, no residential real estate property collateralizing 1-4 family owner occupied properties were included in other real estate owned.

## NOTE 9 – Premises and Equipment, net

Premises and equipment are stated at cost less accumulated depreciation are summarized as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Land | $ 2,319,381 | $ 2,319,381 |
| Office buildings and improvements | 10,906,806 | 10,798,643 |
| Leasehold improvements | 470,951 | 470,951 |
| Furniture and fixtures | 6,412,701 | 6,528,150 |
| | 20,109,839 | 20,117,125 |
| Less: Accumulated depreciation | (12,431,138) | (12,204,632) |
| | | |
| Premises and equipment, net | $ 7,678,701 | $ 7,912,493 |

Depreciation expense amounted to $541,911 and $554,500 for the year ended June 30, 2022 and 2021, respectively.

## NOTE 10 – Accrued Interest Receivable and Other Assets

A summary of accrued interest receivable and other assets is as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Accrued interest receivable | $ 879,816 | $ 790,884 |
| Prepaid expenses and other assets | 725,826 | 940,350 |
| Totals | $ 1,605,642 | $ 1,731,234 |

## NOTE 11 – Deposits

The aggregate amount of certificates of deposit, each with a minimum denomination of $250,000, was approximately $7,759,216 at June 30, 2022 and $6,985,816 at June 30, 2021.

At June 30, 2022, the scheduled maturities of certificates of deposit are as follows:

| | |
|---|---|
| 2023 | $ 42,008,441 |
| 2024 | 35,112,375 |
| 2025 | 143,404 |
| 2026 | 872,000 |
| 2027 | 37,250 |
| Thereafter | 31,668 |
| | $ 78,205,138 |

The aggregate amount of overdrafts reclassified into loans was $113,980 at June 30, 2022 and $20,725 at June 30, 2021.

Deposits from directors and executive officers of the Company, and their related interests, totaled $300,278 and $825,785 at June 30, 2022 and June 30, 2021, respectively.

## NOTE 12– Borrowings

Borrowings consist of the following:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| FHLB fixed rate advance (0.00%, matured 5/23/22) | $ — | $ 5,000,000 |
| | $ — | $ 5,000,000 |

The Bank has a master contract agreement with the FHLB, which provides for borrowing up to the maximum $124,066,530 at June 30, 2022. The FHLB provides both fixed and floating rate advances. Fixed rate advances are priced in reference to market rates of interest at the time of the advance, namely the rates that FHLB pays to borrowers at various maturities. Variable rate advances are adjusted at the end of each business day based on the actual Federal Funds rate earned by the FHLB that day. The Bank has an open line of credit with the FHLB with a variable interest rate. The open line of credit matures daily, automatically renewing. The Bank had $0 outstanding on the open line of credit at June 30, 2022 and 2021. Additionally, the Bank had $0 and $5,000,000 outstanding in term advances at June 30, 2022 and 2021, respectively. FHLB 30-day advances are pre-payable with a two-day notice by the FHLB. The advances are collateralized by a security agreement pledging a portion of the Bank's 1-4 family and multifamily real estate mortgages with a carrying value of $169,987,437 and $158,804,624 at June 30, 2022 and 2021, respectively.

The Bank has an agreement with U.S. Bank, which provides for borrowing up to the maximum of $5,000,000 at a rate of 2.25%, at June 30, 2022 and 0.75% at June 30, 2021. There were no amounts outstanding as of June 30, 2022 and June 30, 2021. U.S. Bank provides overnight fixed rate advances which are not collateralized as of June 30, 2022 and 2021.

## NOTE 13 – Income Taxes

There was no current or deferred income tax expense for the years ended June 30, 2022 and June 30, 2021. The provision for income taxes included in the accompanying consolidated financial statements consists of the following components:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Deferred tax assets | | |
| Loss carryforwards | $ 5,409,930 | $ 5,539,951 |
| Other real estate owned | 48,432 | 48,432 |
| State loss and contribution | 2,575,818 | 2,615,504 |
| Unrealized loss on available for sale securities | 1,094,560 | — |
| Bad debt reserve | 403,638 | 384,776 |
| Other assets | 27,445 | 117,274 |
| Total deferred tax assets | 9,559,823 | 8,705,937 |
| Deferred tax liabilities | | |
| Pension | (110,013) | (33,429) |
| Deferred loan fees | (214,660) | (58,007) |
| Depreciation | (164,417) | (174,760) |
| Unrealized gain on available for sale securities | — | (132,571) |
| Other liabilities | (70,752) | (64,648) |
| Total deferred tax liabilities | (559,842) | (463,415) |
| Valuation allowance | (8,999,981) | (8,242,522) |
| Net deferred tax asset | $ — | $ — |

| | June 30, 2022 | | June 30, 2021 | |
|---|---|---|---|---|
| | Amount | Percent of Pretax Income | Amount | Percent of Pretax Income |
| Reconciliation of statutory to effective rates | | | | |
| Federal income taxes at statutory rate | $ 308,818 | 21.00 % | $ 1,341,057 | 21.00 % |
| Adjustments for | | | | |
| True up of deferreds | (4,480) | (0.30)% | 101,940 | 1.60 % |
| Federal valuation allowance | (393,088) | (10.34)% | (1,449,702) | (22.70)% |
| Other - Net | 88,750 | (10.36)% | 6,705 | 0.10 % |
| Effective income taxes - operations | $ — | — % | $ — | — % |

Deferred tax assets primarily relate to the difference in the allowance for loan losses (and other real estate owned) for book and tax purposes, unrealized losses on available for sale securities and net operating losses. The Company has loss carryforwards of approximately $25.8 million and $26.4 million as of June 30, 2022 and 2021, respectively. The Company has state  loss carryforwards of approximately $41.3 million and $41.9 million as of June 30, 2022 and 2021, respectively. The federal losses begin to expire as of September 30, 2029 and the state losses begin to expire as of September 30, 2025. Deferred tax liabilities primarily relate to the difference in loan fees, depreciation on premises and equipment, FHLB stock basis, and prepaid pension costs.

Under U.S. GAAP, a valuation allowance is required to be recognized if it is “more likely than not” that a deferred tax asset will not be realized. The determination of the realizability of the deferred tax assets is highly subjective and dependent on judgment concerning management’s evaluation of both positive and negative evidence, the forecasts of future income, applicable tax planning strategies, and assessments of the current and future economic and business conditions. Management considered both positive and negative evidence regarding the ultimate realizability of the Company's deferred tax assets. Positive evidence includes the existence of taxes paid in available carryback years as well as the probability that taxable income will be generated in future periods while negative evidence includes losses in prior years as well as general business and economic trends. At June 30, 2022 and June 30, 2021, management determined that a valuation allowance relating to the Company's deferred tax asset was necessary. This determination was based largely on the negative evidence represented by a drop in loan demand resulting in a decrease in sold loan fee income and overall net income. In addition, general uncertainty surrounding future economic and business conditions have increased the potential volatility and uncertainty of our projected earnings. Therefore, a valuation allowance of $9.0 million and $8.2 million was recorded as of June 30, 2022 and 2021, respectively.

The Company's policy is to recognize interest and penalties related to uncertain tax positions as components of interest expense and miscellaneous expense, respectively. The Company recognized no interest and penalties related to uncertain tax positions in its Consolidated Statement of Operations during the year ended June 30, 2022 and 2021. The Company had no accrual for the payment of interest and penalties related to income tax issues as of June 30, 2022 and 2021.

The Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for years before September 30, 2019. The Company is no longer subject to Wisconsin income tax examinations by the Wisconsin Department of Revenue for the years before September 30, 2018. The Bank is not currently under examination by any taxing jurisdiction.

Under the Internal Revenue Code and Wisconsin Statutes, the Company is permitted to deduct, for tax years beginning before 1996, an annual addition to a reserve for bad debts. This amount differs from the provision for loan losses recorded for financial accounting purposes. Under prior law, bad debt deductions for income tax purposes were included in taxable income of later years only if the bad debt reserves were used for purposes other than to absorb bad debt losses. Because the Bank did not intend to use the reserve for purposes other than to absorb losses, no deferred income taxes were provided. Retained earnings at June 30, 2022 and 2021, respectively, includes approximately $7.8 million for which no deferred Federal or state income taxes were provided.

## NOTE 14 – Defined Benefit Pension Plan

The following table sets forth the Plan's funded status and amounts recognized in the Company's consolidated balance sheets:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Change in projected benefit obligation | | |
| Projected benefit obligation at beginning of year | $ 12,011,544 | $ 12,363,236 |
| Interest cost | 350,557 | 335,720 |
| Benefits paid | (355,504) | (418,160) |
| Actuarial (gain) loss | (2,343,886) | (269,252) |
| Settlement | (414,269) | — |
| Projected benefit obligation at end of year | 9,248,442 | 12,011,544 |
| | | |
| Change in plan assets | | |
| Fair value of plan assets at beginning of year | 12,108,565 | 9,268,753 |
| Actual return on assets | (1,491,429) | 3,257,972 |
| Benefits paid | (794,105) | (418,160) |
| Fair value of plan assets at end of year | 9,823,031 | 12,108,565 |
| | | |
| Funded status at end of year | $ 574,589 | $ 97,021 |

Amounts recognized in the consolidated balance sheets in accrued interest payable and other liabilities consist of:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Pension asset (liability) | $ 574,589 | $ 97,021 |

Amounts recognized in accumulated other comprehensive loss consist of:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Accumulated pension actuarial loss, net of income tax benefit of $1,522,485 and $1,522,485, respectively | $ 1,271,301 | $ 1,552,435 |

The accumulated benefit obligation for the Plan was $9,248,442 and $12,011,544 at June 30, 2022 and 2021, respectively. Increases in discount rates during the year from 2.82% as of June 30, 2021 to 4.60% as of June 30, 2022 generated a notable decrease in the year-end liability.

The components of net periodic pension cost (income) included in compensation and benefits on the statements of operations are as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Interest cost | $ 350,557 | $ 335,720 |
| Expected return on plan assets | (834,188) | (634,851) |
| Amortization of net actuarial loss | 158,117 | 408,547 |
| Settlement | 129,080 | — |
| | | |
| Net periodic pension (income) loss | $ (196,434) | $ 109,416 |

For the years ended June 30, 2022 and 2021, actuarial assumptions include an assumed discount rate on benefit obligations of 4.60% and 2.82% respectively, and an expected long-term rate of return of 7.0% for June 30, 2022 and 2021. The expected long-term rate of return for the Plan's total assets is based on the expected returns of each of the below asset categories, weighted based on the current target allocation for each class. The trustees evaluate whether adjustments are needed based on historical returns to more accurately reflect expectations of future returns. An annual salary increase of 0% was utilized for the year ended June 30, 2022 and 2021.

There were no contributions paid to the Plan during the years ended June 30, 2022 and 2021.

At June 30, 2022, the projected benefit payments for future fiscal years were estimated as follows:

| | |
|---|---|
| 2023 | $ 1,137,600 |
| 2024 | 586,500 |
| 2025 | 1,382,900 |
| 2026 | 868,000 |
| 2027 | 487,800 |
| 2028-2032 | 4,101,100 |
| | $ 8,563,900 |

At June 30, 2022 and 2021, all Plan assets supporting the Bank's defined benefit plan are held at fair value and represent Level 1 classified investments.

The percentage of the fair value of total Plan assets for each major category is as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| **Cash Equivalents** | 5.8 % | 15.5 % |
| **Equities** | | |
| Large Cap | 34.5 % | 29.2 % |
| Mid Cap | 6.7 % | 8.4 % |
| Small Cap | 3.4 % | 4.5 % |
| International | 6.1 % | 6.3 % |
| Other | 11.4 % | 16.0 % |
| **Alternatives/Multi-Asset** | 1.5 % | 0.9 % |
| **Fixed Income** | | |
| Government Securities | 1.5 % | 4.0 % |
| Corporate Bonds | 6.8 % | 2.4 |
| Mutual Funds | 22.3 % | 12.8 % |
| | | |
| Total | 100.0 % | 100.0 % |

The Bank's investment policies and strategies for the Plan use target allocations for the individual asset categories. Current allocations are all within policy guidelines. The Bank's investment goals are to maximize returns subject to specific risk management policies.

The Bank anticipates making at least the minimum required contribution in fiscal year 2023.

## NOTE 15 – Accumulated Other Comprehensive Loss

The following table sets forth the ending balance in accumulated other comprehensive loss as recorded on the accompanying consolidated balance sheets for each component as of:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Accumulated pension actuarial loss | $ (2,793,786) | $ (3,074,920) |
| Deferred taxes related to accumulated pension actuarial loss | 1,522,485 | 1,522,485 |
| Unrealized net (loss) gain on securities available for sale | (4,017,810) | 486,902 |
| Deferred taxes related to unrealized net (loss) gain on securities available for sale | (544,633) | (544,626) |
| Total accumulated other comprehensive loss | $ (5,833,744) | $ (1,610,159) |

The following table sets forth changes in accumulated other comprehensive loss:

| | Available for Sale Securities | Defined Benefit Pension Plan | Total |
|---|---|---|---|
| Balance, June 30, 2020 | $ (651,027) | (4,184,809) | $ (4,835,836) |
| Other comprehensive (loss) income before reclassifications, net of tax | (75,243) | 2,892,373 | 2,817,130 |
| Amounts reclassified from other comprehensive loss, net of tax | — | 408,547 | 408,547 * |
| Net current period other comprehensive (loss) income | (75,243) | 3,300,920 | 3,225,677 |
| Balance, June 30, 2021 | (726,270) | (883,889) | (1,610,159) |
| Other comprehensive (loss) income before reclassifications, net of tax | (4,469,644) | 123,009 | (4,346,635) |
| Amounts reclassified from other comprehensive loss, net of tax | (35,067) | 158,117 | 123,050 * |
| Net current period other comprehensive (loss) income | (4,504,711) | 281,126 | (4,223,585) |
| Balance, June 30, 2022 | $ (5,230,981) | $ (602,763) | $ (5,833,744) |

* - These amounts are included in the computation of net periodic pension income.
See Note 15, Defined Benefit Pension Plan, for additional details.

## NOTE 16 – Commitments and Contingencies

In the normal course of business, the Company is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the consolidated financial statements.

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, financial guarantees and standby letters of credit. They involve, to varying degrees, elements of credit risk in excess of amounts recognized on the consolidated balance sheets.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and issuing letters of credit as they do for on-balance-sheet instruments.

A summary of the contract or notional amount of the Company's exposure to off-balance-sheet risk is as follows:

| | June 30, 2022 | June 30, 2021 |
|---|---|---|
| Financial instruments whose contract amounts represent credit risk: | | |
| Commitments to extend credit to borrowers | $ 35,610,562 | $ 20,938,071 |
| Sold loan commitments | $ 6,400,636 | $ 41,039,038 |
| Credit card commitments | $ 507,192 | $ 500,204 |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties. Credit card commitments are unsecured.

As of June 30, 2022 and June 30, 2021, the Company does not engage in the use of interest rate swaps, futures or option contracts.

## NOTE 17 – Concentration of Credit Risk

Practically all of the Company's loans and commitments have been granted to customers in the Company's market area, generally Southeastern Wisconsin. Although the Company has a diversified loan portfolio, the ability of its debtors to honor their contracts is dependent on the economic conditions of the counties surrounding the Company. The concentration of credit by type of loan is set forth in Note 5.

## NOTE 18 – Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

On November 13, 2019, the federal regulators finalized and adopted a regulatory capital rule establishing a new community bank leverage ratio ("CBLR"), which became effective on January 1, 2020. The intent of the CBLR is to provide a simple alternative measure of capital adequacy for electing qualifying depository institutions as directed under the Economic Growth, Regulatory Relief, and Consumer Protection Act. Under the CBLR, if a qualifying depository institution elects to use such measure, such institutions will be considered well capitalized if its ratio of Tier 1 capital to average total consolidated assets (i.e. leverage ratio) exceeds a 9% threshold, subject to a limited two quarter grace period, during which the leverage ratio cannot go 100 basis points below the then applicable threshold, and will not be required to calculate and report risk-based capital ratios.

In April 2020, under the CARES Act, the 9% leverage ratio threshold was temporarily reduced to 8% in response to the COVID-19 pandemic. The threshold increased to 8.5% in 2021 and returned to 9% in 2022. The Bank elected to begin using the CBLR for the quarter ended March 31, 2020 and intends to utilize this measure for the foreseeable future. Eligibility criteria to utilize the CBLR includes the following:

- Total assets of less than $10 billion,
- Total trading assets plus liabilities of 5% or less of consolidated assets,
- Total off-balance sheet exposures of 25% or less of consolidated assets,
- Cannot be an advanced approaches banking organization, and
- Leverage ratio greater than 9%, or temporarily prescribed threshold established in response to COVID-19.

As of June 30, 2022 and 2021, the Bank was categorized as well capitalized. Listed in the table below is a comparison of the Bank's actual capital amounts with the minimum requirements for well capitalized banks, as defined above.

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | Actual | | To be Considered Well Capitalized | |
| | Amount | Ratio | Amount | Ratio |
| As of June 30, 2022 | | | | |
| CBLR Framework | | | | |
| Tier 1 capital (to average assets) (i.e., leverage ratio) | $ 35,691,224 | 11.46 % | 28,040,555 | 9.00 % |

| | June 30, 2021 | | | |
|---|---|---|---|---|
| | Actual | | To be Considered Well Capitalized | |
| | Amount | Ratio | Amount | Ratio |
| As of June 30, 2021 | | | | |
| CBLR Framework | | | | |
| Tier 1 capital (to average assets) (i.e., leverage ratio) | 34,108,270 | 11.26 % | 25,744,847 | 8.50 % |

A Wisconsin state-chartered savings bank is required by state law to maintain minimum net worth in an amount equal to at least 6.0% of its total assets. At June 30, 2022, the Bank's net worth was $29,864,162 and general loan loss reserve was $1,404,966, totaling 9.8% of total assets, which meets the state of Wisconsin's minimum net worth requirements. At June 30, 2021, the Bank's net worth was $32,504,792 and general loan loss reserve was $1,323,730, totaling 10.7% of total assets, which meets the state of Wisconsin's minimum net worth requirements.

TEB Bancorp, Inc.