TEB BANCORP
INC

TEB Bancorp, Inc.

2024 Annual Report

To our Valued Shareholders:

On behalf of our Board of Directors, Management and Staff, we present the 2024 Annual Report for TEB Bancorp, Inc., the holding company for The Equitable Bank, S.S.B. (The Bank).

During fiscal year 2024, the Federal Open Market Committee (FOMC) made one additional rate increase in July of 2023 to the benchmark borrowing rate and then kept rates unchanged for the duration of the fiscal year in their continued efforts to manage inflation. The impact of the FOMC actions led to continued pressure on the Bank's net interest margin primarily due to the elevated cost of deposits paid to consumers. Additional pressure from the higher rate market diminished demand for fixed rate mortgage loans which serves as a primary source of fee income for the Bank.

These events have led to a net loss of $1.98 million for the fiscal year 2024. Certainly not an outcome that we were expecting, but we remain encouraged by our Tier One capital to average assets remaining above well capitalized at 9.65% at fiscal year-end. We also are encouraged by the continued strength of our loan portfolio with non-performing loans to total loans at .05%.

In 2025 we remain committed to remain the Bank of choice in the communities we serve throughout Southeastern Wisconsin. We appreciate the continued trust you put in our entire team in meeting the core objectives of TEB Bancorp, Inc. and The Equitable Bank, S.S.B. You are always welcome to reach out with further questions or request further information.

Sincerely,

Tom Sattler
Chief Executive Officer

Jennifer Provancher
Chairman of the Board

TEB BANCORP, INC. AND SUBSIDIARIES

Wauwatosa, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended June 30, 2024 and 2023

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Independent Auditors' 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, 2024 and 2023, 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, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of July 1, 2023, due to the adoption of ASC 326, Financial Instruments – Credit Losses. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

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 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, 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 12, 2024

TEB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2024	June 30, 2023
ASSETS		
Cash and due from banks	$ 5,730,891	$ 4,673,696
Federal funds sold	234,765	661,657
Cash and cash equivalents	5,965,656	5,335,353
Interest bearing deposits in banks	14,199	26,571
Available for sale securities - stated at fair value	27,363,579	29,472,851
Loans, less allowance for credit losses of $2,700,366 and $1,543,833 at June 30, 2024 and June 30, 2023, respectively[(1)]	289,773,952	296,404,066
Loans held for sale	480,000	1,002,722
Right of use asset	514,383	605,401
Premises and equipment, net	7,204,949	7,416,329
Federal Home Loan Bank stock	1,053,100	1,031,200
Accrued interest receivable and other assets	1,857,008	2,660,262
TOTAL ASSETS	$ 334,226,826	$ 343,954,755
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Demand	$ 86,777,118	$ 99,243,694
Savings and money markets	61,805,957	71,178,599
Certificates of deposit	152,348,020	136,442,110
Total Deposits	300,931,095	306,864,403
Advance payments by borrowers for property taxes and insurance	3,397,760	3,433,762
Lease liability	526,788	616,930
Accrued interest payable and other liabilities	789,220	2,585,665
Total Liabilities	305,644,863	313,500,760
STOCKHOLDERS' EQUITY		
Preferred stock ($0.01 par value, 5,000,000 authorized, no shares issued or outstanding as of June 30, 2024 and June 30, 2023, respectively)	—	—
Common stock ($0.01 par value, 20,000,000 authorized, 2,624,343 issued and outstanding as of June 30, 2024 and June 30, 2023)	26,243	26,243
Additional paid in capital	11,319,328	11,319,328
Retained earnings	21,363,263	24,701,027
Accumulated other comprehensive loss	(4,126,871)	(5,592,603)
Total Stockholders' Equity	28,581,963	30,453,995
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 334,226,826	$ 343,954,755

(1) The Company adopted Accounting Standards Update 2016-13 as of July 1, 2023. The 2023 amounts presented are calculated under the prior accounting standard.

See accompanying notes to consolidated financial statements.

TEB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended June 30, 2024	For the year ended June 30, 2023
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	$ 13,757,089	$ 11,794,182
Interest and dividends on investment securities	831,055	850,394
Interest on federal funds sold and due from banks	123,175	199,194
Interest on deposits in banks	3,031	2,692
Total Interest and Dividend Income	14,714,350	12,846,462
INTEREST EXPENSE		
Interest on deposits	6,683,803	2,652,057
Interest on Federal Home Loan Bank borrowings	161,777	47,683
Interest on federal funds purchased	12	12
Total Interest Expense	6,845,592	2,699,752
Net interest income before provision for credit losses	7,868,758	10,146,710
(Recapture of) provision for credit losses[(1)]	(175,000)	55,000
Net interest income after provision for credit losses	8,043,758	10,091,710
NON-INTEREST INCOME		
Service fees on deposits	318,380	344,061
Service fees on loans	166,731	184,390
Gain on sales of mortgage loans	813,437	601,025
Income on sale of uninsured products	522,455	480,305
Net gain on sale of other real estate owned	—	48,749
Other income	13,603	143,542
Total Non-Interest Income	1,834,606	1,802,072
NON-INTEREST EXPENSES		
Compensation and benefits	7,324,835	7,364,210
Occupancy	2,012,628	2,057,878
Advertising	126,223	164,338
Data processing services	1,159,081	1,120,044
FDIC assessment	194,658	120,149
Cost of operations for other real estate owned	1,466	72,274
Insurance expense	90,673	118,592
Professional fees	256,325	323,558
Other expenses	700,214	701,044
Total Non-Interest Expenses	11,866,103	12,042,087
Loss before income taxes	(1,987,739)	(148,305)
Income tax expense	25	2,656
NET LOSS	$ (1,987,764)	$ (150,961)
Basic loss per share	$ (0.76)	$ (0.06)
Diluted loss per share	$ (0.76)	$ (0.06)

(1) The Company adopted Accounting Standards Update 2016-13 as of July 13, 2023. The 2023 amounts presented are calculated under the prior accounting standard.

See accompanying notes to consolidated financial statements.

TEB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	For the year ended June 30, 2024	For the year ended June 30, 2023
Net loss	$ (1,987,764)	$ (150,961)
Other comprehensive income, net of tax		
Unrealized gains/losses on securities		
Net unrealized holding gains (losses) arising during the year	455,783	(832,152)
Tax effect	—	—
Change in pension obligation	1,009,949	1,073,293
Tax effect	—	—
Other comprehensive income, net of tax	1,465,732	241,141
COMPREHENSIVE (LOSS) INCOME	$ (522,032)	$ 90,180

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, 2022	2,624,343	$ 26,243	$ 11,319,328	$ 24,859,017	$ (5,833,744)	$ 30,370,844
Net loss				(150,961)		(150,961)
Adoption of ASU 2016-02 (See note 9)				(7,029)		(7,029)
Other Comprehensive Income, net of tax					241,141	241,141
BALANCES - June 30, 2023	2,624,343	$ 26,243	$ 11,319,328	$ 24,701,027	$ (5,592,603)	$ 30,453,995
Net loss				(1,987,764)		(1,987,764)
Adoption of ASU 2016-13 (See note 1)				(1,350,000)		(1,350,000)
Other Comprehensive Income, net of tax					1,465,732	1,465,732
BALANCES - June 30, 2024	2,624,343	$ 26,243	$ 11,319,328	$ 21,363,263	$ (4,126,871)	$ 28,581,963

See accompanying notes to consolidated financial statements.

TEB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended June 30, 2024	For the year ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,987,764)	$ (150,961)
Adjustments to reconcile net loss to net cash flows (used in) provided by operating activities		
Charge-offs on other real estate owned	—	57,616
(Recapture of) provision for credit losses[(1)]	(175,000)	55,000
Depreciation	487,096	510,524
Net amortization and accretion	10,050	29,032
Origination of mortgage loans held for sale	(47,224,649)	(31,678,244)
Proceeds from sales of mortgage loans held for sale	48,560,808	31,648,528
Gain on sale of mortgage loans held for sale	(813,437)	(601,025)
Gain on sale of other real estate owned, net	—	(48,749)
Gain on sale or disposal of assets, net	—	(116,072)
Right of use asset amortization	91,018	89,489
Changes in assets and liabilities:		
Accrued interest receivable and other assets	803,254	(348,395)
Accrued interest payable and other liabilities	(809,491)	2,236,207
Leases liability	(90,142)	(87,620)
Net cash flows (used in) provided by operating activities	(1,148,257)	1,595,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities or calls of securities available for sale	2,930,000	2,840,000
Purchase of securities available for sale	(375,000)	—
Change in loans	5,478,114	(30,305,035)
Change from purchase of FHLB stock	(21,900)	—
Change in interest bearing deposits in banks	12,372	68,541
Proceeds from sale of other real estate owned	—	382,122
Proceeds from sale of premises and equipment	—	148,151
Purchase of premises and equipment, net	(275,716)	(280,231)
Net cash flows provided by (used in) investing activities	7,747,870	(27,146,452)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(5,933,308)	23,616,444
FHLB advance proceeds	794,418,000	366,908,000
FHLB advance repayments	(794,418,000)	(366,908,000)
Change in advance payments by borrowers for property taxes and insurance	(36,002)	100,761
Net cash flows (used in) provided by financing activities	(5,969,310)	23,717,205
Net Change in Cash and Cash Equivalents	630,303	(1,833,917)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,335,353	7,169,270
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 5,965,656	$ 5,335,353
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	$ 5,858,930	$ 2,391,344
Right of use assets obtained in exchange for new operting lease liabilities	—	694,890
Loans transferred to other real estate owned	—	223,399

(1) The Company adopted Accounting Standards Update 2016-13 as of July 1, 2023. The 2023 amounts presented are calculated under the prior accounting standard.

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, 2024, 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 credit 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. Gains or losses on the sale of securities, if any, are determined on the specific identification method and recorded in the non-interest income section of the Statements of Operations. Securities transactions are recorded on the trade date.

Allowance for Credit Losses – Available for Sale Securities

For available for sale securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of these criteria are met, the Company will write down the security to fair value as a component of current period earnings. For available for sale securities that do not meet either of these criteria, the Company determines whether the decline in value has resulted from credit losses or other factors. This evaluation takes into consideration current market conditions, issuer rating changes and trends, the credit worthiness of the obligator of the security, current analysts' evaluations, and failure of the issuer to make scheduled interest or principal payments. If the Company determines a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost of the security. If the present value of cash flows expected to be collected are less than the amortized cost, an allowance for credit losses is recorded, which is limited by the amount the fair value is less than the amortized cost basis. Any impairment that is not recorded through an allowance for credit losses is recognized in other comprehensive income (loss). Accrued interest on available for sale securities totaled $202,846 as of June 30, 2024 and is excluded from the estimate of credit losses. Changes in the allowance for

credit losses on investments are recorded as a provision for, or recapture of, credit loss. Losses are charged against the allowance when management believes the security is uncollectible or when either of the criteria regarding intent or requirement to sell is met.

Loans

Loans are carried at the unpaid principal balance adjusted for deferred loan fees and costs and charge-offs, reduced for the allowance for credit losses. 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.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of loan modification. Upon the Company's determination that a modified loan has subsequently been deemed uncollectible, the loan is written off. Therefore the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

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 Credit Losses - Loans

Under the current expected credit loss ("CECL") model, the allowance for credit losses ("ACL") is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-sprecific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The Company measures the allowance for credit losses of financial assets on a collective portfolio segment basis when the financial assets share similar risk characteristics. The Company has identified the following portfolio segments of financial assets with similar risk characteristics for measuring expected credit losses:

1-4 family residential:
1-4 family residential (1st lien): The exposures in this category consist of loans secured by both owner-occupied and non-owner-occupied dwellings. These loans are generally to individuals and are underwritten by evaluating the credit history of the borrower, the

ability of the borrower to meet the debt service requirements of the loan and total debt obligations, the underlying collateral, and the loan to collateral value. Residential real estate loans are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans.

1-4 family residential (Jr. lien): The exposures in this category consist of loans secured by 1-4 family dwellings with the Bank having a subordinate lien position. The loans are primarily home equity loans. These loans are generally to individuals and are underwritten by evaluating the credit history of the borrower, the ability of the borrower to meet the debt service requirements of the loan and total debt obligations, the underlying collateral, and the loan to collateral value.

1-4 family revolving: The exposures in this category consist of loans secured by 1-4 family dwellings that have a revolving structure, home equity lines of credit. These loans are generally to individuals and are underwritten by evaluating the credit history of the borrower, the ability of the borrower to meet the debt service requirements of the loan and total debt obligations, the underlying collateral, and the loan to collateral value.

Multifamily: Exposures in this category consist of loans secured by multifamily structures having at least five dwelling units. Multifamily loans are made based primarily on the historical and projected cash flow of the subject multifamily property, with assumptions made for vacancy rates. Cash flows and ultimate loan performance rely on the receipt of rental income from the tenants of the property, who are themselves subject to fluctuations in national and local economic and unemployment trends.

1-4 family redisential construction: Exposures in this category consist of construction loans for both owner-occupied and non-owner-occupied dwellings. These loans are generally to individuals and are underwritten by evaluating the credit history of the borrower, the ability of the borrower to meet the debt service requirements of the loan and total debt obligations, the underlying collateral, and the loan to collateral value.

Other construction, development, and land: Exposures in this category consist of loans secured by land and/or properties in construction, excluding 1-4 family dwellings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.

Nonfarm nonresidential:
Owner occupied nonfarm nonresidential: Exposures in this category consist of loans secured by commercial real estate properties tenanted by the owner. Financial information is obtained from borrowers to evaluate cash flow sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the underlying business.

Other nonfarm nonresidential: Exposures in this category consist of loans secured by commercial real estate properties leased out to a third party by the owner. Most loans in this category are self-storage facilities and assisted living facilities. Financial information is obtained from borrowers to evaluate cash flow sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market, such as geographic location and/or property type.

Commercial and industrial: Exposures in this category consist of loans to business customers and do not have a real estate component, such as lines of credit or equipment loans. Financial information is obtained from borrowers to evaluate cash flow sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the underlying business.

Consumer loans:
Credit card loans: Exposures in this category consist of customer credit card balances.

Auto loans: Exposures in this category consist of customer auto loan balances.

Other consumer loans: Exposures in this category consist of non-secured loans to consumers, primarily student loans.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. Collateral dependent loans refer to loans where the borrower is experiencing financial difficulties, and repayment is expected to be provided substantially through the operation or sale of the collateral. All individually evaluated loans are considered collateral dependent.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

The estimated remaining life of each pool is determined using the Company's loan-level historical data. The Company's historical call report data is utilized for historical loss rate calculations, and the lookback period for each collectively evaluated loan pool is determined by management based upon the estimated remaining life of the pool adjusted by estimated prepayment factors. Forecasted historical loss rates are calculated using the Company's historical data based on the lookback period determined by management.

The quantitative analysis described above is supplemented with other qualitative factors based on the risks present for each collectively evaluated loan pool. Qualitative factor adjustments may increase or decrease management's estimate of expected credit losses. Adjustments will not be made for information that has already been considered and included in the quantitative component. Qualitative loss factors are based on management's judgment of company, market, industry or business specific data, changes in loan composition, performance trends, regulatory changes, and other asset specific risk characteristics.

The Company excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the consolidated financial statements. Accrued interest on loans totaling $955,219 at June 30, 2024 was excluded from the amortized cost basis of loans and is included in accrued interest receivable on the consolidated balance sheet.

Prior to July 1, 2023, the Company used an incurred loss model to estimate the allowance for loan losses. This methodology included allocations for specifically identified impaired loans and loss factors for all remaining loans. A loan is considered impaired when, based on current information, it is probable that the Company will not collect all amounts due in accordance with the contractual terms of the loan agreement. The specific allowance for impaired loans was based on 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. Loans that were not determined to be impaired were collectively evaluated for impairment based on loan segments with similar risk characteristics and the historical loss rates for each segment and other qualitative factors.

Prior to the adoption of ASU No. 2022-02, loans for which the terms had been modified resulting in a concession, and for which the borrower was experiencing financial difficulties, were considered troubled debt restructurings (TDRs) and were classified as impaired. TDRs were individually evaluated for impairment and included in the separately identified impairment disclosures. The adoption of ASU 2022-02 eliminated TDR's recognition and measurement guidance as well as all TDR related disclosures.

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 credit 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.

Leases

The Company is the lessee in two lease contracts for real estate which are determined to be operating leases. The Company records leases on the consolidated balance sheets in the form of a right of use asset, which represents our right to use an underlying asset for the lease term, and lease liabilities, which represent our obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term, including all extension options, at the date of adoption and any subsequent lease extensions or commencements. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement, or as of the date of adoption if the commencement date of the lease is prior to this date, or renewal. Leases with a lease term of 12 months or less at inception are not recorded on the Company's consolidated balance sheet and are expensed on a straight-line basis over the the lease term in the Company's consolidated statements of operations.

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.

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 (Loss) Income

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 (loss) are components of comprehensive (loss) income.

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.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Company records an allowance for credit losses on off-balance sheet credit exposures through a charge to provision for credit losses for off-balance sheet credit exposures that are not unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheete credit exposures is estimated by portfolio segment under the CECL model using the same methodologies as portfolio loans, taking into consideration management's assumption of the likelihood that funding will occur, and is included in other liabilities on the Company's Consolidated Balance Sheets.

Reclassification

Certain amounts in the June 30, 2023 consolidated financial statements have been reclassified to conform to the June 30, 2024 presentation. Such reclassifications had no effect on reported net loss.

Subsequent Events

Management has reviewed the Company's operations for potential disclosure or financial statement impacts related to events occurring after June 30, 2024, 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 12, 2024.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (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 June 2016, the FASB issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including distorical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This ASU replaces the current incurred loss impairment methodology. The ASU made certain targeted amendments to the existing impairment model for available-for-sale (AFS) debt securities. For an AFS debt security for which there is neither the intent nor a more-likely-than-not requirement to sell, an entity will record credit losses as an allowance rather than a write-down of the amortized cost basis. In November 2019, the FASB issued ASU 2019-10 which amends the effective date of ASU 2016-13. The Company adopted the guidance effective July 1, 2023 using a model that reflects credit losses over the instruments' remaining expected life and considers portfolio characteristics, risk-grading, economic outlook and key methodology assumptions. The adoption of ASU 2016-13 resulted in an initial increase of $1,327,000 to the ACL for loans and the establishment of a $23,000 ACL for unfunded loan commitments. The ACL for unfunded loan commitments is included in other liabilities on the Company's Consolidated Balance Sheets. The cumulative adjustment of $1.35 million was recorded in retained earnings as of July 1, 2023. No allowance for credit losses on available for sale securities was recorded as the Company concluded credit losses did not exist on July 1, 2023.

The Company adopted this ASU using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning after July 1, 2023 are presented under Topic 326, while prior period amounts continue to be reported in accordance with the previously applicable accounting standard.

The following table presents the impact of the adoption of ASU No. 2016-13:

	June 30, 2023	Impact of Adopting ASU No. 2016-13	July 1, 2023
Assets:			
Loans			
Construction, land, development	$ 3,088,181	$ (3,088,181)	$ —
Other construction, development & land	—	3,088,181	3,088,181
1-4 family owner occupied	112,161,564	(112,161,564)	—
1-4 family non-owner occupied	24,912,240	(24,912,240)	—
1-4 family residential	—	140,194,829	140,194,829
Multifamily	121,187,783	—	121,187,783
1-4 family residential construction	—	3,777,704	3,777,704
Commercial owner occupied	3,498,899	(3,498,899)	—
Commercial non-owner occupied	26,056,501	(26,056,501)	—
Nonfarm nonresidential	—	27,935,012	27,935,012
Commerical & industrial	—	1,620,388	1,620,388
Consumer and installment loans	7,042,731	(7,042,731)	—
Consumer loans		144,002	144,002
Total loans	$ 297,947,899	$ —	$ 297,947,899
Allowance for credit losses - Loans	$ (1,543,833)	$ (1,327,000)	$ (2,870,833)
Total assets	$ 296,404,066	$ (1,327,000)	$ 295,077,066
Liabilities:			
Reserve for credit losses on unfunded loan commitments	$ —	$ 23,000	$ 23,000
Total liabilities	$ —	$ 23,000	$ 23,000
Stockholders' equity:			
Retained earnings	$ 24,701,027	$ (1,350,000)	$ 23,351,027
Total stockholders' equity	$ 30,453,995	$ (1,350,000)	$ 29,103,995

In March 2022, the FASB issued ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures," which eliminates the accounting guidance for troubled debt restructurings by creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The Company has adopted this guidance effective July 1, 2023 under a prospective approach. The adoption of the new standard did not have a material impact on the Company's consolidated financial statements but resulted in the replacement of TDR disclosures with disclosures related to modifications of loans to borrowers experiencing financial difficulty. See Note 5 for required disclosures.

Recently Issued, But Not Yet Effective Accounting Pronouncements

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848)". ASU No. 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities could elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. During December 2022, the FASB issued ASU No. 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848." These amendments defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The Company does not expect it to have a material impact on its consolidated 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 individually evaluated and an allowance for credit 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 individually evaluated. Once a loan is individually evaluated, management measures impairment. The fair value of individually evaluated 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 individually evaluated 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. Individually evaluated 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 individually evaluated 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 Company had no other real estate owned as of June 30, 2024 and June 30, 2023.

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, 2024 and 2023, 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, 2024			
	Level 1	Level 2	Level 3	Total
Securities classified as available for sale:				
Obligations of states and political subdivisions	$ —	$ 21,764,679	$ —	$ 21,764,679
US government agency obligations	—	4,750,572	—	4,750,572
Municipal leases	—	848,328	—	848,328
Total	$ —	$ 27,363,579	$ —	$ 27,363,579

	Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Securities classified as available for sale:				
Obligations of states and political subdivisions	$ —	$ 23,337,569	$ —	$ 23,337,569
US government agency obligations	—	5,082,410	—	5,082,410
Municipal leases	—	833,515	—	833,515
Certificates of deposit	—	219,357	—	219,357
Total	$ —	$ 29,472,851	$ —	$ 29,472,851

Assets measured at fair value on non-recurring basis:

There were no assets measured at fair value on a non-recurring basis as of June 30, 2024 and June 30, 2023.

There were no non-recurring level 3 fair value measurements as of June 30, 2024 and June 30, 2023.

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, 2024		June 30, 2023	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
FINANCIAL ASSETS				
Cash and cash equivalents	$ 5,965,656	$ 5,965,656	$ 5,335,353	$ 5,335,353
Interest bearing deposits in banks	$ 14,199	$ 14,199	$ 26,571	$ 26,571
Available for sale securities	$ 27,363,579	$ 27,363,579	$ 29,472,851	$ 29,472,851
Loans, net	$ 289,773,952	$ 264,811,952	$ 296,404,066	$ 269,630,066
Loans held for sale	$ 480,000	$ 480,000	$ 1,002,722	$ 1,002,722
Federal Home Loan Bank stock	$ 1,053,100	$ 1,053,100	$ 1,031,200	$ 1,031,200
Accrued interest receivable	$ 1,160,933	$ 1,160,933	$ 1,046,259	$ 1,046,259
FINANCIAL LIABILITIES				
Deposits	$ 300,931,095	$ 300,313,095	$ 306,864,403	$ 305,604,294
Accrued interest payable	$ 1,160,742	$ 1,160,742	$ 336,342	$ 336,342

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.

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, 2024 and 2023 is insignificant. Loan commitments on which the committed interest rate is less than the current market rate are also insignificant at June 30, 2024 and 2023.

NOTE 3 – Cash and Due From Banks

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, 2024 and 2023.

NOTE 4 – Available for Sale Securities

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

	June 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 25,625,335	$ —	$ 3,860,656	$ 21,764,679
U.S. government agency obligations	5,142,678	—	392,106	4,750,572
Municipal leases	989,745	—	141,417	848,328
	$ 31,757,758	$ —	$ 4,394,179	$ 27,363,579

	June 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of states and political subdivisions	$ 27,461,263	$ —	$ 4,123,694	$ 23,337,569
U.S. government agency obligations	5,642,615	—	560,205	5,082,410
Municipal leases	993,935	—	160,420	833,515
Certificates of deposit	225,000	—	5,643	219,357
	$ 34,322,813	$ —	$ 4,849,962	$ 29,472,851

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, 2024					
	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	$ 221,944	$ 42,417	$ 21,542,735	$ 3,818,239	$ 21,764,679	$ 3,860,656
U.S. government agency obligations	—	—	4,750,572	392,106	4,750,572	392,106
Municipal leases	—	—	848,328	141,417	848,328	141,417
	$ 221,944	$ 42,417	$ 27,141,635	$ 4,351,762	$ 27,363,579	$ 4,394,179

The Company held $27.1 million, comprised of 112 securities, in obligations of state and political subdivisions, agencies, and municipal leases at June 30, 2024 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 and therefore the Company has determined that no allowance for credit losses is required on available for sale securities as of June 30, 2024.

	June 30, 2023					
	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	$ 908,016	$ 36,984	$ 22,429,553	$ 4,086,710	$ 23,337,569	$ 4,123,694
U.S. government agency obligations	—	—	5,082,410	560,205	5,082,410	560,205
Municipal leases	—	—	833,515	160,420	833,515	160,420
Certificates of deposit	—	—	219,357	5,643	219,357	5,643
	$ 908,016	$ 36,984	$ 28,564,835	$ 4,812,978	$ 29,472,851	$ 4,849,962

Management does not believe any individual unrealized loss as of June 30, 2023 represents other than temporary impairment. The Company held $28.6 million, comprised of 121 securities at June 30, 2023 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, 2024 are shown below by contractual maturity.

	Amortized Cost	Fair Value
Due in one year or less	$ 3,166,776	$ 3,098,742
Due after one year through 5 years	8,120,678	7,512,988
Due after 5 years through 10 years	8,654,578	7,254,004
Due after 10 years	11,815,726	9,497,845
Total	$ 31,757,758	$ 27,363,579

During the years ended June 30, 2024 and June 30, 2023, the Company did not sell any available for sale securities. The Company did not have any available for sale securities pledged at June 30, 2024 and June 30, 2023 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, 2024
1-4 family residential	$ 142,867,197
Multifamily	114,825,647
1-4 family residential construction	1,234,411
Other construction, development & land	3,529,518
Nonfarm nonresidential	27,616,634
Commercial & industrial	2,234,526
Consumer loans	166,385
Total loans	292,474,318
Less:	
Allowance for credit losses	(2,700,366)
Loans, net	$ 289,773,952

	June 30, 2023
Construction, land, development	$ 3,088,181
1-4 family owner occupied	112,161,564
1-4 family non-owner occupied	24,912,240
Multifamily	121,187,783
Commercial owner occupied	3,498,899
Commercial non-owner occupied	26,056,501
Consumer and installment loans	7,042,731
Total loans	297,947,899
Less:	
Allowance for loan losses	(1,543,833)
Loans, net	$ 296,404,066

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, nonresidential real estate, 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, nonfarm nonresidential loans, construction and development 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. Nonfarm nonresidential 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. Nonfarm nonresidential real estate loans may be affected to a greater extent than residential loans by adverse conditions in real estate markets or

the economy because nonfarm nonresidential 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%. 1-4 family residential mortgage loans granted in excess of the 80% loan-to-value ratio criterion are generally insured by private mortgage insurance.

The 1-4 family residential real estate portfolio primarily also includes 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 nonfarm nonresidential 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 1-4 family residential 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 nonfarm nonresidential and multifamily 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 1-4 family 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 and development real estate loans are similar to those described above for nonfarm nonresidential real estate, multifamily real estate and 1-4 family residential real estate lending.

The Company has purchased loan participations in which they are not the primary lender. At June 30, 2024 and 2023, the aggregate amount of purchased participations was $23.4 million and $23.0 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, 2024 and 2023 the Company had participated out portions of loans with aggregate balances of $51.4 million and $51.7 million, respectively.

Information about how loans were individually evaluated and the related allowance for credit losses follows:

	June 30, 2024							
	1-4 Family Residential	Multifamily	1-4 Family Residential Construction	Other Construction Development & Land	Nonfarm Nonresidential	Commercial & Industrial	Consumer Loans	Total
Loans:								
Individually evaluated	$ 171,897	$ —	$ —	$ —	$ —	$ —	$ —	$ 171,897
Collectively evaluated	142,695,300	114,825,647	1,234,411	3,529,518	27,616,634	2,234,526	166,385	292,302,421
Total loans	$ 142,867,197	$ 114,825,647	$ 1,234,411	$ 3,529,518	$ 27,616,634	$ 2,234,526	$ 166,385	$ 292,474,318
Related allowance for credit losses:								
Individually evaluated	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated	1,678,678	754,274	13,470	21,677	193,315	14,136	24,816	2,700,366
Total allowance for credit losses	$ 1,678,678	$ 754,274	$ 13,470	$ 21,677	$ 193,315	$ 14,136	$ 24,816	$ 2,700,366
Net Loans:								
Individually evaluated	$ 171,897	$ —	$ —	$ —	$ —	$ —	$ —	$ 171,897
Collectively evaluated	141,016,622	114,071,373	1,220,941	3,507,841	27,423,319	2,220,390	141,569	289,602,055
Total net loans	$ 141,188,519	$ 114,071,373	$ 1,220,941	$ 3,507,841	$ 27,423,319	$ 2,220,390	$ 141,569	$ 289,773,952

All individually evaluated collateral dependent loans as of June 30, 2024 are secured by 1-4 family residential real estate.

	June 30, 2023							
	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	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Unpaid principal balance	—	—	—	—	—	—	—	—
Related allowance	—	—	—	—	—	—	—	—
With no related allowance recorded								
Recorded investment	$ —	$ 297,908	$ —	$ —	$ —	$ —	$ —	$ 297,908
Unpaid principal balance	—	297,908	—	—	—	—	—	297,908
Related allowance	—	—	—	—	—	—	—	—
Total								
Recorded investment	$ —	$ 297,908	$ —	$ —	$ —	$ —	$ —	$ 297,908
Unpaid principal balance	—	297,908	—	—	—	—	—	297,908
Related allowance	—	—	—	—	—	—	—	—
Average recorded balance	$ —	$ 244,853	$ —	$ —	$ 41,672	$ —	$ 2,810	$ 289,335
Interest income recognized while impaired	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest income recognized on a cash basis while impaired	—	7,523	—	—	—	—	—	7,523
Total interest on impaired loans	$ —	$ 7,523	$ —	$ —	$ —	$ —	$ —	$ 7,523

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. 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, though the collectability of the contractual loan payments is still probable.

Substandard: Loans in this category exhibit the same characteristics as "Special Mention" 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 such that collectability of the contractual loan payments is no longer probable.

Doubtful: Loans in this category have been placed in non-accrual and the Bank has taken legal action to preserve its position. Collectability of the contractual loan payments is unlikely.

Information regarding the loan portfolio by risk classification and origination year for the year ended June 30, 2024 follows:

	Term Loans Amortized Cost Basis By Origination Year							
	2024	2023	2022	2021	2020	Prior	Revolving	Total
1-4 family residential								
Pass	$ 10,093,833	$ 34,387,090	$ 46,149,371	$ 10,684,200	$ 6,603,811	$ 29,528,702	$ 5,248,293	$ 142,695,300
Substandard	—	—	—	—	—	171,897	—	171,897
Totals	$ 10,093,833	$ 34,387,090	$ 46,149,371	$ 10,684,200	$ 6,603,811	$ 29,700,599	$ 5,248,293	$ 142,867,197
Gross chargeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Multifamily								
Pass	$ 1,266,123	$ 12,670,346	$ 38,206,197	$ 25,407,642	$ 9,636,425	$ 27,638,914	$ —	$ 114,825,647
Totals	$ 1,266,123	$ 12,670,346	$ 38,206,197	$ 25,407,642	$ 9,636,425	$ 27,638,914	$ —	$ 114,825,647
Gross chargeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
1-4 family residential construction								
Pass	$ 1,234,411	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,234,411
Totals	$ 1,234,411	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,234,411
Gross chargeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other construction, development & land								
Pass	$ 285,287	$ 366,938	$ 1,992,144	$ 470,251	$ 96,160	$ 318,738	$ —	$ 3,529,518
Totals	$ 285,287	$ 366,938	$ 1,992,144	$ 470,251	$ 96,160	$ 318,738	$ —	$ 3,529,518
Gross chargeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Nonfarm nonresidential								
Pass	$ 806,162	$ 10,729,696	$ 8,182,763	$ 905,321	$ 1,538	$ 6,880,104	$ 111,050	$ 27,616,634
Totals	$ 806,162	$ 10,729,696	$ 8,182,763	$ 905,321	$ 1,538	$ 6,880,104	$ 111,050	$ 27,616,634
Gross chargeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial & industrial								
Pass	$ 438,244	$ 117,261	$ 224,275	$ 66,090	$ 41,426	$ 1,347,230	$ —	$ 2,234,526
Totals	$ 438,244	$ 117,261	$ 224,275	$ 66,090	$ 41,426	$ 1,347,230	$ —	$ 2,234,526
Gross chargeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer								
Pass	$ 60,620	$ —	$ —	$ —	$ —	$ 52,801	$ 52,963	$ 166,385
Totals	$ 60,620	$ —	$ —	$ —	$ —	$ 52,801	$ 52,963	$ 166,385
Gross chargeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ 487	$ 487
Total Loans								
Pass	$ 14,184,680	$ 58,271,331	$ 94,754,750	$ 37,533,504	$ 16,379,360	$ 65,766,489	$ 5,412,306	$ 292,302,421
Substandard	—	—	—	—	—	171,897	—	171,897
Totals	$ 14,184,680	$ 58,271,331	$ 94,754,750	$ 37,533,504	$ 16,379,360	$ 65,938,386	$ 5,412,306	$ 292,474,318
Gross chargeoffs	$ —	$ —	$ —	$ —	$ —	$ —	$ 487	$ 487

Information regarding the credit quality indicators by class as of June 30, 2023 follows:

	June 30, 2023							
	Construction, Land, Development	1-4 Family Owner Occupied	1-4 Family Non-Owner Occupied	Multifamily	Commercial Owner Occupied	Commerical Non-Owner Occupied	Consumer and Installment	Total
1-4 (Pass)	$ 3,088,181	$ 111,863,656	$ 24,912,240	$ 121,187,783	$ 2,359,251	$ 26,056,501	$ 7,042,731	$ 296,510,343
5 (Special Mention)	—	—	—	—	1,139,648	—	—	1,139,648
6 (Substandard)	—	297,908	—	—	—	—	—	297,908
7 (Doubtful)	—	—	—	—	—	—	—	—
Total	$ 3,088,181	$ 112,161,564	$ 24,912,240	$ 121,187,783	$ 3,498,899	$ 26,056,501	$ 7,042,731	$ 297,947,899

The following is a summary of past due loans as of June 30, 2024 and 2023:

	June 30, 2024				
	30-59 days accruing	60-89 days accruing	90 days & over or nonaccrual	Current accruing	Total
1-4 family residential	$ 1,477,239	$ 266,127	$ 171,897	$ 140,951,934	$ 142,867,197
Multifamily	—	—	—	114,825,647	114,825,647
1-4 family residential construction	—	—	—	1,234,411	1,234,411
Other construction, development & land	58,150	—	—	3,471,368	3,529,518
Nonfarm nonresidential	—	—	—	27,616,634	27,616,634
Commercial & industrial	—	—	—	2,234,526	2,234,526
Consumer loans	—	—	—	166,385	166,385
Total	$ 1,535,389	$ 266,127	$ 171,897	$ 290,500,905	$ 292,474,318

	June 30, 2023				
	30-59 days accruing	60-89 days accruing	90 days & over or nonaccrual	Current accruing	Total
Construction, land, development	$ —	$ —	$ —	$ 3,088,181	$ 3,088,181
1-4 family owner occupied	592,194	79,718	297,908	111,191,744	112,161,564
1-4 family non-owner occupied	26,884	—	—	24,885,356	24,912,240
Multifamily	—	—	—	121,187,783	121,187,783
Commercial owner occupied	—	—	—	3,498,899	3,498,899
Commercial non-owner occupied	—	—	—	26,056,501	26,056,501
Consumer and installment	80,000	—	—	6,962,731	7,042,731
Total	$ 699,078	$ 79,718	$ 297,908	$ 296,871,195	$ 297,947,899

As of June 30, 2024 and 2023 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 $2,533,810 and $2,393,541 at June 30, 2024 and 2023, respectively. During the year ended June 30, 2024, two new loans were made totaling $558,176. One loan was paid off totaling $365,729 and repayments totaled $60,403. During the year ended June 30, 2023, one new loan was made totaling $400,000 and new draws on lines of credit totaled $44,000. One loan was paid off totaling $347,283 and repayments totaled $82,367. 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.

The adoption of ASU 2022-02, effective July 1, 2023 eliminated TDR's recognition and measurement guidance as well as all TDR related disclosures. Under this standard, loan modifications are reported if concessions have been granted to borrowers that are experiencing financial difficulty. Loan modifications originated after the effective date are presented in accordance with the new

accounting guidance. Reporting periods prior to the adoption present information on TDRs under the previous guidance and are no longer required to be presented. See Note 1 for additional information. There were no loans that were both experiencing financial difficulty and modified during the year ended June 30, 2024.

NOTE 6 – Allowance for Credit Losses

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended June 30, 2024:

	June 30, 2024								
	1-4 Family Residential:	**Multifamily**	**1-4 Family Residential Construction**	**Other Constr Development & Land**	**Nonfarm Non-residential**	**Commercial & Industrial**	**Consumer Loans**	**Not Specifically Allocated**	**Total**
Allowance for credit losses:									
Balance at 6/30/23	$ 639,652	$ 630,176	$ 19,156	$ 13,588	$ 173,472	$ 12,184	$ 3,841	$ 51,764	$ 1,543,833
Impact of adopting ASC 326	1,427,181	(106,176)	(14,156)	46,412	(11,472)	2,816	34,159	(51,764)	1,327,000
Loans charged off	—	—	—	—	—	—	(487)		(487)
Recoveries collected	5,020	—	—	—	—	—	—	—	5,020
(Recapture of) provision for credit losses	(393,175)	230,274	8,470	(38,323)	31,315	(864)	(12,697)	—	(175,000)
Balance at 6/30/24	$ 1,678,678	$ 754,274	$ 13,470	$ 21,677	$ 193,315	$ 14,136	$ 24,816	$ —	$ 2,700,366

The following table presents the balance in the allowance for loan losses by portfolio segment and based on impairment method as of June 30, 2023:

	June 30, 2023								
	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 6/30/22	$ 31,086	$ 401,299	$ 110,977	$ 575,965	$ 92,273	$ 134,988	$ 48,201	$ 86,940	$ 1,481,729
Charge-offs	—	—	—	—	—	—	(232)	—	(232)
Recoveries	—	—	—	—	—	—	7,336	—	7,336
Provision	(17,498)	113,274	6,111	54,211	(73,379)	31,774	(24,317)	(35,176)	55,000
Balance at 6/30/23	$ 13,588	$ 514,573	$ 117,088	$ 630,176	$ 18,894	$ 166,762	$ 30,988	$ 51,764	$ 1,543,833
Allowance									
Ending balance individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance collectively evaluated for impairment	13,588	514,573	117,088	630,176	18,894	166,762	30,988	51,764	1,543,833
Ending balance	$ 13,588	$ 514,573	$ 117,088	$ 630,176	$ 18,894	$ 166,762	$ 30,988	$ 51,764	$ 1,543,833
Loans									
Ending balance individually evaluated for impairment	$ —	$ 297,908	$ —	$ —	$ —	$ —	$ —	$ —	$ 297,908
Ending balance collectively evaluated for impairment	3,088,181	111,863,656	24,912,240	121,187,783	3,498,899	26,056,501	7,042,731	—	297,649,991
Total loans	$ 3,088,181	$ 112,161,564	$ 24,912,240	$ 121,187,783	$ 3,498,899	$ 26,056,501	$ 7,042,731	$ —	$ 297,947,899
Less allowance	$ 13,588	$ 514,573	$ 117,088	$ 630,176	$ 18,894	$ 166,762	$ 30,988	$ 51,764	$ 1,543,833
Total loans, net	$ 3,074,593	$ 111,646,991	$ 24,795,152	$ 120,557,607	$ 3,480,005	$ 25,889,739	$ 7,011,743	$ (51,764)	$ 296,404,066

At June 30, 2024, the Company maintained a reserve for unfunded loan commitments totaling $23,000, which is included in other liabilities on the consolidated balance sheet. As a part of the adoption of ASU No. 2016-13, the Company recorded an initial

adjustment to the reserve for unfunded loan commitments of $23,000. There was no provision for credit losses on unfunded loan commitments for the year ended June 30, 2024.

NOTE 7 – Loan Servicing

The unpaid principal balance of loans serviced for others, which is not included in the consolidated financial statements, was $28,088,402 and $28,053,127 at June 30, 2024 and 2023, respectively. The Company maintained no custodial balances at June 30, 2024 and June 30, 2023 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, 2024	June 30, 2023
Beginning balance	$ —	$ 167,590
Charge offs	—	(57,616)
Transfer from loans	—	223,399
Sale proceeds	—	(382,122)
Net gain on sale of other real estate owned	—	48,749
Other real estate owned, net	$ —	$ —

There was no recorded investment in 1-4 family owner occupied properties that were in process of foreclosure at June 30, 2024 and June 30, 2023. At June 30, 2024 and June 30, 2023, no residential real estate property collateralizing 1-4 family owner occupied properties were included in other real estate owned.

NOTE 9 – Leases

The Company enters into leases for certain retail branches and office space. Operating leases and lease liabilities are listed on the consolidated balance sheets. The Company does not have any finance leases.

Right-of-use (ROU) assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized as of July 1, 2022, or the date of any subsequent lease extension or commencement, based on the present value of lease payments over the lease term. The Company uses its incremental borrowing rate at adoption date, or subsequent lease extension or commencement date in determining the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the Federal Home Loan Bank borrowing rate, adjusted for the lease term. Adoption of the leasing standard resulted in the recognition of operating right of use assets of $695,000 and operating lease liabilities of $705,000 as of July 1, 2022. The initial recognition also resulted in a $10,000 adjustment to retained earnings, offset by a $3,000 adjustment to deferred tax assets, due to the impact of deferred rent from the original lease term of November 1, 2019 through the adoption date of July 1, 2022.

The Company's leases are generally for periods of up to ten years with extension options discussed as the termination date approaches. The exercise of lease renewal options is not included in the present value of lease obligations unless it is reasonably certain that the option will be exercised. The Company has lease agreements which contain both lease and non-lease components such as common area maintenance charges, real estate taxes, and insurance. Non-lease components are not included in the measurement of the lease liability and are recognized in expense when incurred. The Company has elected not to recognized short-term leases, with original lease terms of twelve months or less, on the Company's consolidated balance sheets.

Supplemental balance sheet information related to leases is presented in the table below as of June 30, 2024:

	June 30, 2024
Weighted average remaining lease term (years)	
Operating leases	5.34
Weighted average discount rate	
Operating leases	1.79 %

The table below presents the components of lease expense for the year ended June 30, 2024:

	June 30, 2024
Lease cost:	
Operating lease cost	$ 101,208
Total lease cost	$ 101,208

Contractual lease payment obligations, including all unexecuted options, for each of the next five years and thereafter, in addition to a reconciliation to the Company's lease liability are as follows as of June 30, 2024:

	June 30, 2024
Maturity of lease liabilities	
2025	$ 101,335
2026	102,349
2027	103,372
2028	104,406
2029	105,450
2030 and after	35,266
Total lease payments	552,178
Less: Interest	25,390
Present value of lease payments	$ 526,788

NOTE 10 – Premises and Equipment, net

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

	June 30, 2024	June 30, 2023
Land	$ 2,306,572	$ 2,306,572
Office buildings and improvements	10,973,158	10,875,628
Leasehold improvements	470,951	470,951
Furniture and fixtures	6,321,903	6,659,513
	20,072,584	20,312,664
Less: Accumulated depreciation	(12,867,635)	(12,896,335)
Premises and equipment, net	$ 7,204,949	$ 7,416,329

Depreciation expense amounted to $487,096 and $510,524 for the years ended June 30, 2024 and 2023, respectively.

NOTE 11 – Accrued Interest Receivable and Other Assets

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

	June 30, 2024	June 30, 2023
Accrued interest receivable	$ 1,160,933	$ 1,046,259
Prepaid expenses and other assets	696,075	1,614,003
Totals	$ 1,857,008	$ 2,660,262

NOTE 12 – Deposits

The aggregate amount of certificates of deposit, each with a minimum denomination of $250,000, was approximately $27,176,798 at June 30, 2024 and $18,020,007 at June 30, 2023.

At June 30, 2024, the scheduled maturities of certificates of deposit are as follows:

2025	$ 148,439,587
2026	2,721,491
2027	249,098
2028	480,004
2029	446,648
Thereafter	11,192
	$ 152,348,020

The aggregate amount of overdrafts reclassified into loans was $12,060 at June 30, 2024 and $9,731 at June 30, 2023.

Deposits from directors and executive officers of the Company, and their related interests, totaled $942,453 and $962,124 at June 30, 2024 and June 30, 2023, respectively.

NOTE 13– Borrowings

The Bank had no borrowings outstanding as of June 30, 2024 and June 30, 2023.

The Bank has a master contract agreement with the FHLB, which provides for borrowing up to the maximum $118,660,150 at June 30, 2024. 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, 2024 and 2023. Additionally, the Bank had $0 outstanding in term advances at June 30, 2024 and 2023. FHLB 30-day advances are pre-payable with a two-day notice by the FHLB. 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 $200,325,679 and $201,793,212 at June 30, 2024 and 2023, 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 6.0%, at June 30, 2024 and 5.75% at June 30, 2023. There were no amounts outstanding as of June 30, 2024 and June 30, 2023. U.S. Bank provides overnight fixed rate advances which are not collateralized as of June 30, 2024 and 2023.

NOTE 14 – Income Taxes

The provision for income taxes included in the accompanying consolidated financial statements consists of the following components:

	June 30, 2024	June 30, 2023
Current tax expense:		
Federal	$ —	$ —
State	25	25
	25	25
Deferred tax expense (benefit):		
Federal	(221,591)	(84,159)
Federal valuation allowance	221,591	86,790
State	(508,680)	37,000
State valuation allowance	508,680	(37,000)
	—	2,631
Total income tax expense	$ 25	$ 2,656

	June 30, 2024	June 30, 2023
Deferred tax assets		
Loss carryforwards	$ 5,933,082	$ 5,568,077
State loss and contribution	2,984,469	2,571,453
Unrealized loss on available for sale securities	1,197,087	1,321,246
Allowance for credit losses	735,607	420,556
Allowance for unfunded commitments	6,265	—
Lease Liability	143,502	168,058
Other assets	4,001	7,194
Total deferred tax assets	11,004,013	10,056,584
Deferred tax liabilities		
Pension	(771,900)	(471,837)
Deferred loan fees	(169,333)	(197,111)
Depreciation	(162,354)	(161,437)
ROU Asset	(140,123)	(164,917)
Other liabilities	(77,476)	(77,200)
Total deferred tax liabilities	(1,321,186)	(1,072,502)
Valuation allowance	(9,682,827)	(8,984,082)
Net deferred tax asset	$ —	$ —

	June 30, 2024		June 30, 2023	
	Amount	Percent of Pretax Income	Amount	Percent of Pretax Income
Reconciliation of statutory to effective rates				
Federal income taxes at statutory rate	$ (417,425)	21.00 %	$ (31,144)	21.00 %
Adjustments for				
True up of deferreds	69,331	(3.49)%	(20,749)	13.99 %
State income taxes, net of valuation allowance	(392,402)	19.74 %	(6,030)	4.07 %
Federal valuation allowance	730,271	(36.74)%	47,159	(31.80)%
Other - Net	10,250	(0.52)%	13,420	(9.04)%
Effective income taxes - operations	$ 25	(0.01)%	$ 2,656	(1.78)%

On July 5, 2023, the Wisconsin 2023-2025 budget was signed into law. Under the new law, which is effective for tax years beginning after December 31, 2022, banks are allowed to exempt from state taxation loan income from commercial and agricultural loans of $5 million or less where the borrower resides, or is located in, Wisconsin. This will result in reduced state income taxes for the year ended June 30, 2025, and future years.

Deferred tax assets primarily relate to the difference in the allowance for credit 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 $28.3 million and $26.5 million as of June 30, 2024 and 2023, respectively. The Company has state loss carryforwards of approximately $47.8 million and $41.2 million as of June 30, 2024 and 2023, respectively. The federal losses begin to expire as of September 30, 2030 and the state losses begin to expire as of September 30, 2025. The Company has $4.1 million of Federal net operating losses for which there are no expirations and are allowed to offset taxable income by 80% in a given year. 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, 2024 and June 30, 2023, 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. The increase in interest rates also caused deposit costs to increase, resulting in a shrinking of the interest margin. 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 $9.7 million and $9.0 million was recorded as of June 30, 2024 and 2023.

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 years ended June 30, 2024 and 2023. The Company had no accrual for the payment of interest and penalties related to income tax issues as of June 30, 2024 and 2023.

The Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue Service for years before September 30, 2021. The Company is no longer subject to Wisconsin income tax examinations by the Wisconsin Department of Revenue for the years before September 30, 2020. 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, 2024 and 2023, respectively, includes approximately $7.8 million for which no deferred Federal or state income taxes were provided.

NOTE 15 – 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, 2024	June 30, 2023
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$ 8,525,062	$ 9,248,442
Interest cost	412,084	416,966
Benefits paid	(344,612)	(339,643)
Actuarial gain	(258,598)	(800,703)
Settlement	(529,724)	—
Projected benefit obligation at end of year	7,804,212	8,525,062
Change in plan assets		
Fair value of plan assets at beginning of year	10,256,865	9,823,031
Actual return on assets	1,297,449	773,477
Benefits paid	(916,786)	(339,643)
Fair value of plan assets at end of year	10,637,528	10,256,865
Funded status at end of year	$ 2,833,316	$ 1,731,803

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

	June 30, 2024	June 30, 2023
Pension asset	$ 2,833,316	$ 1,731,803

Amounts recognized in accumulated other comprehensive loss consist of:

	June 30, 2024	June 30, 2023
Accumulated pension actuarial (gain) loss, net of income tax benefit of $1,522,485 and $1,522,485, respectively	$ (811,941)	$ 198,008

The accumulated benefit obligation for the Plan was $7,804,212 and $8,525,062 at June 30, 2024 and 2023, respectively. Increases in discount rates during the year from 5.11% as of June 30, 2023 to 5.48% as of June 30, 2024 generated a notable increase in the year-end asset.

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

	June 30, 2024	June 30, 2023
Interest cost	$ 412,084	$ 416,966
Expected return on plan assets	(701,154)	(674,734)
Amortization of net actuarial loss	52,376	173,847
Settlement	145,130	—
Net periodic pension income	$ (91,564)	$ (83,921)

For the years ended June 30, 2024 and 2023, actuarial assumptions include an assumed discount rate on benefit obligations of 5.48% and 5.11% respectively, and an expected long-term rate of return of 7.0% for June 30, 2024 and 2023. 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 years ended June 30, 2024 and 2023 as the plan was frozen in 2012.

There were no contributions paid to the Plan during the years ended June 30, 2024 and 2023.

At June 30, 2024, the projected benefit payments for future fiscal years were estimated as follows:

2025	$ 1,759,500
2026	467,500
2027	492,700
2028	1,107,600
2029	757,800
2030-2034	2,998,400
	$ 7,583,500

At June 30, 2024 and 2023, 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, 2024	June 30, 2023
Cash Equivalents	2.8 %	4.7 %
Equities		
Large Cap	30.0 %	36.3 %
Mid Cap	7.9 %	7.5 %
Small Cap	2.1 %	3.3 %
International	7.6 %	6.7 %
Other	22.8 %	16.2 %
Alternatives/Multi-Asset	2.8 %	2.3 %
Fixed Income		
Government Securities	9.3 %	7.6 %
Corporate Bonds	12.6 %	10.6 %
Mutual Funds	2.1 %	4.8 %
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 2025.

NOTE 16 – 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, 2024	June 30, 2023
Accumulated pension actuarial loss	$ (710,544)	$ (1,720,493)
Deferred taxes related to accumulated pension actuarial loss	1,522,485	1,522,485
Unrealized net loss on securities available for sale	(4,394,179)	(4,849,962)
Deferred taxes related to unrealized net loss on securities available for sale	(544,633)	(544,633)
Total accumulated other comprehensive loss	$ (4,126,871)	$ (5,592,603)

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

	Available for Sale Securities	Defined Benefit Pension Plan	Total
Balance, June 30, 2022	$ (5,230,981)	(602,763)	$ (5,833,744)
Other comprehensive (loss) income before reclassifications, net of tax	(832,152)	899,446	67,294
Amounts reclassified from other comprehensive loss, net of tax	—	173,847	173,847 *
Net current period other comprehensive (loss) income	(832,152)	1,073,293	241,141
Balance, June 30, 2023	(6,063,133)	470,530	(5,592,603)
Other comprehensive income before reclassifications, net of tax	455,783	957,573	1,413,356
Amounts reclassified from other comprehensive loss, net of tax	—	52,376	52,376 *
Net current period other comprehensive income	455,783	1,009,949	1,465,732
Balance, June 30, 2024	$ (5,607,350)	$ 1,480,479	$ (4,126,871)

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

NOTE 17 – 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, 2024	June 30, 2023
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit to borrowers	$ 20,609,251	$ 25,382,843
Sold loan commitments	$ 4,137,465	$ 3,073,760
Credit card commitments	$ 445,124	$ 478,896

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, 2024 and June 30, 2023, the Company does not engage in the use of interest rate swaps, futures or option contracts.

NOTE 18 – Concentrations

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.

As of June 30, 2024, the Company presents the following information regarding deposit concentration in its consolidated financial statements:

Certificates of deposit due in one year or less: Certificates of deposit with a maturity period of one year or less account for approximately 97% of outstanding certificates of deposit and 49% of total deposits. These certificates of deposit primarily consist of funds placed by customers for a fixed period, with the understanding that withdrawals may be subject to penalties if made before maturity. The significant concentration of certificates of deposit with a relatively short time horizon poses certain risks.

While these depositors have historically maintained their deposits with the Bank, a significant withdrawal by these depositors could impact the Company's liquidity and financial stability. The Company actively monitors and manages this concentration risk through its liquidity management strategies. As discussed in Note 13, the Bank has over $118 million of liquidity available to borrow through the Federal Home Loan Bank. Additionally, over 90% of the Bank's deposits are covered by FDIC insurance. See Note 12 for further deposit information.

NOTE 19 – 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.

The community bank leverage ratio ("CBLR") provides a simple alternative measure of capital adequacy for electing qualifying depository institutions. 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. This is a more stringent guideline than that defined by the Federal Deposit Insurance Corporation Improvement Act of a well-capitalized institution which is a tier 1 leverage ratio of 5%, a tier 1 risk-based capital ratio of 6% and a total risk-based capital ratio of 10%.

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, and
- Cannot be an advanced approaches banking organization.

As of June 30, 2024 and 2023, 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, 2024			
	Actual		To be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio
As of June 30, 2024				
CBLR Framework				
Tier 1 capital (to average assets) (i.e., leverage ratio)	$ 32,276,675	9.65 %	30,092,330	9.00 %

	June 30, 2023			
	Actual		To be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio
As of June 30, 2023				
CBLR Framework				
Tier 1 capital (to average assets) (i.e., leverage ratio)	35,576,320	10.42 %	30,732,976	9.00 %

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, 2024, the Bank's net worth was $28,179,485 and general loan loss reserve was $2,700,366, totaling 9.2% of total assets, which meets the state of Wisconsin's minimum net worth requirements. At June 30, 2023, the Bank's net worth was $29,990,399 and general loan loss reserve was $1,543,833, totaling 9.2% of total assets, which meets the state of Wisconsin's minimum net worth requirements.

TEB Bancorp, Inc.