Albank Corporation and Subsidiary

Consolidated Financial Report

December 31, 2023

Contents

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Independent Auditor's Report

To the Board of Directors
Albank Corporation and Subsidiary

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

To the Board of Directors
Albank Corporation and Subsidiary

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

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

In performing audits in accordance with GAAS, we:

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

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

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

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

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

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

Plante & Moran, PLLC

March 13, 2024

Albank Corporation and Subsidiary

Consolidated Balance Sheet

	December 31, 2023	December 31, 2022
Assets		
Cash and due from banks	$8,856,751	$ 7,454,833
Interest-bearing deposits in other financial institutions	109,195,373	101,698,944
Total cash and cash equivalents	118,052,124	109,153,777
Investment securities - Available for sale (Note 2)	44,386,162	51,929,173
Federal Reserve Bank and Federal Home Loan Bank stock	1,369,600	1,140,000
Loans - Net of allowance for credit losses of $5,021,855 and $5,021,855 as of December 31, 2023 and 2022, respectively (Note 3)	568,049,650	533,114,089
Premises and equipment (Note 4)	2,867,578	2,858,063
Goodwill	3,032,653	3,032,653
Accrued interest receivable	2,399,659	2,074,878
Other assets	4,092,595	4,317,406
Total assets	**$ 744,250,021**	**$ 707,620,039**
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing	$ 143,407,756	$ 174,915,269
Interest-bearing	479,449,183	417,797,386
Total deposits (Note 5)	622,856,939	592,712,655
Accrued interest payable	2,066,149	344,823
Accrued and other liabilities	2,380,049	2,495,375
Total liabilities	627,303,137	595,552,853
Stockholders' Equity		
Common stock - $12.50 par value:		
Authorized - 185,592 shares;		
Issued and outstanding - 149,792 shares at December 31, 2023 and 149,917 at December 31, 2022	1,872,400	1,873,962
Surplus	2,786,540	2,813,103
Retained earnings	112,977,365	108,854,031
Accumulated other comprehensive loss	(689,421)	(1,473,910)
Total stockholders' equity	116,946,884	112,067,186
Total liabilities and stockholders' equity	**$ 744,250,021**	**$ 707,620,039**
Book value per share	$ 780.73	$ 747.53

See Notes to Consolidated Financial Statements.

Albank Corporation and Subsidiary

Consolidated Statement of Income

	Year Ended	
	December 31, 2023	December 31, 2022
Interest Income		
Loans - Including fees	$ 26,377,264	$ 21,235,564
Investment securities - Available for sale:		
Taxable	645,543	385,755
Tax-exempt	368,161	305,016
Interest-bearing deposits in other financial institutions	4,162,648	2,397,493
Total interest income	31,553,616	24,323,828
Interest Expense		
Savings and money market accounts	3,179,556	650,709
NOW accounts	510,303	121,468
Time deposits	6,807,622	1,353,638
Total interest expense	10,497,481	2,125,815
Net Interest Income	21,056,135	22,198,013
Provision for Credit Losses (Note 3)	-	-
Net Interest Income After Provision for Credit Losses	21,056,135	22,198,013
Noninterest Income		
Deposit service charges	253,095	322,092
Trust and investment fees	235,390	225,218
Other operating	308,973	238,562
Total noninterest income	797,458	785,872
Noninterest Expenses		
Salaries and employee benefits	7,528,107	7,399,120
Occupancy and equipment	1,674,880	1,570,494
Data processing	971,063	848,599
Professional fees	598,492	734,119
FDIC insurance assessment	298,983	189,159
Other operating	1,082,207	1,027,308
Total noninterest expenses	12,153,732	11,768,799
Income - Before income taxes	9,699,861	11,215,086
Provision for Income Taxes (Note 7)	2,805,000	3,055,000
Net Income	**$ 6,894,861**	**$ 8,160,086**

Consolidated Statement of Comprehensive Income

	Year Ended	
	December 31, 2023	December 31, 2022
Net Income	$ 6,894,861	$ 8,160,086
Other Comprehensive Income (Loss)		
Unrealized gains (losses) on investment securities -		
Available for sale	1,078,664	(2,129,432)
Tax effect	(294,175)	595,605
Other Comprehensive Income (Loss)	784,489	(1,533,827)
Comprehensive Income	**$ 7,679,350**	**$ 6,626,259**

Albank Corporation and Subsidiary

Consolidated Statement of Stockholders' Equity

	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
uary 1, 2022	$ 1,873,962	$ 2,813,103	$ 103,467,410	$ 59,917	108,214,392
Comprehensive income:					
Net income	-	-	8,160,086	-	8,160,086
Unrealized losses on investment securities - Available for sale - Net of tax	-	-	-	(1,533,827)	(1,533,827)
Total comprehensive income					6,626,259
Dividends declared $18.50 per share	-	-	(2,773,465)	-	(2,773,465)
cember 31, 2022	1,873,962	2,813,103	108,854,031	(1,473,910)	112,067,186
Comprehensive income:					
Net income	-	-	6,894,861	-	6,894,861
Unrealized gain on investment securities - Available for sale - Net of tax	-	-	-	784,489	784,489
Total comprehensive income					7,679,350
Retirement of Common Stock (125 shares)	(1,562)	(26,563)	-	-	(28,125)
Dividends declared $18.50 per share	-	-	(2,771,527)	-	(2,771,527)
cember 31, 2023	**$ 1,872,400**	**$ 2,786,540**	**$ 112,977,365**	**$ (689,421)**	**$ 116,946,884**

See Notes to Consolidated Financial Statements.

Albank Corporation and Subsidiary

Consolidated Statement of Cash Flows

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash Flows from Operating Activities		
Net income	$ 6,894,861	$ 8,160,086
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation	232,440	221,103
Provision for credit losses	-	-
Deferred income tax expense	30,000	55,000
Net amortization on investment securities - Available for sale	669,856	860,550
Net change in:		
Accrued interest receivable	(324,781)	(477,341)
Other assets	(99,364)	197,704
Accrued interest payable	1,721,326	104,891
Accrued and other liabilities	(115,326)	(364,315)
Net cash and cash equivalents provided by operating activities	9,009,012	8,757,678
Cash Flows from Investing Activities		
Activity in investment securities - Available for sale:		
Proceeds from maturities, repayments, and calls	16,870,000	14,930,000
Purchases	(8,918,181)	(23,448,997)
Purchase of Federal Home Loan Bank stock	(229,600)	(126,100)
Net increase in loans	(34,935,561)	(57,666,254)
Net additions to premises and equipment	(241,955)	(211,162)
Net cash and cash equivalents used in investing activities	(27,455,297)	(66,522,513)
Cash Flows from Financing Activities		
Net increase (decrease) in deposits	30,144,284	(33,009,455)
Retirement of Common Stock	(28,125)	-
Dividends paid	(2,771,527)	(2,773,465)
Net cash and cash equivalents provided by (used in) financing activities	27,344,632	(35,782,920)
Net Increase (Decrease) in Cash and Cash Equivalents	8,898,347	(93,547,755)
Cash and Cash Equivalents - Beginning of year	109,153,777	202,701,532
Cash and Cash Equivalents - End of year	**$ 118,052,124**	**$ 109,153,777**
Supplemental Cash Flow Information		
Cash paid for:		
Interest	$ 8,776,155	$ 2,020,924
Income taxes	3,000,000	3,200,000

Note 1 – Nature of Business and Significant Accounting Polices

Nature of Operations - Albank Corporation (the "Company") and its wholly owned subsidiary, Albany Bank and Trust Company, N.A. (the "Bank"), provide a variety of financial services to individuals and businesses through their offices in the Chicagoland area. Their primary deposit products are demand deposits, NOW, savings, money market, and term certificate of deposit accounts and their primary lending products are commercial loans and commercial and construction mortgage loans.

Basis of Presentation and Consolidation - The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates - In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and the reported amounts of revenue 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 loss.

Significant Concentrations of Credit Risk - Most of the Company's activities are with customers located within the Chicagoland area. Note 2 discloses the types of securities in which the Company invests. Note 3 discloses the types of lending in which the Company engages. The ability of the Company's debtors to honor their loan contracts is dependent upon the real estate and general economic conditions in the Chicagoland area.

Cash and Cash Equivalents - Cash and cash equivalents include cash and balances due from banks and interest-bearing deposits in other financial institutions, which mature within 90 days.

Investment Securities - Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading are classified as "available for sale" and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. All investment securities at December 31, 2023 and 2022 are classified as available for sale.

Note 1 – Nature of Business and Significant Accounting Polices (Continued)

Purchase premiums and discounts are recognized in interest income using the interest method. Premiums are amortized into income over the earlier of the call date or the weighted average life of the related security. Discounts are accreted into interest income over the estimated life of the related security. The Company conducts periodic reviews of available-for-sale securities with declines in fair value below their cost to evaluate for potential impairment. In evaluating available-for-sale securities for potential impairment, management considers (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. If the Company determines that it is more likely than not that it will sell the security before recovery of its amortized cost basis, the Company will record an allowance for credit losses related to securities available-for-sale with an offsetting entry to the provision for credit losses on securities on the statement of operations.

Prior to the adoption of ASU 2016-13 (CECL) on January 1, 2023, the Company evaluated its available for sale securities in accordance with the methodology specified in the preceding paragraph except that the credit portion of the impairment would reduce the amortized cost basis of the security.

Changes in unrealized gain or loss for equity securities with a readily determinable fair value are recorded through earnings. Equity securities without a readily determinable fair value are evaluated for impairment with any impairment recorded through earnings.

Federal Reserve Bank and Federal Home Loan Bank Stock - The Company owns investments in the stock of the Federal Reserve Bank and Federal Home Loan Bank. No ready market exists for this stock and it has no quoted market value. The stock is redeemable at par; therefore, cost approximates market value. The stock is periodically evaluated for impairment.

Loans - Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, are reported at their outstanding, unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and any net deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment to the related loan's yield using the interest method.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent, unless the credit is well secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Any interest payments received on nonaccrual loans are accounted for on the cash basis or cost-recovery method, until the loan qualifies for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Adoption of New Accounting Pronouncement - As of January 1, 2023, the Company adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, which superseded the current guidance on the allowance for loan losses. The ASU was issued to provide financial statement users with more useful information about the expected credit losses on financial instruments held by a reporting entity at each reporting date to enhance the decision making process. The Current Expected Credit Losses (CECL) model utilizes a

Note 1 – Nature of Business and Significant Accounting Polices (Continued)

lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized. The CECL methodology also applies to credit exposures on off-balance-sheet loan commitments, financial guarantees not accounted for as insurance, including standby letters of credit, and other similar instruments not recognized as derivative financial instruments. The company adopted the new standard using the modified retrospective approach, and there was no adjustment to retained earnings as a result of the adoption.

In March 2022, FASB issued ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. The amendments in this update eliminate the accounting guidance and related disclosures for TDRs by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and requiring an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost. The amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and are applied prospectively, except with respect to the recognition and measurement of TDRs, where an entity has the option to apply a modified retrospective transition method.

As of January 1, 2023, the Company adopted FASB ASU 2022-02, which superseded the current disclosure requirements for TDRs.

Allowance for Credit Losses on Loans – The allowance for credit losses ("ACL") is an estimate of the expected credit losses on the loans held for investment. Loan losses are charged against the ACL when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the ACL.

The ACL methodology consists of measuring loans on a collective (pool) basis when similar characteristics exist. The Company has identified five loan portfolio segments and measures the ACL using the Weighted-Average Remaining Maturity (“WARM”) method. The loan portfolios are real estate – construction, real estate – residential, real estate – commercial, commercial & industrial, and consumer. Under the WARM methodology, historical loss rates are adjusted for current conditions and reasonable and supportable forecasts. Following the economic forecast period loss rates revert back to historical loss rates over a reasonable period of time. Additional adjustments for qualitative factors are included to quantify the risks that are not included in the historical loss rates or economic projections. The data for the allowance calculation may be obtained from internal or external sources.

The qualitative factors applied to each loan portfolio consist of the impact of other internal qualitative and credit market factors as assessed by management through a detailed loan review, ACL analysis, and credit discussions. These internal and external qualitative and credit market factors include:

Note 1 – Nature of Business and Significant Accounting Polices (Continued)

- Delinquencies within the loan segment;
- Watchlist totals within the loan segment;
- Non-accrual totals within the loan segment;
- Weighted-average portfolio risk rating within the loan segment;
- Changes in underwriting within the loan segment

The impact of the above listed internal qualitative and credit market risk factors is assessed within predetermined ranges to adjust the ACL totals calculated. In addition to the pooled analysis performed for the majority of the Company's loan balances, the Company also reviews loans that have collateral dependency or nonperforming status which requires a specific review of that loan, per the Company's individually analyzed CECL calculations. Accrued interest receivable on loans totaled $2,072,086 at December 31, 2023 and is excluded from the loans amortized cost basis for the purpose of determining the ACL.

Prior to the implementation of ASU 2016-13 (CECL) on January 1, 2023, the allowance for credit losses was subject to the guidance included in ASC 310 and ASC 450. Under that guidance, the Company was required to use an incurred loss methodology to estimate credit losses that were estimated to be incurred in the loan portfolio and that could ultimately materialize into confirmed losses in the form of charge-offs. The incurred loss methodology was a backward-looking approach to loss recognition and based on the concept of a triggering event having taken place, causing a loss to be inherent within the portfolio. Additionally, loans that were identified as impaired under the definition of ASC 310, were required to be assessed on an individual basis. The allowance for credit losses and resulting provision expense levels for comparative periods presented were estimated in accordance with these requirements.

Under the incurred loss methodology, the allowance for loan losses consisted of specific, general, and unallocated components. The specific reserve relates to loans that are classified as impaired, and an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers all other loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective

Note 1 – Nature of Business and Significant Accounting Polices (Continued)

interest rate, the loan's observable market price, or the fair value of the collateral, if the loan is collateral dependent.

A troubled debt restructuring (TDR) of a loan is undertaken to improve the likelihood that the loan will be repaid in full under the modified terms in accordance with a reasonable repayment schedule and is classified as impaired. All modified loans are evaluated to determine whether the loan should be reported as a troubled debt restructuring. A loan is a TDR when the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower by modifying or renewing a loan under terms that the Company would not otherwise consider. To make this determination, the Company must determine whether (a) the borrower is experiencing financial difficulties and (b) the Company granted the borrower a concession. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some level of deterioration in a borrower's financial condition does not inherently mean the borrower is experiencing financial difficulties.

Some of the factors considered by management when determining whether a borrower is experiencing financial difficulties are (1) is the borrower currently in default on any of its debts; (2) has the borrower declared or is the borrower in the process of declaring bankruptcy; and (3) absent the current modification, would the borrower likely default.

Credit-related Financial Instruments - In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under lines of credit and standby letters of credit. Such instruments are recorded when they are funded.

Premises and Equipment - Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation, computed on the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Leasehold improvements are amortized over the terms of the respective leases or the service lives of the improvements, whichever is shorter, on the straight-line method.

Leases – The Company has operating leases which consist of real estate, vehicles, and office equipment. The Company recognizes expense for operating leases on a straight-line basis over the lease term. A right-to-use asset and operating lease liability are measured based on the net present value (NPV) of future lease payments (including extensions) using the discount rate described in Note 4.

Goodwill - Goodwill consists of the premium paid by the Company for past acquisitions, including the purchase of Bank stock. Goodwill is assessed at least annually for impairment, and any such impairment will be recognized in the period identified. There has been no impairment identified during the years ended December 31, 2023 and 2022.

Income Taxes - Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the various temporary differences between the book and tax bases of the various consolidated balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

At December 31, 2023 and 2022, the Company evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions in which it operates. The Company believes that income tax filing positions will be sustained under examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition,

Note 1 – Nature of Business and Significant Accounting Polices (Continued)

results of operations, or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain tax positions at December 31, 2023 and 2022.

Stock Option Plan - The Company applies the recognition and measurement provisions of the *Compensation - Stock Compensation* topic of the Accounting Standards Codification (ASC) to account for employee stock compensation costs, which is referred to as the fair value method. Compensation costs are measured based on the fair value of the equity instruments issued to employees. At December 31, 2023 and 2022, no stock options were outstanding under the plan.

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

Employee Benefit Plan - The Company has a noncontributory profit-sharing plan covering substantially all employees who have worked over 1,000 hours per year and completed one full year of service. The plan benefits vest over a seven-year term. Annual plan contributions are made at the discretion of the board of directors. Contributions to the plan were approximately $215,000 and $235,000 for 2023 and 2022, respectively.

Trust Assets - Assets of the trust department, other than trust cash on deposit at the Bank, are not included in these consolidated financial statements because they are not assets of the Company.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including March 13, 2024, which is the date the consolidated financial statements were available to be issued.

Note 2 – Investment Securities – Available for Sale

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

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasuries	$10,968,946	$ 14,362	$ (42,527)	$10,940,781
U.S. government and federal agency	12,169,767	-	(380,413)	11,789,354
State and municipal	21,969,887	23,740	(637,600)	21,356,027
Other	300,000	-	-	$300,000
Total	$45,408,600	$38,102	$ (1,060,540)	$44,386,162

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasuries	$ 13,989,232	$ -	$ (246,576)	$13,742,656
U.S. government and federal agency	12,279,821	-	(793,078)	11,486,743
State and municipal	27,461,222	22,122	(1,083,570)	26,399,774
Other	300,000	-	-	300,000
Total	$ 54,030,275	$ 22,122	$ (2,123,224)	$51,929,173

At December 31, 2023 and 2022, investment securities with a carrying value of approximately $17,521,000 and $13,322,000, respectively, were pledged to secure borrowings, public deposits, and for other purposes required or permitted by law.

The amortized cost and estimated fair value of investment securities by contractual maturity at December 31, 2023 are shown in the following table. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 21,182,559	$ 20,987,473
Due in one through five years	24,226,041	23,398,689
Total	$ 45,408,600	$ 44,386,162

Note 2 – Investment Securities – Available for Sale (Continued)

For the years ended December 31, 2023 and 2022, no investment securities were sold.

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

	2023			
	Less Than 12 Months		Over 12 Months	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasuries	$ (1,638)	$ 1,990,313	$ (40,889)	$ 3,960,000
U.S. government and federal agency	(1,064)	1,998,936	(379,349)	9,790,418
State and municipal	(1,544)	1,025,613	(636,056)	17,266,353
Total	$ (4,246)	$ 5,014,862	$ (1,056,294)	$ 31,016,771

	2022			
	Less Than 12 Months		Over 12 Months	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasuries	$ 246,576	$ 13,742,656	$ -	$ -
U.S. government and federal agency	34,551	1,970,102	758,527	9,516,641
State and municipal	123,542	8,298,082	960,028	16,170,079
Total	$ 404,669	$ 24,010,840	$ 1,718,555	$ 25,686,720

Unrealized losses on investment securities have not been recognized into income because the issuers' bonds are of high credit quality, the Company has the intent and ability to hold the securities for the foreseeable future, and the declines in fair value are primarily due to changes in market interest rates and market volatility. The fair values are expected to recover as the bonds approach their maturity dates. There are 56 and 75 investment securities in an unrealized loss position at December 31, 2023 and 2022, respectively. All of the Company's investment securities are rated as investment grade by the ratings agencies and are paying as agreed at December 31, 2023. Accordingly, no allowance for credit losses was recorded on investment securities as of December 31, 2023.

Note 3 – Loans and Allowance for Credit Losses

A summary of the balances of loans at December 31 is as follows:

	2023	2022
Real estate - Construction	$ 35,821,439	$ 32,359,997
Real estate - Residential	38,276,436	34,212,791
Real estate - Commercial	475,711,183	450,577,458
Total mortgage loans on real estate	549,809,058	517,150,246
Commercial and industrial	23,627,993	21,402,513
Consumer	109,521	137,420
Total loans	573,546,572	538,690,179
Less allowance for credit losses	5,021,855	5,021,855
Less deferred loan fees	475,067	554,235
Net loans	$ 568,049,650	$ 533,114,089

The Company is primarily a secured lender, with the collateral depending on the loan type. Lending activities are conducted with customers in a wide variety of industries, as well as with individuals with a wide variety of credit requirements. The Company does not have a concentration of loans in any specific industry. Credit risk, as it relates to the Company's business activities, tends to be geographically concentrated within the Chicago metropolitan area.

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates amounting to approximately $17,546,000 and $30,395,000 at December 31, 2023 and 2022, respectively.

Note 3 – Loans and Allowance for Credit Losses (Continued)

The Company's activity in the allowance for credit loss for the years ended December 31 2023 and 2022, by loan segment, is summarized below:

	Year Ended December 31, 2023						
	Real Estate - Construction	Real Estate - Residential	Real Estate - Commercial	Commercial and Industrial	Consumer	Unallocated	Total
Beginning balance	$ 211,741	$ 299,894	$ 4,002,697	$ 119,013	$ 756	$ 387,754	$ 5,021,855
Adoption of ASC 326	(54,913)	206,436	306,711	(69,724)	(756)	(387,754)	-
Charge-offs	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Provision	25,566	86,451	(172,411)	60,394	-	-	-
Ending balance	$ 182,394	$ 592,781	$ 4,136,997	$ 109,683	$ -	$ -	$ 5,021,855

	Year Ended December 31, 2022						
	Real Estate - Construction	Real Estate - Residential	Real Estate - Commercial	Commercial and Industrial	Consumer	Unallocated	Total
Beginning balance	$ 178,226	$ 150,963	$ 3,097,232	$ 163,109	$ 1,036	$ 1,475,503	$ 5,066,069
Charge-offs	-	-	63,479	-	-	-	63,479
Recoveries	-	-	-	19,265	-	-	19,265
Provision	33,515	148,931	968,944	(63,361)	(280)	(1,087,749)	-
Ending balance	$ 211,741	$ 299,894	$ 4,002,697	$ 119,013	$ 756	$ 387,754	$ 5,021,855
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	211,741	299,894	4,002,697	119,013	756	387,754	- 5,021,855
Ending allowance balance	$ 211,741	$ 299,894	$ 4,002,697	$ 119,013	$ 756	$ 387,754	$ 5,021,855
Loans:							
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	32,359,997	34,212,791	450,577,458	21,402,513	137,420	-	538,690,179
Ending balance	$ 32,359,997	$ 34,212,791	$ 450,577,458	$ 21,402,513	$ 137,420	$ -	$ 538,690,179

Note 3 – Loans and Allowance for Credit Losses (Continued)

Credit Risk Grading

The Company's credit quality indicators, by loan segment and class at December 31, 2023 and 2022, are summarized below:

	December 31, 2023				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate - Construction:					
1-4 family residential	$ 1,800,000	$ -	$ -	$ -	$ 1,800,000
Other construction, land development, and land loans	34,021,439	-	-	-	34,021,439
Real estate - Residential:					
Revolving lines of credit	3,420,528	-	-	-	3,420,528
1-4 family residential	34,155,908	700,000	-	-	34,855,908
Real estate - Commercial:					
Multifamily	289,974,703	1,392,051	-	-	291,366,754
Non-farm non-residential	167,258,076	16,729,966	356,387	-	184,344,429
Commercial and industrial	23,627,993	-	-	-	23,627,993
Consumer	109,521	-	-	-	109,521
Total	$ 554,368,168	$ 18,822,017	$ 356,387	$ -	$ 573,546,572

	December 31, 2022				
	Pass	Special Mention	Substandard	Doubtful	Total
Real estate - Construction:					
1-4 family residential	$ 2,023,679	$ -	$ -	$ -	$ 2,023,679
Other construction, land development, and land loans	29,769,293	567,025	-	-	30,336,318
Real estate - Residential:					
Revolving lines of credit	3,083,766	99,882	-	-	3,183,648
1-4 family residential	31,029,143	-	-	-	31,029,143
Real estate - Commercial:					
Multifamily	264,747,021	-	-	-	264,747,021
Non-farm non-residential	161,991,897	23,838,540	-	-	185,830,437
Commercial and industrial	21,323,729	78,784	-	-	21,402,513
Consumer	137,420	-	-	-	137,420
Total	$ 514,105,948	$ 24,584,231	$ -	$ -	$ 538,690,179

Note 3 – Loans and Allowance for Credit Losses (Continued)

The Company categorized each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The Company uses the following definitions for credit risk ratings:

Pass – Loans not covered by the definitions below are pass credits, which display acceptable credit risk characteristics, and are not considered to be adversely rated.

Special Mention – Loans classified as special mention, or watch credits, have a potential weakness or weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution may sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Age Analysis of Past Due Loans

The Company's age analysis of the past due loans, by loan segment and class, at December 31, 2023 and 2022, is summarized below:

	December 31, 2023					
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment >90 Days and Accruing
Real estate - Construction:						
1-4 family residential	$ -	$ -	$ -	$ 1,800,000	$ 1,800,000	$ -
Other construction, land development, and land loans	-	-	-	34,021,439	34,021,439	-
Real estate - Residential:						
Revolving lines of credit	-	-	-	3,420,528	3,420,528	-
1-4 family residential	-	-	-	34,855,908	34,855,908	-
Real estate - Commercial:						
Multifamily	-	-	-	291,366,754	291,366,754	-
Non-farm non-residential	6,851,125	356,387	7,207,512	177,136,917	184,344,429	-
Commercial and industrial	-	-	-	23,627,993	23,627,993	-
Consumer	-	-	-	109,521	109,521	-
Total	$ 6,851,125	$ 356,387	$ 7,207,512	$ 566,339,060	$ 573,546,572	$ -

Note 3 – Loans and Allowance for Credit Losses (Continued)

	December 31, 2022					
	30-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment >90 Days and Accruing
Real estate - Construction:						
1-4 family residential	$ -	$ -	$ -	$ 2,023,679	$ 2,023,679	$ -
Other construction, land development, and land loans	-	-	-	30,336,318	30,336,318	-
Real estate - Residential:						
Revolving lines of credit	-	-	-	3,183,648	3,183,648	-
1-4 family residential	-	-	-	31,029,143	31,029,143	-
Real estate - Commercial:						
Multifamily	724,312	-	724,312	264,022,709	264,747,021	-
Non-farm non-residential	356,397	-	356,397	185,474,040	185,830,437	-
Commercial and industrial	-	-	-	21,402,513	21,402,513	-
Consumer	-	-	-	137,420	137,420	-
Total	$ 1,080,709	$ -	$ 1,080,709	$ 537,609,470	$ 538,690,179	$ -

Impaired Loans

The Company's impaired loans by loan segment, for the year ended December 31, 2022 are summarized below:

	As of and For the Year Ended December 31, 2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment for the Year	Interest Income Recognized for the Year
With no related allowance recorded:					
Real estate - Construction	$ -	$ -	$ -	$ 445,382	$ 105,081
Real estate - Commercial	-	-	-	140,626	-
Total	$ -	$ -	$ -	$ 586,008	$ 105,081

For the purpose of the disclosure above, recorded investment represents the borrower's unpaid principal balance less partial charge-offs to date. As of December 31, 2023, there was one nonaccrual loan within the real estate commercial loan segment for $356,387. The loan is secured by real estate and does not have an associated specific allocation of the ACL. No interest income was recognized during the year for this loan. There were no loans on nonaccrual at December 31, 2022.

Note 3 – Loans and Allowance for Credit Losses (Continued)

Troubled Loan Modifications

A modification of a loan constitutes a troubled loan modification (TLM) when a borrower is experiencing financial difficulty and the modification involves principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or an other-than-insignificant term extension. The Company offers various types of concessions when modifying a loan, however, forgiveness of principal is rarely granted. There were no loans modified in a TLM during the year ended December 31, 2023.

Troubled Debt Restructurings

A modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession. The Company offers various types of concessions when modifying a loan; however, forgiveness of principal is rarely granted. There were no loans modified as troubled debt restructurings during the year ended December 31, 2022. No loans modified as troubled debt restructurings defaulted in 2023 or 2022.

Note 4 – Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment at December 31 is as follows:

	2023	2022
Land	$ 720,692	$ 720,692
Buildings, building improvements, and leasehold improvements	8,439,847	8,344,710
Furniture, fixtures, and equipment	6,939,484	6,912,868
Total cost	16,100,023	15,978,270
Accumulated depreciation	(13,232,445)	(13,120,207)
Net	$ 2,867,578	$ 2,858,063

Depreciation expense for the years ended December 31, 2023 and 2022, totaled $232,440 and $221,103, respectively.

Leases are classified as operating or finance leases at the lease commencement date. The Company is obligated under operating leases for real estate, vehicles, and office equipment, which have remaining terms ranging from 2 months to 4.3 years and include varying renewal options. Lease extension options are included in the lease term if it is reasonably certain the Company will exercise the option. The Company does not have any financing leases as of December 31, 2023.

Lease expense for operating and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term. When the rate implicit in the lease is unknown, the present value of the lease payments is determined using the risk-free rate, adjusted for the lease term. The right-of-use assets and related lease liability have been calculated using discount rates ranging from .30 percent to 3.66 percent. The Company has real estate lease agreements with lease and non-lease components, which are generally accounted for separately. Non-lease components such as common area maintenance charges, real estate taxes and insurance are not included in the measurement of the lease liability since they are generally able to be segregated. As of December 31, 2023, the right-of-use asset included in other assets on the consolidated balance sheet was $1,833,875, and the corresponding lease liability included in accrued and other liabilities was $1,897,259. These amounts were calculated using a weighted average discount rate of 1.95 percent. The Company's leases, including renewal options expected to be exercised, have a weighted average remaining term of 10.2 years as of December 31, 2023. As of December 31, 2022, the right-of-use asset included in other assets on the consolidated balance sheet was $1,864,677, and the corresponding lease liability included in accrued and other liabilities was $1,905,513. These amounts were calculated using a weighted average discount rate of 1.71 percent.

Rent expense totaled $164,652 for both the years 2023 and 2022.

Note 4 – Premises and Equipment

The following table shows the future minimum rent payments required under the leases described above as of December 31, 2023:

Years Ending December 31,	Operating Leases
2024	$ 214,756
2025	219,776
2026	226,264
2027	228,264
2028	196,251
Thereafter	994,990
Total	$ 2,080,301
Less imputed interest	183,042
Net Lease Liability	$ 1,897,259

Note 5 – Deposits

The following is a summary of the distribution of deposits at December 31:

	2023	2022
Noninterest-bearing deposits	$ 143,407,756	$ 174,915,269
NOW accounts	50,574,114	49,659,969
Savings and money market accounts	196,544,167	199,248,342
Time:		
$250,000 and under	91,273,041	55,686,848
Over $250,000	141,057,861	113,202,227
Total deposits	$ 622,856,939	$ 592,712,655

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

2024	$ 218,587,064
2025	12,018,607
2026	1,293,385
2027	89,664
2028	342,182
Total	$ 232,330,902

Deposits from principal officers and directors and their affiliates held by the Company totaled approximately $48,236,000 and $74,102,000 at December 31, 2023 and 2022, respectively.

Note 6 – Borrowed Funds

The Company has a revolving line of credit in the principal amount of $10,000,000 with an unrelated financial institution, secured by all outstanding shares of Bank stock, which had no outstanding balance as of December 31, 2023 and 2022. The line has a maturity date of March 28, 2024 and an interest rate of Prime minus .80 percent, with a floor of 2.15 percent.

The Bank has letters of credit with the Federal Home Loan Bank for $36,000,000 and $26,000,000 at December 31, 2023 and 2022, respectively. The letters of credit are in place to secure certain deposit accounts and will renew annually unless terminated by either party. The letters of credit are secured by certain pledged loans, which had a carrying value of approximately $161,669,000 and $145,837,000 as of December 31, 2023 and 2022, respectively.

Note 7 – Income Taxes

The components of the net deferred tax asset, included in other assets at December 31, are as follows:

	2023	2022
Deferred tax assets:		
Allowance for credit losses	$ 1,431,000	$ 1,431,000
Nonaccrual loan interest	9,000	-
Net unrealized loss on investment securities -		
Available for sale	275,000	588,000
Other	27,000	22,000
Total deferred tax assets	$ 1,742,000	$ 2,041,000
Deferred tax liabilities:		
Amortization of intangible assets	317,000	317,000
Net unrealized gain on investment securities -		
Available for sale		-
Other	109,128	65,353
Total deferred tax liabilities	426,128	382,353
Net deferred tax asset	$ 1,315,872	$ 1,658,647

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

	2023	2022
Current expense	$ 2,775,000	$ 3,000,000
Deferred expense	30,000	55,000
Total income tax expense	$ 2,805,000	$ 3,055,000

The reasons for the differences between the income tax expense at the federal statutory income tax rate and the recorded income tax expense are summarized as follows:

	2023	2022
Income tax expense at federal statutory rate of 21 percent	$ 2,037,000	$ 2,355,000
Tax-exempt interest	(61,000)	(61,000)
State income tax - Net of federal benefit	719,000	798,000
Other - Net	110,000	(37,000)
Total income tax expense	$ 2,805,000	$ 3,055,000

Note 8 – Off-balance-sheet Activities

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

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

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

	Contract Amount	
	2023	2022
Commitments to extend credit	$ 3,150,000	$ 438,000
Unfunded commitments under lines of credit	75,993,000	92,790,000
Commercial and standby letters of credit	2,027,000	1,830,000

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

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and may not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Commercial and standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved is similar to extending loan facilities to customers. To reduce credit risk, the Company generally holds collateral supporting those commitments if deemed necessary. The amount and nature of the collateral obtained are based on the Company's credit evaluation of the customer. Collateral held varies, but may include cash, securities, accounts receivable, inventory, property, plant, equipment, and real estate.

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

Note 9 – Restriction on Dividends

Banking regulations place certain restrictions on dividends paid by the Bank to the Company. Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank in a calendar year exceed the Bank's net retained income for that year to date plus the retained net income of the preceding two calendar years. In addition, dividends paid by the Bank would be limited or prohibited if risk-weighted capital ratios fall below certain thresholds (as defined).

Note 10 – Minimum Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines.

The federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework, for qualifying community banking organizations, consistent with Section 201 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*. The final rule became effective on January 1, 2020 and was elected by the Bank. This final rule is applicable to all non-advanced approaches FDIC-supervised institutions with less than $10 billion in total consolidated assets. The community bank leverage ratio removes the requirement to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. The community bank leverage ratio is 9% for calendar years 2022, 2023, and beyond. If the minimum ratio is met, banks adopting the framework are considered well capitalized for prompt corrective action purposes. The rule allows for a two-quarter grace period to correct a ratio that falls below the required amount and allows for the reversion back to the risk-weighting framework without restriction.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

Note 10 – Minimum Regulatory Capital Requirements (Continued)

As of December 31, 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum ratios as set forth in the following table. Management believes the Bank has met all capital adequacy requirements to which it is subject. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2023 and 2022 are also presented in the table.

(000s omitted)	Actual		To be Well Capitalized Under Prompt Corrective Action Provisions	
As of December 31, 2023	Amount	Ratio	Amount	Ratio
Tier 1 capital to average assets:	$ 114,530	15.39%	$ 66,979	9.00%
As of December 31, 2022				
Tier 1 capital to average assets:	$ 110,444	14.73%	$ 67,461	9.00%

Note 11 – Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Company's assets measured at fair value on a recurring basis at December 31, 2023 and 2022, and the valuation techniques used by the Company to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 11 – Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2023

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Investment securities				
U.S. Treasuries	$ 10,940,781	$ -	$ -	$ 10,940,781
U.S. government and federal agency	-	11,789,354	-	11,789,354
State and municipal	-	21,356,027	-	21,356,027
Other	-	-	300,000	300,000
Total investment securities	$ 10,940,781	$ 33,145,381	$ 300,000	$ 44,386,162

Assets Measured at Fair Value on a Recurring Basis at December 31, 2022

	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Investment securities				
U.S. Treasuries	$ 13,742,656	$ -	$ -	$ 13,742,656
U.S. government and federal agency	-	11,486,743	-	11,486,743
State and municipal	-	26,399,774	-	26,399,774
Other	-		300,000	300,000
Total investment securities	$ 13,742,656	$ 37,886,517	$ 300,000	$ 51,929,173

There were no purchases, sales, or changes in value in other securities classified as Level 3 assets in the tables above.

The Company also has assets that under certain conditions are subject to measurement at fair value on a nonrecurring basis. These assets include individually evaluated/impaired loans. The Company has estimated the fair values of these assets based primarily on Level 3 inputs, as described above, using discounted cash flow projections, market prices, and collateral valuation.

Note 11 – Fair Value Measurements (Continued)

Individually evaluated loans/impaired loans accounted for under fair value measurements categorized as Level 3 assets consist of nonhomogeneous loans which are considered impaired and either have a specific allocation of the allowance for credit losses or were charged down. The Company estimates the fair values of individually evaluated/impaired loans based on the present value of expected future cash flows using management's best estimates of key assumptions. These assumptions include future payment ability, timing of payment streams, and estimated realizable values of available collateral (typically based on outside appraisals). There were no individually evaluated loans/impaired loans accounted for under fair value measurements as of December 31, 2023 and 2022.