FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, DC 20429

FORM 10-Q

(Mark One) ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2022
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from December 31, 2021 to September 30, 2022

FDIC Certificate Number 29143

Systematic Savings Bank
(Exact name of registrant as specified in its charter)

Missouri	**44-0456185**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
318 South Ave	
Springfield, Missouri	**65806**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: 417-862-5036

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Exchange on which registered
Common Stock, Par Value $0.01 per share	SSSB	OTC Pink Sheets

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period of complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding as of 09/30/2022**
Common Stock, Par Value $0.01 per share	595,125

SYSTEMATIC SAVINGS BANK

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Statements Of Financial Condition
September 30, 2022 (unaudited) and December 31, 2021

	9/30/2022	12/31/2021
	(Unaudited)	
Assets		
Cash and due from banks	$ 66,192	$ 66,795
Interest-bearing deposits in other financial institutions	6,542,245	628,300
Federal funds sold	1,904,000	1,993,000
Cash and cash equivalents	8,512,437	2,688,095
Interest-bearing time deposits	590,000	3,995,000
Available-for-sale securities	6,705,838	3,340,080
Loans receivable, net of allowance for loan losses		
of $418,112 at September 30, 2022 and $415,612 December 31, 2021	42,854,395	39,769,774
Interest receivable	212,278	175,066
Prepaid expenses and other assets	311,939	208,758
Premises and equipment, net	581,447	594,810
	$ 59,768,334	$ 50,771,583
Liabilities		
Deposits	$ 47,410,085	$ 40,335,211
Advances from borrowers for taxes and insurance	84,462	27,099
FHLB Advances	2,161,360	--
Accrued expenses and other liabilities	152,866	91,917
Total liabilities	49,808,773	40,454,227
Stockholders' Equity		
Common Stock, $0.01 par value		
Authorized - 10,000,000 shares		
Issued and outstanding, 595,125 shares	5,951	5,951
Additional paid in capital	5,068,688	5,068,688
Retained earnings	5,394,506	5,228,747
Accumulated other comprehensive income (loss)	(509,584)	13,970
Total Stockholders' equity	9,959,561	10,317,356
Total Liabilities and Stockholders' Equity	$ 59,768,334	$ 50,771,583

See Notes to Financial Statements

Systematic Savings Bank
Statements Of Income
Three Months and Nine Months Ended September 30, 2022 and 2021 (Unaudited)

	Three Months Ended		Nine Months ended	
	9/30/2022	**9/30/2021**	**9/30/2022**	**9/30/2021**
Interest Income				
Loans, including fees	$ 479,282	$ 489,280	$1,441,143	$1,455,112
Investments	59,331	12,163	117,901	39,728
Deposits with financial institutions and other	30,136	9,742	40,434	24,656
	568,749	511,185	1,599,478	1,519,496
Interest Expense				
Checking accounts	72,395	50,706	168,051	146,989
Savings accounts	128	41	216	111
Certificate accounts	71,968	75,504	180,205	232,482
FHLB borrowings	8,041	690	8,303	4,918
	152,532	126,941	356,775	384,500
Net Interest Income	416,217	384,244	1,242,703	1,134,996
Provision for Loan Losses	2,500	1,500	2,500	49,000
Net Interest Income After Provision for Loan Losses	413,717	382,744	1,240,203	1,085,996
Noninterest Income	15,320	10,585	43,682	37,007
Noninterest Expense				
Salaries and benefits	204,087	153,952	572,351	449,613
Net occupancy expense	24,965	26,412	69,363	72,350
Professional fees	34,831	47,547	103,477	143,560
Other	119,874	112,592	366,510	354,309
	383,757	340,503	1,111,701	1,019,832
Net Income Before Income Taxes	45,280	52,826	172,184	103,071
Provision for income taxes	2,650	2,400	6,425	9,551
Net Income	$ 42,630	$ 50,426	$ 165,759	$ 93,620
Net income per share – Basic	$ 0.07	$ 0.08	$ 0.28	$ 0.16

See Notes to Financial Statements

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Systematic Savings Bank
Statements Of Comprehensive Income (Loss)
Three Months and Nine Months Ended September 30, 2022 and 2021 (Unaudited)

	Three Months Ended		Nine Months Ended	
	9/30/2022	**9/30/2021**	**9/30/2022**	**9/30/2021**
Net Income	$ 42,630	$ 50,426	$ 165,759	$ 93,620
Other Comprehensive Income (Loss)				
Unrealized holding gains (losses)				
on available-for-sale securities	(232,657)	(12,829)	(523,554)	(22,875)
Other comprehensive income (loss), net of tax	(232,657)	(12,829)	(523,554)	(22,875)
Comprehensive Income (loss)	$ (190,025)	$ 37,597	$ (357,793)	$ 70,745

Systematic Savings Bank
Statements Of Stockholders' Equity
Three Months and Nine Months Ended September 30, 2022 (Unaudited)

	Common Stock	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
Balance, December 31, 2021	$ 5,951	$ 5,068,688	$ 5,228,747	$ 13,970	$ 10,317,356
Net income	--	--	49,053	--	49,053
Other comprehensive income (loss)	--	--	--	(129,008)	(129,008)
Balance, March 31, 2022	5,951	5,068,688	5,277,800	(115,038)	10,237,401
Net income	--	--	74,076		74,076
Other comprehensive income (loss)	--	--	--	(161,889)	(161,889)
Balance, June 30, 2022	5,951	5,068,688	5,351,876	(276,927)	10,149,588
Net income	--	--	42,630	--	42,630
Other comprehensive income (loss)	--	--	--	(232,657)	(232,657)
Balance, September 30, 2022	$ 5,951	$ 5,068,688	$ 5,394,506	$ (509,584)	$ 9,959,561

Systematic Savings Bank
Statements Of Stockholders' Equity
Three Months and Nine Months Ended September 30, 2021 (Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2021	$ 5,951	$ 5,068,688	$ 5,041,275	$ 34,645	$ 10,150,559
Net income	--	--	18,198	--	18,198
Other comprehensive income	--	--	--	8,526	8,526
Balance, March 31, 2021	5,951	5,068,688	5,059,473	43,171	10,177,283
Net income	--	--	24,996	--	24,996
Other comprehensive income (loss)	--	--	--	(18,572)	(18,572)
Balance, June 30, 2021	5,951	5,068,688	5,084,469	24,599	10,183,707
Net income	--	--	50,426	--	50,426
Other comprehensive income (loss)	--	--	--	(12,829)	(12,829)
Balance, September 30, 2021	$ 5,951	$ 5,068,688	$ 5,134,895	$ 11,770	$ 10,221,304

See Notes to Financial Statements

Systematic Savings Bank
Statements Of Cash Flows
Nine months Ended September 30, 2022 and 2021 (Unaudited)

	9/30/2022	9/30/2021
Operating Activities		
Net income	$ 165,759	$ 93,620
Items not requiring (providing) cash		
Depreciation	21,379	26,757
Provision for loan losses	2,500	49,000
Amortization of premiums and discounts on mortgage-backed and investment securities	16,261	16,701
Changes in		
Interest receivable	(37,212)	(282)
Income taxes receivable	234	6400
Prepaid expenses and other assets	(17,867)	3,154
Interest payable	18,629	(1,363)
Accounts payable and accrued expenses	42,086	50,227
Net cash provided by operating activities	211,769	244,214
Investing Activities		
Net change in loans	(3,087,121)	(1,312,901)
Net change in interest-bearing time deposits	3,405,000	(2,695,000)
Purchases of available for sale securities	(4,191,281)	(1,695,088)
Proceeds from maturities and call on available-for-sale securities	--	492,026
Principal paydowns on mortgage-backed securities	285,707	549,834
Purchase of premises and equipment	(8,016)	(34,610)
Sale (purchase) of Federal Home Loan Bank stock	(85,314)	400
Net cash used in investing activities	(3,681,025)	(4,694,339)
Financing Activities		
Increase in checking and savings accounts	1,842,218	4,437,789
Increase (Decrease) in certificates of deposit	5,232,657	(1,184,107)
Increase (Decrease) in Federal Home Loan Bank borrowings	2,161,360	(422,500)
Increase in advances from borrowers for taxes and insurance	57,363	69,087
Net cash provided by financing activities	9,293,598	2,900,269
Increase (Decrease) in Cash and Cash Equivalents	5,824,342	(1,549,856)
Cash and Cash Equivalents, Beginning of Period	2,688,095	9,698,643
Cash and Cash Equivalents, End of Period	$ 8,512,437	$ 8,148,787
Supplemental Cash Flows Information		
Interest paid	$ 375,404	$ 383,136

See Notes to the Financial Statements

CONDENSED NOTES TO FINANCIAL STATEMENTS
(Unaudited)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Systematic Savings Bank ("Systematic" or "Bank") is a Missouri-chartered commercial bank headquartered in Springfield, Missouri. Systematic was organized in 1923 and has operated continuously in Springfield, Missouri since its founding. We offer financial services to individuals, families and businesses through our office located in Springfield, Missouri. We are a community-oriented bank offering a variety of financial products and services to meet the needs of our customers. We believe that our community orientation and personalized service distinguishes us from larger banks that operate in our market area.

The Bank consummated its mutual to stock conversion and stock offering on October 13, 2020. In the offering, the Bank sold 595,125 shares of its common stock, par value $.01 per share, at a price of $10.00 per share, to depositors and borrowers from the Bank in a subscription offering and to members of the general public in a community offering.

On May 18, 2022, stockholders approved a plan of charter conversion from a stock savings and loan to a commercial bank. The Bank received its new charter on July 17, 2022.

At the same meeting, stockholders approved an equity incentive plan, making available 83,317 shares as awards and 53,512 to be available as options. No awards have been granted to date.

Our business consists primarily of accepting deposits from the general public and investing those deposits, together with funds generated from operations, and to a lesser extent borrowings, in one- to four-family owner occupied and non-owner occupied real estate loans, commercial real estate loans, agriculture real estate loans, commercial business loans and consumer loans. We offer a variety of deposit accounts, including checking accounts, money market accounts, passbook savings accounts and certificates of deposit.

Basic earnings per share represents income divided by the weighted-average number of common shares outstanding. The earnings per share for the quarter ended and nine months ended September 30, 2022 were $0.07 and, $0.28, respectively. Earnings per share for the quarter ended and nine months ended September 30, 2021 were $0.08 and $0.16, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the 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 relate to the determination of the allowance for loan losses and valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties.

Interim Financial Statements

The interim financial statements at September 30, 2022 are unaudited and reflect all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months and nine months ending September 30, 2022, are not necessarily indicative of the results to be achieved for the remainder of the year ending December 31, 2022, or any other period. The statement of financial condition as of December 31, 2021 has been derived from the audited statement of financial condition as of that date.

Cash and Cash Equivalents

The Bank considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of certain interest-bearing deposits in other financial institutions and federal funds sold.

Interest-Bearing Time Deposits in Banks

Interest-bearing deposits in banks mature within approximately twelve months on a weighted average basis and are carried at cost.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity may be classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are determined using the specific identification method.

The Bank routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. For debt securities with fair value below amortized cost when the Bank does not intend to sell a debt security, and it is more likely than not the Bank will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income.

Federal Home Loan Bank Stock

Federal Home Loan Bank (FHLB) stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment. The Bank's total investment amounted to $147 thousand at September 30, 2022 (unaudited) and $62 thousand at December 31, 2021 and is included in prepaid expenses and other assets on the statements of financial condition. As a member, the Bank has the ability to borrow from the FHLB, which is secured by outstanding loans.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses and any deferred fees or costs on originated loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. 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 are reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Bank's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Bank 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 the 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 interest rate, or the fair value of the collateral if the loan is collateral dependent.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

Foreclosed Assets Held for Sale

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

Income Taxes

The Bank accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized. Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include a resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Bank files its income tax returns on a calendar year basis. With a few exceptions, the Bank is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2018. The Bank recognizes interest and penalties on income taxes as a component of income tax expense.

As of September 30, 2022 and 2021, retained earnings include approximately $1.0 million for which no deferred income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only for tax years prior to 1988. If the Bank were to liquidate, the entire amount would have to be recaptured and would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately $250,000 at September 30, 2022.

As of September 30, 2022 and December 31, 2021, the Bank had approximately $2,378,000 of net operating loss (NOL) carry forwards available to offset future income taxes. NOLs arising in 2018 or later carry forward indefinitely. NOLs of $2,143,000 arising prior to 2018 expire beginning in 2033.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) on available-for-sale securities.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Improvement updates to the proposed standard have been issued in November 2018 (Update 2018-19), April 2019 (Update 2019-04) and May 2019 (Update 2019-05) that provided additional guidance on this Topic. During the third quarter of 2019, the implementation for this standard was delayed for institutions like the Bank deemed as "smaller reporting companies" based on criteria that measured the size of public float and revenue tests until 2023. Currently, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The financial impact of adopting this standard is still being evaluated, but management believes there will be an increase to the allowance for loan losses. The final amount is yet to be determined. A relatively small increase is anticipated based on current facts and circumstances.

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In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 was adopted by the Bank on January 1, 2022, but did not have a material impact on the financial statements.

Note 2: Stock Conversion

On October 13, 2020, Systematic Savings Bank completed its conversion from a state-chartered mutual savings and loan association to a state-chartered stock savings and loan association. The offering was consummated through the sale and issuance by Systematic Savings Bank of 595,125 shares of common stock at $10 per share. Gross proceeds of $5,951,250 were raised in the stock offering.

Systematic Savings Bank's common stock is quoted on the OTC Pink Marketplace.

Voting rights are held and exercised exclusively by the stockholders of the Bank. Deposit account holders are insured by the FDIC.

The Bank may not declare, pay a dividend on, or purchase any of its capital stock, if the effect thereof would cause equity capital to be reduced below the liquidation account or regulatory requirements applicable to the Bank. The Bank has no current plans to pay a dividend to its stockholders.

Note 3: Investment Securities

The amortized cost and approximate fair values of securities classified as available-for-sale were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(Unaudited)		
Available-for-Sale Securities				
September 30, 2022				
Corporate Bonds	$ 3,656,770	$ --	$ 259,590	$ 3,397,180
Taxable Municipal Bonds	1,063,337	--	151,453	911,884
Government sponsored mortgage-backed securities	2,495,315	--	98,541	2,396,774
	$ 7,215,422	$ --	$ 509,584	$ 6,705,838
December 31, 2021				
Corporate Bonds	$ 2,435,494	$ 28,652	$ 21,594	$ 2,442,552
Taxable Municipal Bonds	598,538	1,170	--	599,708
Government sponsored mortgage-backed securities	292,078	5,742	--	297,820
	$ 3,326,110	$ 35,564	$ 21,594	$ 3,340,080

Certain investments in debt securities are reported in the financial statements at an amount less than their historical costs. Total fair value of these investments at September 30, 2022 was $6.7 million, which is 100% of the Bank's available-for-sale portfolio. Such securities at December 31, 2021 were $1.9 million, or 57% of the Bank's available-for-sale portfolio.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced, and the resulting loss recognized in net income in the period the other than- temporary impairment is identified.

The following tables show the Bank's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at September 30, 2022 (unaudited) and December 31, 2021:

	9/30/2022					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate Bonds	$ 3,397,177	$ 259,590	$ --	$ --	$3,397,180	$ 259,590
Taxable Municipal Bonds	911,884	151,453	--	--	911,884	151,453
Government sponsored mortgage-backed securities	2,396,777	98,541	--	--	2,396,774	98,541
Total temporarily impaired securities	$ 6,705,838	$ 509,584	$ --	$ --	$6,705,838	$ 509,584

	12/31/2021					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate Bonds	$ 1,918,127	$ 21,594	$ --	$ --	$1,918,127	$ 21,594
Government sponsored mortgage-backed securities	--	--	--	--	--	--
Total temporarily impaired securities	$ 1,918,127	$ 21,594	$ --	$ --	$1,918,127	$ 21,594

Maturity of the securities portfolio as of September 30, 2022 (unaudited) and December 31, 2021 is as follows, in thousands:

	Corporate Bonds			**Government Sponsored Mortgage Backed**			**Taxable Municipals**			**Total**		
As of September 30, 2022	Amortized Cost	Approx Fair Value	Weighted Average Yield	Amortized Cost	Approx Fair Value	Weighted Average Yield	Amortized Cost	Approx Fair Value	Weighted Average Yield	Amortized Cost	Approximate Fair Value	Weighted Average Yield
One Year Or Less	$ --	$ --	--%	$ --	$ --	--%	$ --	$ --	--%	$ --	$ --	--%
More Than One Year Through Five Years	1,601	1,551	3.60%	--			465	449	3.68%	2,066	2,000	3.62%
More Than Five Years Through Ten Years	2,056	1,846	3.56%	--			--	--	--	2,056	1,846	3.56%
More Than Ten Years	--	--	0.00%	--			598	463	2.28%	598	463	2.28%
Securities With No Final Maturity	--	--	--	2,495	2,397	3.47%	--	--	--	2,495	2,397	3.47%
Total	$3,657	$3,397	3.58%	$2,495	$2,397	3.47%	$1,063	$912	2.89%	$7,215	$6,706	3.46%

As of December 31, 2021	Corporate Bonds Amortized Cost	Corporate Bonds Approx Fair Value	Corporate Bonds Weighted Average Yield	Government Sponsored Mortgage Backed Amortized Cost	Government Sponsored Mortgage Backed Approx Fair Value	Government Sponsored Mortgage Backed Weighted Average Yield	Taxable Municipals Amortized Cost	Taxable Municipals Approx Fair Value	Taxable Municipals Weighted Average Yield	Total Amortized Cost	Total Approximate Fair Value	Total Weighted Average Yield
One Year Or Less	--	--	--	--	--	--	--	--	--	--	--	--
More Than One Year Through Five Years	--	--	--	--	--	--	--	--	--	--	--	--
More Than Five Years Through Ten Years	2,435	2,442	2.98%	--	--	--	--	--	--	2,435	2,442	2.98%
More Than Ten Years	--	--	--	--	--	--	599	600	2.27%	599	600	2.27%
Securities With No Final Maturity	--	--	--	292	298	1.60%	--	--	--	292	298	1.60%
Total	2,435	2,442	2.98%	292	298	1.60%	599	600	2.27%	3,326	3,340	2.73%

Note 4*:* Loans and Allowance for Loan Losses

Classes of loans at September 30, 2022 (Unaudited) and December 31, 2021 include:

	9/30/2022 (Unaudited)	12/31/2021
Residential real estate	$ 22,561,215	$ 24,378,131
Commercial real estate	14,622,874	9,550,265
Commercial Business	3,241,810	3,683,006
Consumer	196,808	226,604
Agriculture real estate	2,702,463	2,413,718
Total loans	43,325,170	40,251,724
Less		
Deferred loan fees and discounts, net	52,663	66,338
Allowance for loan losses	418,112	415,612
Net loans	$ 42,854,395	$ 39,769,774

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment methods as of September 30, 2022 and December 31, 2021:

	Three Months Ended 9/30/2022 (Unaudited)						
	Residential	Commercial Real Estate	Commercial	Consumer	AG Real Estate	Unallocated	Total
Allowance for Loan Losses							
Balance, beginning of period	$ 237,449	$ 86,088	$ 39,376	$ 1,616	$ 32,523	$ 18,560	$ 415,612
Provision charged to expense	(21,043)	36,051	(6,777)	538	(93)	(6,176)	2,500
Losses charged off	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--
Balance, end of period	$ 216,406	$ 122,139	$ 32,599	$ 2,154	$ 32,430	$ 12,384	$ 418,112
Ending balance individually evaluated for impairment	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Ending balance collectively evaluated for impairment	$ 216,406	$ 122,139	$ 32,599	$ 2,154	$ 32,430	$ 12,384	$ 418,112
Loans							
Ending balance	$ 22,561,215	$ 14,622,874	$ 3,241,810	$ 196,808	$2,702,463	$ --	$43,325,170
Ending balance individually evaluated for impairment	$ --	$ --	$ --	$ 17,600	$ --	$ --	$ 17,600
Ending balance collectively evaluated for impairment	$ 22,561,215	$ 14,622,874	$ 3,241,810	$ 179,208	$2,702,463	$ --	$43,307,570

	Nine Months Ended 9/30/2022 (Unaudited)						
	Residential	Commercial Real Estate	Commercial	Consumer	AG Real Estate	Unallocated	Total
Allowance for Loan Losses							
Balance, beginning of period	$ 224,515	$ 95,230	$ 41,809	$ 2,555	$ 28,380	$ 23,123	$ 415,612
Provision charged to expense	(8,109)	26,909	(9,210)	(401)	4,050	(10,739)	2,500
Losses charged off	--	--	--	--	--	--	--
Recoveries	--	--	--	--	--	--	--
Balance, end of period	$ 216,406	$ 122,139	$ 32,599	$ 2,154	$ 32,430	$ 12,384	$ 418,112

	Year Ended 12/31/2021						
	Residential	Commercial Real Estate	Commercial	Consumer	AG Real Estate	Unallocated	Total
Allowance for Loan Losses							
Balance, end of period	$ 240,590	$ 78,788	$ 61,844	$ 1,761	$ 20,186	$ 3,681	$ 406,850
Provision charged to expense	(16,075)	16,442	20,203	794	8,194	19,442	49,000
Losses charged off	--	--	(40,238)	--	--	--	(40,238)
Recoveries	--	--	--	--	--	--	--
Balance, end of period	$ 224,515	$ 95,230	$ 41,809	$ 2,555	$ 28,380	$ 23,123	$ 415,612
Ending balance individually evaluated for impairment	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Ending balance collectively evaluated for impairment	$ 224,515	$ 95,230	$ 41,809	$ 2,555	$ 28,380	$ 23,123	$ 415,612
Loans							
Ending balance	$24,378,131	$ 9,550,265	$ 3,683,006	$ 226,604	$2,413,718	$ --	$40,251,724
Ending balance individually evaluated for impairment	$ --	$ --	$ --	$ 21,144	$ --	$ --	$ 21,144
Ending balance collectively evaluated for impairment	$24,378,131	$ 9,550,265	$ 3,683,006	$ 205,460	$2,413,718	$ --	$40,230,580

Internal Risk Categories

Loan grades are numbered 1 through 7 and 35. Grades 1 through 3 and 35 are considered satisfactory grades. The grade of 4, or Special Mention, represents loans of lower quality and is considered criticized. The grade of 5, or Substandard, refers to assets that are classified. The Bank does not have any loans currently graded 6, Doubtful or 7, Loss.

Pass (1-3 and 35) loans have acceptable asset quality and liquidity.

Special Mention (4) assets have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (5) loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Residential Real Estate: The residential 1-4 family real estate loans are generally secured by 1-4 family rental properties and owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Bank's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a larger number of borrowers.

Commercial Real Estate and Agriculture Real Estate: Commercial and agriculture real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Bank's market areas.

Commercial Business: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Consumer: The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Bank's market area) and the creditworthiness of a borrower.

The following tables present the credit risk profile of the Bank's loan portfolio based on internal rating category and payment activity as of September 30, 2022 and December 31, 2021:

	9/30/2022 (Unaudited)					
	Residential	**Commercial Real Estate**	**Commercial Business**	**Consumer**	**Ag RE**	**Total**
Grade						
Pass (1-3 & 35)	$ 22,527,769	$ 14,622,874	$ 3,241,810	$ 179,208	$ 2,702,463	$ 43,274,124
Special mention (4)	33,446	--	--	--	--	33,446
Substandard (5)	--	--	--	17,600	--	17,600
	$ 22,561,215	$ 14,622,874	$ 3,241,810	$ 196,808	$ 2,702,463	$ 43,325,170

	12/31/2021					
	Residential	**Commercial Real Estate**	**Commercial Business**	**Consumer**	**Ag RE**	**Total**
Grade						
Pass (1-3 & 35)	$ 24,172,182	$ 9,550,265	$ 3,683,006	$ 205,460	$ 2,413,718	$ 40,024,631
Special mention (4)	--	--	--	--	--	--
Substandard (5)	205,949	--	--	21,144	--	227,093
	$ 24,378,131	$ 9,550,265	$ 3,683,006	$ 226,604	$ 2,413,718	$ 40,251,724

The Bank evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

The following tables present the Bank's loan portfolio aging analysis as of September 30, 2022 and December 31, 2021:

	9/30/2022 (Unaudited)						
	30-59 Days Past Due	**60-89 Days Past Due**	**Greater Than 90 Days**	**Total Past Due**	**Current**	**Total Loans**	**Total Loans > 90 Days & Accruing**
Residential	$ --	$33,446	$ --	$ 33,446	$22,527,769	$22,561,215	$ --
Commercial real estate	--	--	--	--	14,622,874	14,622,874	--
Commercial Business	--	--	--	--	3,241,810	3,241,810	--
Consumer	--	--	17,600	17,600	179,208	196,808	--
Ag real estate	--	--	--	--	2,702,463	2,702,463	--
Total	$ --	$33,446	$ 17,600	$ 51,046	$43,274,124	$43,325,170	$ --

	12/31/2021						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Residential	$ --	$ --	$ --	$ --	$24,378,131	$24,378,131	$ --
Commercial real estate	--	--	--	--	9,550,265	9,550,265	--
Commercial Business	--	--	--	--	3,683,006	3,683,006	--
Consumer	21,144	--	--	21,144	205,460	226,604	--
Ag real estate	--	--	--	--	2,413,718	2,413,718	--
Total	$ 21,144	$ --	$ --	$ 21,144	$40,230,580	$40,251,724	$ --

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310- 10-35-16), when based on current information and events, it is probable the Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans but also include loans modified in troubled debt restructurings.

The following tables present impaired loans for the nine months ended September 30, 2022 (Unaudited) and the year ended December 31, 2021:

	9/30/2022 (Unaudited)				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					
Residential	$ --	$ --	$ --	$ --	$ --
Commercial real estate	--	--	--	--	--
Commercial Business	--	--	--	--	--
Consumer	17,600	18,982	--	19,042	--
Ag real estate	--	--	--	--	--
Loans with a specific valuation allowance					
Residential	$ --	$ --	$ --	$ --	$ --
Commercial real estate	--	--	--	--	--
Commercial Business	--	--	--	--	--
Consumer	--	--	--	--	--
Ag real estate	--	--	--	--	--
Total:					
Residential	$ --	$ --	$ --	$ --	$ --
Commercial real estate	--	--	--	--	--
Commercial	--	--	--	--	--
Consumer	17,600	18,982	--	19,042	--
Ag real estate	--	--	--	--	--
Total impaired loans	$ 17,600	$ 18,982	$ --	$ 19,042	$ --

	12/31/2021									
	Recorded Balance		Unpaid Principal Balance		Specific Allowance		Average Investment in Impaired Loans		Interest Income Recognized	
Loans without a specific valuation allowance										
Residential	$	--	$	--	$	--	$	--	$	--
Commercial real estate		--		--		--		--		--
Commercial Business		--		--		--		--		--
Consumer		--		--		--		--		--
Ag real estate		21,144		21,144		--		10,242		--
Loans with a specific valuation allowance										
Residential	$	--	$	--	$	--	$	--	$	--
Commercial real estate		--		-		--		--		--
Commercial Business		--		--		--		85,731		--
Consumer		--		--		-		--		--
Ag real estate		--		--		-		--		--
Total:										
Residential	$	--	$	--	$	--	$	--	$	--
Commercial real estate		--		--		--		--		--
Commercial		--		--		--		85,731		--
Consumer		21,144		21,144		--		10,242		--
Ag real estate		--		--		--		--		--
Total impaired loans	$	21,144	$	21,144	$	--	$	95,973	$	--

At September 30, 2022 (Unaudited) and December 31, 2021, the Bank had the following nonaccrual loans:

	9/30/2022 (Unaudited)		12/31/2021	
Residential	$	--	$	--
Commercial Real Estate		--		--
Commercial Business		--		--
Consumer		17,600		21,144
Ag real estate		--		--
Total	$	17,600	$	21,144

At September 30, 2022 (Unaudited) and December 31, 2021, the Bank had one loan modified in a troubled debt restructuring and impaired totaling $17,600 at September 30, 2022. This loan was not restructured at December 31, 2021, and the Bank had no restructured loans at December 31, 2021.

Note 5*: Fair Value Measurements*
The Bank has a number of financial instruments. The estimated fair value amounts have been determined by the Bank using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Bank could realize in a current market exchange. The Financial Accounting Standards Board has established a fair value hierarchy that prioritizes the inputs used in valuation techniques and creates the following three broad levels, with Level 1 being the highest priority:

> *Level 1* - Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. Assets and liabilities generally included in this category include listed equity and debt securities publicly traded on an exchange.

Level 2 - Level 2 inputs are from other than market prices included in Level 1, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Level 3 inputs are unobservable for assets and liabilities and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

Financial instruments are broken down as follows by recurring or nonrecurring measurement status. Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the financial statements at each reporting date. Assets measured on a nonrecurring basis are assets that, due to an event or circumstance, were required to be remeasured at fair value after initial recognition in the financial statements at some time during the reporting period.

Recurring

Available-for-sale securities

Fair value is estimated by considering "observable" information through processes such as benchmarking yields, reported trades, issuer spreads, and model processes, such as the Option Adjusted Spread models for prepayment and interest rate scenarios. The following are major categories of assets and liabilities measured at fair value on a recurring basis during the periods ended:

		Fair Value Measurements		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
September 30, 2022 (Unaudited)				
Corporate Bonds	$ 3,397,180	$ 2,954,548	$ 442,631	$ --
Municipal securities	911,884	--	911,884	--
Mortgage-backed securities	2,396,774	--	2,396,774	--
	$ 6,705,838	$ 2,954,548	$ 3,751,290	$ --
December 31, 2021				
Corporate Bonds	$ 2,442,552	$ 1,947,402	$ 495,150	$ --
Municipal securities	599,708	--	599,708	--
Mortgage-backed securities	297,820	--	297,820	$ --
	$ 3,340,080	$ 1,947,402	$ 1,392,678	$ --

Nonrecurring

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Impaired loans

Loans for which it is probable that the Bank will not collect all principal and interest due according to contractual terms are measured for impairment in accordance with GAAP. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans, or where a loan is determined not to be collateral dependent, using the discounted cash flow method.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. Unobservable inputs to these measurements, which include estimates and judgments often used in conjunction with appraisals, are not readily quantifiable.

If the impaired loan is determined not to be collateral dependent, then the discounted cash flow method is used. This method requires the impaired loan to be recorded at the present value of expected future cash flows discounted at the loan's effective interest rate. The effective interest rate of a loan is the contractual interest rate adjusted for any net deferred loan fees or costs, premiums or discount existing at origination or acquisition of the loan.

Foreclosed assets held for sale

An asset that is received in full or partial satisfaction of a loan is recorded at the lower of the carrying value or fair value of the asset at the time of receipt. The fair value of a foreclosed or repossessed asset, upon initial recognition, is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria.

The following are major categories of assets measured at fair value on a nonrecurring basis during the periods ended:

		Fair Value Measurements		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
September 30, 2022 (Unaudited)				
Impaired loans	$ 17,600	$ --	$ --	$ 17,600
	$ 17,600	$ --	$ --	$ 17,600
December 31, 2021				
Impaired loans	$ 20 483	$ --	$ --	$ 20,483
	$ 20,483	$ --	$ --	$ 20,483

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying statements of financial condition at amounts other than fair value.

Cash and cash equivalents, interest-bearing time deposits and Federal Home Loan Bank stock

The carrying amounts reported in the statements of financial condition approximate those assets' fair value.

Loans and interest receivable

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of accrued interest approximates its fair value.

Deposits

Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. Fair Value of a deposit is determined by discounting its cash flows over expected life using the Federal Home Loan Bank of Des Moines advance rate yield curve. For transaction accounts, average life of transaction accounts is used while time deposits are discounted from maturity date.

The following presents the estimated fair values of the Bank 's financial instruments:

		September 30, 2022 (Unaudited)		December 31, 2021	
	Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and equivalents, including fed funds sold	1	$ 8,512,437	$ 8,512,437	$ 2,688,095	$ 2,688,095
Interest-bearing time deposits	2	590,000	569,944	3,995,000	3,995,000
Federal Home Loan Bank stock	2	147,014	147,014	61,700	61,700
Loans, net of allowance	3	42,854,395	42,532,404	39,769,774	40,601,292
Interest receivable	2	212,278	212,278	175,066	175,066
Financial liabilities					
Deposits	3	47,410,085	42,229,782	40,335,211	37,826,218
FHLB Advances	2	2,161,360	2,121,770	-	-

Note 6*:* Regulatory Matters

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 and material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-statement of financial condition items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier 1 capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined).

As of September 30, 2022 (Unaudited), the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

In September 2019, the regulatory agencies, including the FDIC and Federal Reserve adopted a final rule, effective January 1, 2020, creating a community bank leverage ratio ("CBLR") for institutions with total consolidated assets of less than $10 billion, and that meet other qualifying criteria related to off-balance sheet exposures and trading assets and liabilities. The CBLR provides for a simple measure of capital adequacy for qualifying institutions. Management elected to adopt the CBLR in the first quarter of 2021.

The CBLR is calculated as Tier 1 Capital to average consolidated assets as reported on an institution's regulatory reports. Tier 1 Capital, for the Bank, generally consists of common stock plus related surplus and retained earnings, adjusted for goodwill and other intangible assets and accumulated and other comprehensive amounts ("AOCI") related amounts. Qualifying institutions that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the regulatory agencies' capital rules, and to have met the well-capitalized ratio requirements. In April 2020, as directed by Section 4012 of the CARES Act, the regulatory agencies introduced temporary changes to the CBLR. These changes, which subsequently were adopted as a final rule, temporarily reduced the CBLR requirement to 8% through the end of 2020. Beginning in 2021, the CBLR requirement will increase to 8.5% for the calendar year before returning to 9% in 2022. A qualifying institution utilizing the CBLR framework whose leverage ratio does not fall more than one percent below the required percentage is allowed a two-quarter grace period in which to increase its leverage ratio back above the required percentage. During the grace period, a qualifying institution will still be considered well capitalized so long as its leverage ratio does not fall more than one percent below the required percentage. If an institution either fails to meet all the qualifying criteria within the grace period or has a leverage ratio that falls more than one percent below the required percentage, it becomes ineligible to use the CBLR framework and must instead comply with generally applicable capital rules, sometimes referred to as Basel III rules. A bank may also opt out of the framework at any time, without restriction, by reverting to the generally applicable capital rules.

Systematic Savings Bank elected to adopt the CBLR in the first quarter of 2021, and so the "General Acceptable Rules" of capital ratios are not calculated below.

The Bank's actual capital amounts and ratios are also presented in the table below. No amount was deducted from capital for interest-rate risk.

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollar Amounts in Thousands)					
As of September 30, 2022 (Unaudited)						
Tier I leverage ratio						
(to average total assets)	$10,470	18.9%	n/a	n/a	≥$4,751	≥9.0%
As of December 31, 2021						
Tier I leverage ratio						
(to average total assets)	$10,318	19.1%	n/a	n/a	≥$4,581	≥8.5%

Note 7: Concentration of Cash Holdings

During the normal course of business, the Bank may have excess cash on deposit at other financial institutions. Each institution deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Bank utilizes an Excess Balance Account (EBA) and so does not carry credit risk on its $1.9 million overnight funds sweep position, as it might utilizing a Fed Funds Sold sweep. At September 30, 2022, the Bank had $252 thousand in deposits above FDIC insured limits. These funds are held at correspondent banks that are shown to be well capitalized as of September 30, 2022. The Bank has another deposit of $6 million held at a correspondent bank, but the funds utilize the IntraFi (Formerly ICS and CDARS) reciprocal network, and so all funds are FDIC insured.

Note 8: Risks and Uncertainties

Subsequent to December 31, 2020, the COVID-19 coronavirus was identified as a global pandemic and began affecting the health of large populations around the world. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Bank. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section is intended to help potential investors understand our financial performance through a discussion of the factors affecting our financial condition and results of operations for the period ended September 30, 2022 and 2021 and the year ended December 31, 2021. This section should be read in conjunction with the financial statements and notes to the financial statements that appear elsewhere in this Form 10-Q.

Overview

The discussion set forth below, as well as other portions of this Form 10-Q, may contain forward-looking comments. Such comments are based upon the information currently available to management of the Bank and management's perception thereof as of the date of this Form 10-Q. When used in this Form 10-Q, words such as “anticipates,” “estimates,” “believes,” “expects,” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Such statements are subject to risks and uncertainties. Actual results of the Bank’s operations could materially differ from those forward-looking comments. The differences could be caused by a number of factors or combination of factors including, but not limited to: changes in demand for banking services; changes in portfolio composition; changes in management strategy; increased competition from both bank and non-bank companies; changes in the general level of interest rates; changes in general or local economic conditions; changes in federal or state regulations and legislation governing the operations of the Bank, or other factors affecting our operations, pricing, products, and services.

Our profitability is highly dependent on our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowed funds. Results are also influenced by our provision for loan losses, and noninterest income and noninterest expense. Noninterest expense consists primarily of employee compensation and benefits, occupancy expense, data processing and regulatory costs. Our principal business is accepting deposits from individuals and businesses in the communities surrounding our office and using such deposits to fund loans. We focus on providing our products and services to two segments of customers: individuals and small businesses.

We had net income of $166,000 and $94,000 the nine months ended September 30, 2022 and 2021, respectively. For the three months ended September 30, 2022 and 2021, we had net income of $43,000 and $51,000, respectively. In prior periods, our profitability suffered due primarily to our elevated noninterest expense. The two largest components of our noninterest expense are our equipment and data processing expense and our salaries and benefits expense, which were $122,000 and $572,000, for the nine months ended September 30, 2022 and September 30, 2021, respectively. Equipment and data processing expense and our compensation and benefits expense were $39,000 and $204,000, for the three months ended September 30, 2022 and September 30, 2021, respectively. After making significant reductions to noninterest expense over the last several years, noninterest expense is up in the nine months ended September 30, 2022 compared to the same period in 2021. Noninterest expense is up $92,000, or 9.0%, primarily as a result of a $122,000 increase in salaries and benefits, related largely to bonus accruals for potential payment in December of 2022. The increase in interest rates increased earnings for the nine months ended September 30, 2022 compared to the same period prior year. Liquid Assets (Cash and due from, CD’s in Other Financial Institutions and Overnight Funds) comprised 11.4% of earning assets during the nine months ended September 30, 2022 and 22.4% for the same period in 2021. The steepening of the curve in the first nine months of 2022 allowed the Bank to invest more earning assets, on average, in the first nine months of 2022 (8.7%) compared to the first nine months of 2021 (3.3%). The increase in the yields on newly purchased securities, coupled with the increase in balance of the securities portfolio, caused the securities portfolio to return $78,000 more in the first three quarters of 2022, compared to the first three quarters of 2021, a 196.8% increase, as interest income from securities went from $118,000 for the first nine months of 2022 compared to 40,000 for the first nine months of 2021. This was offset by a reduction in loan income, despite an increase in average balance of loans of $2.9 million. The decline in loan income is primarily related to a decrease in loan fees, specifically, $29,000 in fees from the PPP program in 2021 which did not recur in 2022. Our average balance of interest-earning assets declined $30,000, to $52.5 million for the nine months ended September 30, 2022 from $52.6 million for the same period 2021, as we grew our average balance sheet to $53.1 million.

The increase in overnight rates in some correspondent banking relationships, caused the yield on cash and overnight funds to increase 160 basis points period over period, though the average balances on these assets declined $6.3 million. Despite this decline in average balance, the Bank’s liquidity produced $20,000 more in interest income in the three months ended September 30, 2022 compared to the three months ended September 30, 2021. An increase in loan balances, of $2.4 million, or 6.1% helped offset a decline in loan yields of 38 basis points to keep loan interest income relatively flat, declining $10,000 over the same period in 2021. Our average balance of interest-earning assets increased $1.0 million, to $54.5 million for the three months ended September 30, 2022 from $53.5 million for the same period 2021, as we grew our balance sheet to $55.0 million, on average for the quarter ended September 30, 2022.

The primary driver of the Bank’s improvement in net interest income was the ability to deploy liquidity into the bond portfolio in the three months ended September 30, 2022, as compared to the same period in the prior year. Further, though Checking and MMDA accounts increased $1.7 million on average year over year, the costs of these deposits increased 32 basis points, from 0.99% to 1.31% while the associated interest expense increased $22,000, to $72,000, as the Bank restructured key deposits. Interest Expense associated with Certificate of Deposits increased $4,000 period over period and balances fell $1.4 million as lower costing CDs roll off and are replaced with brokered and internet deposits. We took a new advance from the FHLB matured in the three months ending September 30, 2022, causing the average balance on this category to increase from $149,000 to just $912,000 period over period, and interest expense from the category to increase $7,000 the three months ended September 30, 2022 as compared to September 30, 2021. Therefore Interest Bearing liabilities increased $1.4 million in balance and interest expense increased $26 thousand, or 20.2%, as the cost of funds increased 1.23% for the three months ended September 30, 2021, to 1.43% for the same period in 2022. The balance increase was offset by a decrease in DDA accounts of $229,000, or 8.9%, though the Bank works to increase business deposit balances.

Business Strategy

Our goal is to operate and grow a profitable, independent community-oriented bank serving primarily retail customers and small businesses in our market area. In pursuing this, we continually seek to improve our earnings, capital and results of operations. The following are key elements of our business strategy:

- improving our earnings by increasing the originations of one- to four-family real estate loans, commercial real estate loans, commercial business and consumer loans while maintaining our conservative loan underwriting;
- maintaining our strong asset quality by strengthening management and improving our policies for lending and problem assets;
- remaining a community-oriented bank with a continued emphasis on retail and small business customers in our market area; and
- increasing our deposit balances and deposit relationships to seek to provide lower cost and more stable funding sources.

Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our financial statements, which are prepared in conformity with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be critical accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We are taking advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following represent our critical accounting policies:

Allowance for Loan Losses. We consider the allowance for loan losses to be a critical accounting policy. The allowance for loan losses is the amount estimated by management as necessary to cover probable losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses, which is charged to operations. Determining the amount of the allowance for loan losses involves a high degree of judgment. Among the material estimates required to establish the allowance are: loss exposure at default; the amount and timing of future cash flows on impacted loans; value of collateral; and determination of loss factors to be applied to the various elements of the portfolio. All of these estimates are susceptible to significant change. Management reviews the level of the allowance at least quarterly and establishes the provision for loan losses based upon an evaluation of the portfolio, past loss experience, current economic conditions and other factors related to the collectability of the loan portfolio. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. In addition, the FDIC and Missouri Division of Finance, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on their judgment about information available to it at the time of their examinations. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would adversely affect results of operations. See Note 1 of the Notes to Financial Statements included in this Form 10-Q.

Estimation of Fair Values. Securities classified as available for sale are reported at fair value, with unrealized gains and losses excluded from operations and reported as a separate component of equity. The Bank does not purchase securities for trading purposes.

The cost of securities sold is determined by specific identification. Declines in fair value of securities available for sale that are deemed to be other-than-temporary are charged to operations as a realized loss. In estimating other-than- temporary impairment losses, management of the Bank considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, the Bank's intent to sell the security or whether it is more likely than not that it will be required to sell the security before the anticipated recovery of its remaining amortized cost basis and evaluation of cash flows to determine if the securities have been adversely affected. See Note 1 of the Notes to the Financial Statements included in this Form 10-Q.

Comparison of Financial Condition at September 30, 2022 and December 31, 2021

	At 9/30/2022	At 12/31/2021	Increase (Decrease)	% Change
Summary of Selected Balance Sheet Data:	**(Dollars in thousands)**			
Total assets	$ 59,768	$ 50,772	$ 8,996	17.7%
Cash and cash equivalents	8,512	2,688	5,824	216.7%
Interest-bearing time deposits	590	3,995	(3,405)	(85.2%)
Available for sale securities	6,706	3,340	3,366	100.8%
Loans receivable, net	42,854	39,770	3,084	7.8%
Premises and equipment, net	581	595	(14)	(2.4%)
Other assets (1)	312	209	103	49.3%
Deposits	47,410	40,335	7,075	17.5%
FHLB advances	2,161	--	2,161	0.0%
Total equity	9,960	10,317	(357)	(3.5%)

(1) Includes accrued interest receivable, prepaid expenses, deferred tax asset, and other assets.

Total Assets. Total assets increased $9.0 million, or 17.7%, to $59.8 million at September 30, 2022 from $50.8 million at December 31, 2021. The increase in total assets was due primarily to increased deposits, especially certificate of deposits, specifically brokered and internet deposits, from December 31, 2021 to September 30, 2022, being deployed into securities and loans. Systematic has been methodically working on deposit account gathering and organic growth from existing customers.

Loans Receivable, Net. Net loans increased $3.1 million, or 7.8%, to $42.9 million at September 30, 2022 from $39.8 million at December 31, 2021. The loan growth during the quarter was organic and concentrated largely in commercial real estate loans, which increased $5.1 million, or 53.1%, for the nine months ending September 30, 2022. At the same time, residential real estate loans decreased $1.8 million, or 7.5%, commercial business loans declined $441,000 (12.0%) and consumer loans declined $30,000 (13.1%) while agriculture real estate loans increased $289,000, or 12.0%. The Bank continues to focus its lending efforts on commercial, owner occupied real estate loans.

Securities. At September 30, 2022 and December 21, 2021, all our securities were classified as available for sale and included primarily corporate bonds, in the form of subordinated bank debt, taxable municipal bonds, and mortgage-backed securities ("MBS".) Available for sale securities increased $3.4 million, or 100.8%, to $6.7 million at September 30, 2022 from $3.3 million at December 31, 2021. The increase was due to changes in the rate environment making bonds a viable option for balance sheet strategies.

Cash and Cash Equivalents. Cash and cash equivalents increased $5.8 million, or 216.7%, to $8.5 million at September 30, 2022 from $2.7 million at December 31, 2021. The primary reason for the increase was the issuance of $ 5 million in brokered CDs and a $2.1 million FHLB advance. Cash and cash equivalents comprise 14.2% of total assets at September 30, 2022.

Prepaid Expenses and Oher Assets. Prepaid expenses and other assets increased $103,000, or 49.3%. Most of this is an increase in FHLB stock of $85,000.

Deposits. Deposits increased $7.1 million, or 17.5%, to $47.4 million at September 30, 2022 from $40.3 million at December 31, 2021. Most of this growth was due to the issuance of brokered CDs and an increase in checking and MMDA accounts, which increased $5 million and $1.5 million, respectively, from December 31, 2021.

Advances from FHLB of Des Moines. Advances from the FHLB of Des Moines was $2.2 million at September 30, 2022, compared to $0 December 31, 2021.

Equity. Despite net income of $166,000, total equity decreased ($357,000) due to unrealized losses in the bond portfolio.

Comparison of Operating Results for the Three Months and Nine Months Ended September 30, 2022 and 2021

General. We had net income of $43,000 for the three months ended September 30, 2022, compared to net income of $51,000 for the three months ended September 30, 2021. Our decrease in net income during the three months ended September 30, 2022 compared to the comparable period in 2021 was primarily the result of an increase in salaries and benefits of $50,000. This was enough to offset an increase an increase in Net Interest Income after Provision of $31,000, as interest income increased $58,000, but interest expense also increased $26,000 and provision for loan losses increased $1,000. Helping offset the increase in salaries and benefits was a decrease in professional fees of $13,000. We had net income of $166,000 for the nine months ended September 30, 2022, compared to net income of $94,000 for the nine months ended September 30, 2021. Our period over period net income change of $72,000 was due to an increase in interest income of $80,000 combined with a decrease in interest expense of $28,000. These were offset by an increase in noninterest expense of $92,000. This increase was lead by an increase in salaries and benefits of $123,000 which was offset by a decrease in professional fees of $40,000.

Interest Income. Interest income on loans declined $13,000 or 1.0%, during the nine months ended September 30, 2022 as compared to the same period in 2021. Much of this decline is attributable to $43,000 of PPP fees in the nine months ended September 30, 2021, while no such fees existed in the same period for the year 2022. The average balance of loans receivable increased to $41.9 million over the period from $39.1 million for the nine months ended September 30, 2021. Loans yields over the period declined from 4.98% over the first three quarters of 2021 to 4.59% for the same period in 2022, due largely to the already mentioned decline in loan fees associated with the PPP loan program. The Average Balance on Available For Sale Securities increased $2.9 million, or 166.3%, over the first nine months of 2022 compared to the first nine months of 2021. The increase was spread across corporate bonds, taxable municipal bonds, and MBS. Finally, other earning assets, which includes interest bearing demand accounts, CDs in other Financial Institutions, and overnight funds make up a large part of the Bank’s earning assets, but comprising only 11.4% of average earning assets in 2022, compared to 22.4% over the first nine months of 2021, a decrease of $5.8 million. Despite this decline, because of increases in market rates in 2022 there was an increase in income for the category of $16,000 (64.0%) in the nine months ended September 30, 2022 compared to the same period in 2021.

Interest Expense. Interest expense decreased $28,000, or 7.2%, in the nine months ended September 30, 2022 compared to the same period in 2021, and the cost of interest-bearing liabilities fell to 1.19% from 1.26% period over period. Interest expense on deposits declined $31,000, or 8.2%, due to a combination of a decline of $52,000 in CD interest expense and an increase in MMDA accounts of $21,000. The rate on interest bearing deposits fell nine basis points, to 1.17% from 1.25% period over period. Interest expense on FHLB advances increased $3,000.

Net Interest Income. Net interest income increased $108,000, or 9.5%, during the nine months ended September 30, 2022 compared to the same period in 2021.

The net interest rate spread increased to 2.89% for the first nine months of 2022 from 2.61% for the first nine months of 2021 as the average yield on average interest-earning assets increased 21 basis points and the average cost of average interest-bearing liabilities fell seven basis points.

Provision for Loan Losses. There was a $3,000 provision for loan losses for the nine months ended September 30, 2022 and a provision of $49 thousand for the same period of 2021.

Noninterest Income. Noninterest income increased $7,000, or 18.0%, to $44,000 for the nine months ended September 30, 2022 from $37,000 for the nine months ended September 31, 2021. The increase is due primarily to an increase in interchange income and service charges.

	Nine Months Ended		Increase	%
	9/30/2022	9/30/2021	(Decrease)	Change
Summary of Noninterest Income:		(Unaudited)		
FHLB dividends	$ 936	$ 1,902	$ (966)	(50.8%)
Loan referral premiums	7,097	5,494	1,604	29.2%
Interchange income	14,646	10,992	3,655	33.3%
Service charges and fees	11,487	9,819	1,668	17.0%
Other	9,516	8,801	715	8.1%
Total noninterest income	$ 43,682	$ 37,007	$ 6,677	18.0%

Noninterest Expense. Noninterest expense increased $92,000, or 9.0%, to $1.1 million for the nine months ended September 30, 2022 from $1.0 million for the nine months ended September 30, 2021 due primarily to an increase in salaries and benefits.

Compensation and benefits increased $123,000, or 27.3%, to $572,000 for the nine months ended September 30, 2022 from $450,000 for the nine months ended September 30, 2021. Management has worked diligently to right size compensation and benefits costs over the first nine months of 2022. We will continue to evaluate this category as the Bank grows. Professional fees fell $40,000 over the first nine months of 2022 compared to the same period in 2021 as the Bank continues to become more efficient.

Miscellaneous expenses declined as we became more efficient in operations.

	Three Months Ended		Nine Months Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
	(Unaudited)		(Unaudited)	
Salaries and benefits	$ 204,087	$ 153,952	$ 572,351	$ 449,613
Net occupancy expense	24,965	26,412	69,363	72,350
Professional fees	34,831	47,547	103,477	143,560
Data processing	39,432	33,022	122,015	100,343
Group insurance	7,583	8,150	22,712	17,041
Advertising	1,107	1,632	2,895	8,505
Insurance	11,552	12,752	34,327	34,794
Taxes and licenses	13,586	12,579	42,702	37,614
Miscellaneous	46,614	44,457	141,859	156,013
Total noninterest expense	$ 383,757	$ 340,503	$ 1,111,701	$ 1,019,832

Income Tax Expense. As a result of multiple years of losses, we did not have any federal income tax expense during the nine months ended September 30, 2022 or September 30, 2021. However, we do pay State of Missouri tax obligations. In the first nine months of 2022, the Bank had tax expense of $6,425.

Average Balances and Yields

The following table sets forth average balance sheets, average yields and costs, and certain other information at and for the periods indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or interest expense.

	For the Three Months Ended September 30					
	2022			2021		
	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate
Interest-earning assets:			Dollars in Thousands			
Loans receivable	$ 41,744	$ 479	4.56%	$ 39,356	$ 489	4.93%
Securities, taxable	6,482	59	3.63%	1,572	12	3.07%
Other interest-earning assets	6,257	30	1.91%	12,577	10	0.31%
Total interest-earning assets	54,483	$ 568	4.14%	53,505	$ 511	3.79%
Noninterest-earning assets	602			484		
Total assets	$ 55,085			$ 53,989		
Interest-bearing liabilities:						
Checking and MMDA accounts	21,977	72	1.31%	20,254	51	0.99%
Savings accounts	464	0	0.11%	146	0	0.11%
Certificates of deposit	18,995	72	1.50%	20,398	76	1.47%
Total deposits	41,436	144	1.38%	40,798	126	1.23%
Advances from FHLB of Des Moines	912	8	3.50%	149	1	1.83%
Total interest-bearing Liabilities	$ 42,348	$ 152	1.43%	$ 40,947	$ 127	1.23%
Noninterest-bearing checking deposits	2,355			2,584		
Noninterest-bearing liabilities	205			237		
Equity	10,176			10,220		
Total liabilities and equity	$ 55,084			$ 53,989		
Net interest income		$ 416			$ 384	
Net interest rate spread[1]			2.71%			2.56%
Net interest-earning assets [2]	$ 12,135			$ 12,557		
Net interest margin [3]			3.08%			2.85%
Average of interest earning assets to interest-bearing liabilities.	128.7%			130.7%		

(1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.
(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by total interest-earning assets.

	For the Nine Months Ended September 30					
	2022			2021		
	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate
Interest-earning assets:			Dollars in Thousands			
Loans receivable	$ 41,946	$ 1,441	4.59%	$ 39,088	$ 1,455	4.98%
Securities, taxable	4,595	118	3.43%	1,726	40	3.08%
Other interest-earning assets	5,992	40	0.90%	11,750	25	0.28%
Total interest-earning assets	52,533	$ 1,599	4.07%	52,564	1,519	3.86%
Noninterest-earning assets	575			479		
Total assets	$53,108	-		$53,043	-	
Interest-bearing liabilities:						
Checking and MMDA accounts	21,967	168	1.02%	19,648	147	1.00%
Savings accounts	264	0	0.11%	134	0	0.11%
Certificates of deposit	17,699	180	1.36%	20,741	232	1.50%
Total deposits	39,930	348	1.17%	40,523	380	1.25%
Advances from FHLB of Des Moines	317	8	3.50%	356	5	1.84%
Total interest-bearing Liabilities	$ 40,247	$ 356	1.19%	$ 40,879	$384	1.26%
Noninterest-bearing checking deposits	2,460			1,754		
Noninterest-bearing liabilities	170			206		
Equity	10,233			10,205		
Total liabilities and equity	$ 53,110			$ 53,043		
Net interest income		$ 1,243			$ 1,135	
Net interest rate spread(1)			2.89%			2.61%
Net interest-earning assets (2)	$ 12,287			$ 11,685		
Net interest margin (3)			3.16%			2.89%
Average of interest earning assets to interest-bearing liabilities.	130.5%			128.6%		

(1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.

(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

Net interest margin represents net interest income divided by total interest-earning assets

Management of Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of one- to four-family residential real estate loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage the impact of changes in market interest rates on net interest income and capital. We have an Asset/Liability Committee, which is comprised of the management team and a member of the Board of Directors and is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors. The Committee establishes and monitors the volume, maturities, pricing and mix of assets and funding sources with the objective of managing assets and funding sources to provide results that are consistent with liquidity, growth, risk limits and profitability goals.

Economic Value of Equity Analysis. We analyze the sensitivity of our financial condition to changes in interest rates through our economic value of equity model. This analysis measures the difference between predicted changes in the fair value of our assets and predicted changes in the present value of our liabilities assuming various changes in current interest rates. The table below represents an analysis of our interest rate risk as measured by the estimated changes in our economic value of equity, resulting from an instantaneous and sustained parallel shift in the yield curve (+100, +200 and +300 basis points and -100, -200 and -300 basis points) at September 30, 2022.

Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present Value of Assets (3)	
		Amount	Percent	EVE Ratio (4)	Increase (Decrease)
		(Dollars In thousands)			
+ 300 bp	$ 11,678	$ (3,060)	(20.76%)	21.49%	(3.33%)
+ 200 bp	12,567	(2,171)	(14.73%)	22.46%	(2.36%)
+ 100 bp	13,526	(1,212)	(8.22%)	23.45%	(1.37%)
NC	14,738	-	0.00%	24.82%	0.00%
- 100 bp	15,870	1,132	7.68%	25.99%	1.17%

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) EVE is the discounted present value of expected cash flows from assets and liabilities.
(3) Present value of assets represents the discounted value of incoming cash flows on interest-earning assets.
(4) EVE ratio represents EVE divided by the present value of assets.

The table above indicates that at September 30, 2022, in the event of a 100 basis point increase in interest rates, we would experience a 8.2% decrease in our economic value of equity. In the event of a 200 basis points increase in interest rates, we would experience a decrease of 14.7% in economic value of equity. Due to exceptionally low market rates, assets in the EVE calculation experience immediate floors in the down scenario.

The preceding economic value of equity simulation analysis does not represent a forecast of actual results and should not be relied upon as being indicative of expected operating capital. These hypothetical estimates are based upon numerous assumptions, which are subject to change, including: the nature and timing of interest rate levels including the yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cash flows, and others. Also, as market conditions vary, prepayment/refinancing levels, the varying impact of interest rate changes on caps and floors embedded in adjustable-rate loans, early withdrawal of deposits, changes in product, preferences, and other internal/external variables will likely deviate from those assumed.

Liquidity and Capital Resources

Liquidity Management. Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from sales, maturities and calls of securities. We also have the ability to borrow from the FHLB of Des Moines and Midwest Independent Bank. As of September 30, 2022, Systematic had $2.2 million in advances from FHLB of Des Moines and no borrowings from Midwest Independent Bank. At September 30, 2022, Systematic had unused borrowing capacity from the FHLB of Des Moines and Midwest Independent Bank of $9.8 million and $5.0 million, respectively.

The board of directors is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we have enough sources of liquidity to satisfy our short- and long-term liquidity needs as of September 30, 2022.

We monitor and adjust our investments in liquid assets based upon our assessment of: (1) expected loan demand; (2) expected deposit flows; (3) yields available on interest-earning deposits and securities; and (4) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest-earning deposits and short-and intermediate-term securities.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and cash equivalents, which include federal funds sold and interest-bearing deposits in other banks. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At September 30, 2022, cash and cash equivalents totaled $8.5 million. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled $6.7 million at September 30, 2022.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Certificates of deposit due within one year of September 30, 2022, totaled $10.6 million, or 22.4%, of total deposits. If these deposits do not remain with us, we could be required to seek other sources of funds, such as other deposits and FHLB of Des Moines advances. Depending on market conditions, we may be required to pay higher rates on such deposits or borrowings than we currently pay. We believe, however, based on past experience that a significant portion of such deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Capital Management. Systematic is subject to various regulatory capital requirements. See Note 6 of the Notes to Financial Statements included in this Form 10-Q.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we from time-to-time are a party to various financial instruments with off-balance-sheet risks, such as unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At September 30, 2022 and December 31, 2021, we had no outstanding commitments to originate loans because we do not make loan commitments. At September 30, 2022 and December 31, 2021, we had approximately $6.2 million and $3.3 million, respectively of unused lines of credit for customers.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for equipment, agreements with respect to borrowed funds and deposit liabilities.

Recent Accounting Pronouncements

Please refer to Note 1 to the Notes to Financial Statements for a description of recent accounting pronouncements that may affect our financial condition and results of operations.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Asset/Liability Management

The goal of the Bank's asset/liability policy is to manage interest rate risk so as to maximize net interest income over time in changing interest rate environments. Management monitors the Bank's net interest spreads (the difference between yields received on assets and paid on liabilities) and, although constrained by market conditions, economic conditions, and prudent underwriting standards, the Bank offers deposit rates and loan rates designed to maximize net interest income. Management also attempts to fund the Bank's assets with liabilities of a comparable duration to minimize the impact of changing interest rates on the Bank's net interest income. Since the relative spread between financial assets and liabilities is constantly changing, the Bank's current net interest income may not be an indication of future net interest income.

As a part of its asset and liability management strategy and throughout the past several years, the Bank has continued to emphasize the origination of short-term commercial real estate, commercial business and residential real estate loans.

The Bank constantly monitors its deposits in an effort to decrease their interest rate sensitivity. Rates of interest paid on deposits at the Bank are priced competitively in order to meet the Bank's asset/liability management objectives and spread requirements. The Bank believes, based on historical experience, that a substantial portion of such accounts represents non-interest rate sensitive core deposits.

Item 4. Controls and Procedures

(a) The Bank maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") that are designed to ensure that information required to be disclosed in the Bank's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Bank's management, including its Chief Executive Officer, to allow timely decisions regarding required disclosure

(b) There have been no changes in the Bank's internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None

(b) Not applicable.

(c) Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6 Exhibits

2.1	Plan of Mutual to Stock Conversion, as amended (1)
2.2	Plan of Charter Conversion (2)
3.1	Amended and Restated Articles of Incorporation of Systematic Savings Bank (2)
3.2	Bylaws of Systematic Savings Bank (2)
4	Form of Common Stock Certificate of Systematic Savings Bank (1)
10	Employment Agreement of Derek Fraley (1)
10.1	2021 Equity Incentive Plan (2)
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Incorporated by reference into this document from the Bank's Registration Statement contained in the Form 10 filed with the Federal Deposit Insurance Corporation and effective as of October 5, 2020.

(2) Incorporated by reference into this document from the Bank's Proxy Statement for the 2022 Annual Meeting of Stockholders.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SYSTEMATIC SAVINGS BANK
(Registrant)

Dated November 10, 2022

BY: /s/ Derek Fraley
Derek Fraley
President and Chief Executive Officer
and Chief Financial Officer
(Principal Executive Officer and Principal
Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Derek Fraley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Systematic Savings Bank;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and in preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022

/s/ Derek Fraley
Derek Fraley
President, Chief Executive Officer and Chief Financial Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Systematic Savings Bank (the "Bank") on Form 10-Q for the period ended September 30, 2022, as filed with the Federal Deposit Insurance Corporation (the "Report"), each of the undersigned hereby certifies in his or her capacity as an officer of the Bank pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank as of and for the period covered by the Report.

DATE: November 10, 2022

BY: /s/ Derek Fraley
Derek Fraley
President and Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer and Principal Financial and
Accounting Officer)