FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2022

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
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)	(I.R.S. Employer I.D. Number)
318 South Avenue, Springfield, Missouri	65806
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (417) 862-5036

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, $.01 par value per share
Title of Class

Indicate by check mark if the registrant is a 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 Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) 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 definition 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 for 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

There is very limited trading in the registrant's common stock. The aggregate market value of the registrant's common stock at June 30, 2022 based on the first day the shares were publicly traded was $5.95 million. As of March 10, 2023, there were 595,125 issued and outstanding shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's Definitive Proxy Statement for the 2022 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2022 Proxy Statement will be filed with the Federal Deposit Insurance Corporation within 120 days after the end of the fiscal year to which this report relates.

Table of Contents

Forward-Looking Statements

This report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect," "will," "may" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market area, that are worse than expected on international trade (including supply chain and export levels);
- potential adverse impacts to economic conditions in our local market areas, other markets where Systematic Savings Bank has lending relationships, or other aspects of the Bank's business operations or financial markets, generally, resulting from the ongoing novel coronavirus 2019 ("COVID-19") and any governmental or societal responses thereto;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- changes in monetary and fiscal policy of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve and changes in the level of government support of housing finance;
- our ability to capitalize on growth opportunities;
- our ability to successfully integrate acquired entities or acquired branches, if any;
- changes in consumer spending, borrowing and savings habits;
- the inability of third-party providers to perform their obligations to us;

- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;

- changes in our organization, compensation and benefit plans;

- changes in the financial condition or future prospects of issuers of securities that we own; and

- other economic, competitive, governmental, regulatory, and technical factors affecting our operations, pricing, products, and services, including the potential effects of coronavirus on international trade (including supply chains and export levels), and other risks described elsewhere in this report.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please see “Risk Factors.”

PART I

Item 1. Business

BUSINESS

General

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 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.

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.

Market Area

We conduct our operations from our office located in Springfield, Missouri, which is the county seat of Greene County, Missouri. We consider Greene County, Missouri and contiguous counties to be our primary market area.

Springfield is the third largest city in the state of Missouri. Springfield has developed a diverse economy, with concentrations in health care, manufacturing, retail, education and tourism. The relatively low cost of living and related lower incomes in comparison to larger metropolitan areas makes the region attractive for manufacturing companies and for employees as well. The Bank's primary market area has an employment base concentrated in services, education, healthcare, social services, wholesale/retail trade and manufacturing. The distribution of employment in the primary market area is indicative of a relatively diverse economic environment with a level of dependence on manufacturing, which typically has higher overall wages compared to other economic sectors. The top two employers are health care systems with employment well above other large employers. Education employment is supported by the presence of four large colleges or universities, including Missouri State University, Ozarks Technical Community College, Drury University and Evangel University. Companies that maintain national headquarters in Springfield include Positronic, Bass Pro Shops, Springfield Remanufacturing, O'Reilly Auto Parts and Prime, Inc.

The size and scope of the market area is evidenced by the demographic data, which shows as of 2020 the Springfield MSA population was 473 thousand, with the Springfield region the population center of southwestern Missouri. Greene County, the center of the MSA and location of the Bank's office, reported a total population of 295 thousand, or 62% of the MSA population. The data also indicates the growth characteristics of the market area. The State of Missouri recorded annual population growth of 0.3% over the last ten years, lower than the national growth rate of 0.7%. Over the same time period, the Springfield MSA recorded a population growth rate of 0.8%, slightly higher than the national rate and almost three times the state rate, indicating a relatively positive environment in terms of demographic trends. Management believes this historical population growth data supports the potential for future growth for financial institutions in our market area, given the implied growth of the potential customer base and resulting higher demand for housing and other related products and services in our market area.

The 2020 estimated median household income for Greene County was approximately $49,389, which was somewhat lower than the MSA average and notably lower than the state and national averages. The Missouri state median household income was lower than the national average, given the midwestern location and being a more rural state, while Greene County's even lower income levels reflected the location away from the state population centers of St. Louis and Kansas City.

Competition

We face intense competition in our market area both in making loans and attracting deposits. A recent study by Center State Correspondent Bank shows Springfield, Missouri as the ninth most competitive MSA with a population over 350,000. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds insurance companies and online banks. Some of our competitors have greater name recognition and market presence, and offer certain services that we do not or cannot provide.

Our deposit sources are primarily concentrated in the communities surrounding our banking office in Springfield, Missouri. As of June 30, 2022 (the latest date for which information is publicly available), we ranked 31st in deposit market share out of 36 banks and thrift institutions with offices in Greene County, Missouri with a market share of approximately 0.28%, which does not reflect deposits held by credit unions.

Lending Activities

Our primary lending activities are the origination of one- to four-family residential real estate loans, including both owner and non-owner occupied, commercial real estate loans, including both owner and non-owner occupied and multi-family real estate loans, agricultural real estate and to a much lesser extent, construction loans for each category and consumer loans.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated. Other than as disclosed herein, there are no other loan concentrations that would exceed 10% of our loan portfolio.

	At December 31, 2022		At December 31, 2021	
	Amount	**Percent**	**Amount**	**Percent**
	(Dollars in Thousands)			
Residential real estate	$ 20,890,157	46.3%	$ 24,378,131	60.6%
Commercial real estate	16,997,274	37.6%	9,550,265	23.7%
Commercial business	4,413,470	9.8%	3,683,006	9.1%
Consumer	177,525	0.4%	226,604	0.6%
Agriculture real estate	2,687,817	6.0%	2,413,718	6.0%
Total loans	45,166,243	100.0%	40,251,724	100.0%
Less				
Deferred loan fees and discounts, net	50,136		66,338	
Allowance for loan losses	418,112		415,612	
Net loans	$ 44,697,995		$ 39,769,774	

Contractual Maturities. The following table sets forth the contractual maturities of our total loan portfolio at December 31, 2022. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. The table presents contractual maturities and does not reflect repricing or the effect of prepayments. Actual maturities may differ due to prepayments.

Due During the Years ending December 31,	Residential Real Estate	Commercial Real Estate	Commercial Business	Consumer	Agriculture Real Estate	Total
			(In Thousands)			
2023	$ 6,270	$ 3,126	$ 1,134	$ 79	$ 381	$10,991
2024	3,170	810	520	44	113	4,657
2025	2,351	1,069	372	38	64	3,894
2026 to 2027	2,688	1,167	796	11	412	5,074
2028 to 2032	2,846	1,657	1,588	6	233	6,330
2033 to 2037	1,475	1,883	2	--	188	3,548
2038 and beyond	2,090	7,285	1	--	1,296	10,672
Total	$ 20,890	$ 16,997	$ 4,413	$ 178	$ 2,688	$45,166

The following table sets forth our fixed- and adjustable-rate loans at December 31, 2022.

	Fixed	Adjustable	Total
		(In Thousands)	
Residential real estate	$ 5,607	$ 15,283	$ 20,890
Commercial real estate	3,161	12,850	16,997
Commercial business	3,519	894	4,413
Consumer	178	0	178
Agriculture real estate	502	2,186	2,688
Total loans	$ 12,967	$ 32,199	$ 45,166

Loan Approval Procedures and Authority. We make loans according to written, non- discriminatory underwriting standards and loan origination procedures established by our board of directors through a Board approved General Loan Policy. The loan approval process is intended to assess the borrower's ability to repay the loan and value of the property that will secure the loan. To assess the borrower's ability to repay, we review the borrower's employment, credit history and information on the historical and projected income and expenses of the borrower. We require "full documentation" on all of our loan applications.

The aggregate amount of loans that we are permitted to make to any one borrower or a group of related borrowers is $1.6 million. At December 31, 2022, we did not have any borrowers with outstanding balances in excess of this amount. As of December 31, 2022, the largest dollar amount outstanding to one borrower, or group of related borrowers, was $1.5 million and was secured by residential real estate. This loan relationship was performing according to its contractual terms at December 31, 2022.

While our loan policy provides for individual lending authorities, our general practice is that all loans, regardless of size, are reviewed and approved by our Directors Loan Committee, which consists of certain directors, the CEO and Chief Lending Officer. Our Board of Directors also reviews all loans, renewals and lines of credit as well as loans that have unique risk factors or circumstances that are originated including any exceptions to General Loan Policy.

One- to Four-Family Real Estate Loans – Owner Occupied. At December 31, 2021, $5.5 million, or 12.1%, of our total loan portfolio, consisted of one- to four-family owner occupied residential real estate loans. We do not originate fixed rate one- to four-family loans, rather we refer them to a third party and we receive a fee on closing of the loan. Historically we have also offered owner occupied adjustable-rate residential mortgage loans. Under the regulations of the Missouri Division of Finance, state chartered banks, like Systematic, are permitted to make adjustable-rate residential mortgages with rates tied to an index that is not within the control of or rollover mortgages with a rate tied to an index that is not within the control of the bank. Adjustable rate residential mortgage loans usually adjust annually at a margin over the constant Maturity Treasury, (CMT), although there are some legacy loans tied to an internal cost of funds. Adjustable rate loans may have terms from 15-30 years, and are fully amortizing.

One- to four-family, owner occupied residential real estate loans are generally underwritten to terms that incorporate Freddie Mac guidelines. We generally originate for our portfolio one- to four-family owner occupied real estate loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency, which is generally $1.1 million for single-family homes. However, loans in excess of $1.1 million (which are referred to as "jumbo loans") may be originated for retention in our loan portfolio. Our maximum loan amount for these loans is generally $1.1 million. We generally underwrite jumbo loans in the same manner as conforming loans.

Generally, we originate loans with loan-to-value ratios of up to 80% on refinance and an 80% loan to cost on construction or purchase.

Generally, we do not offer "interest only" mortgage loans on one- to four-family residential properties (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan), however, in certain circumstances, we have offered such loans and we evaluate such loans on a case by case basis. We do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not offer "subprime loans" (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (traditionally defined as loans having less than full documentation).

We also offer home equity loans secured by a first or second mortgage on residential property. Our home equity loans are made with fixed or adjustable rates, and with combined loan-to-value ratios up to 90% on an owner-occupied principal residence.

Generally, we do not make second mortgage loans unless we also hold the first mortgage on the borrower's primary residence. For second mortgage loans for which we do not hold the first mortgage, we have greater risk than one- to four-family owner-occupied real estate loans secured by first mortgages.

We face the risk that the collateral will be insufficient to compensate us for loan losses and costs of foreclosure, particularly since holders of the first mortgage would be repaid first from the proceeds of any sale of collateral, before such proceeds are applied to second mortgage loans. When customers default on their loans, we attempt to foreclose on the property and resell the property as soon as possible to minimize foreclosure and carrying costs. Particularly with respect to our second mortgage loans, decreases in real estate values could adversely affect the value of property used as collateral for our loans.

One – to Four Family Real Estate Loans – Non-Owner Occupied. At December 31, 2022, $15.4 million, or 34.2%, of our total loan portfolio, consisted of one- to four-family non-owner occupied real estate loans. Systematic has purchased certain non-owner occupied real estate loans in recent periods in order to build the loan portfolio and increase net interest income. However, Systematic purchased no such non-owner occupied loans for rental property during the 12 months ended December 31, 2022. The aggregate outstanding balance on purchased "whole loans" was $2.7 million on December 31, 2022 compared with $3.8 million on December 31, 2021. For additional information see "Business of Systematic – Loan Originations, Purchases, Sales, Participation and Servicing.

Our real estate underwriting policies provide that such loans may be made in amounts of up to 80% of the appraised value or 80% of cost whichever is less of the property. Our one- to four-family non-owner occupied real estate loans are generally variable rate loans adjusting every three to five years to a public index not controlled by the Bank. These loans are generally a maximum maturity of 20 years.

Our loan policy allows us to make one- to four family non-owner occupied loans with balances up to our legal lending limit. At December 31, 2022, our average one- to four family non-owner occupied loan had a balance of $87,000.

In reaching a decision on whether to make one- to four-family non-owner occupied loans, we consider the net operating income of the property, the borrower's expertise and credit history, the global cash flow of the borrowers and the value of the underlying property. In most cases we require that the properties securing these real estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.2x. Typically, one- to four-family real estate loans made to business entities require the principals to execute the loan agreements in their individual capacity, as well as signing on behalf of such business entity.

A borrower's financial information is monitored on an ongoing basis by requiring periodic financial statement updates, payment history reviews and periodic face-to-face meetings with the borrower. We require borrowers receiving one- to four-family non-owner occupied loans to provide annually updated financial statements and federal tax returns. We also require borrowers with rental investment property to provide an annual report of income and expenses for the property, including a rent roll and copies of leases, as applicable. The largest one- to four-family non-owner occupied loan in our portfolio had an aggregate outstanding balance of $1.5 million at December 31, 2022. This loan was performing according to its contractual terms at December 31, 2022.

Loans secured by one- to four-family non-owner occupied real estate generally involve a greater degree of risk than one- to four-family owner occupied residential mortgage loans. Because payments on loans secured by one- to four-family non-owner occupied properties often depend on successful operation or management of the properties, repayment of such loans may be affected by adverse conditions in the real estate market or the economy. See "Risk Factors – Our non-owner occupied residential real estate and commercial real estate loans may expose us to increased credit risk."

Commercial Real Estate and Multi-Family Loans. At December 31, 2022, $17.0 million, or 37.6%, of our total loan portfolio consisted of commercial real estate and multi-family loans. Properties securing our commercial real estate and multi-family loans primarily include business owner-occupied properties, small office buildings, apartment buildings, retail and mixed-use properties and light industrial properties. Substantially all of our commercial real estate loans are secured by properties located in Greene County, Missouri or one of the six contiguous counties to Greene County. At December 31, 2022, our largest commercial real estate loan relationship had a principal balance of $1.6 million and was secured by commercial real estate. This loan relationship was performing in accordance with its contractual terms at December 31, 2022.

Since the update of our lending policies in 2017 and 2018, commercial real estate and multi-family loans generally have a maximum amortization term of 20 years, with five-year adjustment or maturity features that allow for repricing of the loan. There are certain legacy loans remaining in portfolio with terms longer than 20 years and adjustment periods longer than five years. A minor proportion of the portfolio is originated with fixed rate terms and these loans have terms-to-maturity of no more than five years. The maximum loan-to-value of owner-occupied commercial real estate and multi-family loans is generally 80% or less. Interest rates for adjustable rate loans are generally indexed to the prime rate plus a margin, and many adjust on a daily, monthly, quarterly, semi-annual or annual basis, while loans with a balloon feature have five year adjustment terms.

We base our decision to lend primarily on the economic viability of the property and the creditworthiness of the borrower. In evaluating a proposed commercial real estate loan, we emphasize the ratio of the property's projected net cash flow to the loan's debt service requirement (generally requiring a ratio of 1.2x), computed after deduction for a vacancy factor and property expenses we deem appropriate. Personal guarantees are generally obtained from commercial real estate loan borrowers. We require title insurance, fire and extended coverage casualty insurance, and, when necessary, flood insurance, in order to protect our security interest in the underlying property. All of our commercial real estate loans are generated internally by our loan officers.

Commercial real estate loans generally carry higher interest rates and have shorter terms than one- to four-family owner occupied real estate loans. Commercial real estate loans, however, entail greater credit risks compared to the one- to four-family owner occupied real estate loans we originate, as they generally involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment of loans secured by income-producing properties typically depends on the successful operation of the property, as repayment of the loan generally is dependent, in large part, on sufficient income from the property to cover operating expenses and debt service. Changes in economic conditions that are not in the control of the borrower or lender could affect the value of the collateral for the loan or the future cash flow of the property. Additionally, any decline in real estate values may be more pronounced for commercial real estate properties than residential properties.

Commercial Business Loans. We originate commercial business loans to borrowers located in our market area which are either unsecured or secured by collateral other than real estate. Commercial business loans totaled $4.4 million or 9.8%, of our total loan portfolio at December 31, 2022. Commercial business loans are generally secured by equipment and inventory. These loans have various maturities, from one year (generally, for a line of credit) to five years, generally fully amortizing. Commercial business loans for agriculture consist of term loans used to fund the purchase of equipment and livestock, and seasonal operating lines of credit to grain and livestock farmers. Specific underwriting standards have been established for commercial business loans related to agriculture including the establishment of projections for the upcoming operating year based on industry estimates. Operating lines of credit are typically written for one year and are secured by the crop to be harvested and other farm assets. On a limited basis, we will originate short-term unsecured commercial business loans in those instances where the applicant's financial strength and creditworthiness has been established. Commercial business loans generally bear higher interest rates than residential mortgage loans, but they also may involve a higher risk of default since their repayment is generally dependent on the successful operation of the borrower's business. We generally obtain personal guarantees from the borrower or a third-party as a condition to originating a commercial business loan.

At December 31, 2022, our largest commercial business loan relationship had an aggregate principal balance of $1.1 million and was performing in accordance with its repayment terms. At December 31, 2022, our largest agriculture related commercial business loan was $126,000 and was performing in accordance with its terms.

Our underwriting standards for commercial business loans include a determination of the applicant's ability to meet existing obligations and payments on the proposed loan from normal cash flows generated in the applicant's business. We assess the financial strength of each applicant through the review of financial statements and tax returns provided by the applicant. The creditworthiness of an applicant is derived from a review of credit reports as well as a search of public records. We periodically review business loans following origination. We request financial statements at least annually and review them for substantial deviations or changes that might affect repayment of the loan. Our loan officers also visit the premises of borrowers to observe the business premises, facilities, and personnel and to inspect the pledged collateral.

Agricultural Real Estate Loans. At December 31, 2022, $2.7 million, or 6.0% of our total loan portfolio, consisted of agricultural real estate loans which are loans to finance the acquisition, development or refinancing of agricultural real estate. The primary farming commodities in our market area are livestock and livestock feed. We consider a number of factors in originating agricultural real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the agricultural property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service). Many of our agricultural real estate loans are made to borrowers who derive the majority of their income from non-farming related sources but do derive a portion of their income from the property they are financing. Many of these loans include the borrower's primary residence but are classified as an agricultural loan, as opposed to a one- to four-family residential real estate loan, because the value of the land is greater than the residence.

Our agricultural real estate loans generally are originated with loan to value ratios that do not exceed 80% and typically amortize over a period not exceeding 20 years. At December 31, 2022, our largest agricultural real estate loan relationship had an aggregate principal balance of $1.0 million and was performing in accordance with its repayment terms. We utilize the same underwriting procedures and criteria in the origination of agricultural real estate loans as we utilize for the origination of our commercial real estate, multi-family and land loans.

Agricultural real estate lending affords us the opportunity to earn potentially higher yields than those obtainable on one- to four-family residential lending. Nevertheless, agricultural real estate lending may involve greater risk than one- to four-family residential real estate loans because the loans generally have larger principal balances and repayment of agricultural real estate loans is dependent on the successful operation or management of the farm property securing the loan. The success of the loan may also be affected by many factors outside the control of the borrower.

Weather presents one of the greatest risks to agricultural real estate lending as hail, drought, floods, or other conditions, can severely limit crop yields and thus impair loan repayments and the value of the underlying collateral. This risk can be mitigated by the farmer with crop insurance that can help to ensure loan repayment. For instance, farmers are able to obtain multi-peril crop insurance through a program partially subsidized by the Federal government. Grain and livestock prices also present a risk as prices may decline prior to sale resulting in a failure to cover production costs. These risks may be reduced by the farmer with the use of futures contracts or options to mitigate price risk. Another risk is the uncertainty of government programs and other regulations. During periods of low commodity prices, the income from government programs can be a significant source of cash to make loan payments and if these programs are discontinued or significantly changed, cash flow problems or defaults could result. Finally, the success of many farms depends on the presence of a limited number of key individuals.

Loan Originations, Purchases, Sales, Participations and Servicing

Lending activities are conducted by our loan personnel operating at our office. All loans that we originate are underwritten pursuant to our standard policies and procedures. In addition, our one- to four- family residential real estate loans generally incorporate underwriting guidelines of Freddie Mac. Our ability to originate loans is dependent upon the relative customer demand for such loans and competition from other lenders, which is affected by market interest rates as well as anticipated future market interest rates. Our loan origination and sales activity may be adversely affected by a rising interest rate environment which typically results in decreased loan demand. Our originations of our loans are generated by our loan personnel, existing customers, referrals from realtors, residential home builders and walk-in business.

From time to time, we have entered into loan participations with other banks and borrowers. In these circumstances, we will generally follow our customary loan underwriting and approval policies. At December 31, 2022 we participated in nine loans with an aggregate principal balance of $6.2 million.

In November 2020 we purchased 53 loans totaling approximately $2.7 million. The company we purchased these loans from originates non-recourse loans for self-directed IRA accounts to fund one- to four-family rental property purchases. The requested loan amounts are for 50% loan to value of a rehabilitated rental property and are diversified among eight geographic areas with the loans located in Tennessee and Missouri. The Systematic board of directors established a policy limit of 100% of capital for this type of investment and incorporated the information into internal monitoring reports. At December 31, 2022 the aggregate portfolio of these types of loans was $2.7 million.

The following table sets forth our loan origination, purchase, sale and principal repayment activity during the years indicated.

	Years Ended December 31,	
	2022	2021
	(in Thousands)	
Total loans receivable, net, at beginning of year	$ 39,770	$ 37,460
Loans originated:		
Residential real estate	7,327	6,211
Commercial real estate	2,466	1,247
Commercial business	2,273	1,250
Consumer	74	66
Agriculture real estate	1,351	2,212
Total loans originated	13,491	10,986
Loans purchased	3,427	2,381
Loans sold: (1)	--	--
Commercial real estate	63	--
1-4 family	44	--
Construction and Development	646	--
	753	--
Other:		
Principal repayments and other	11,237	11,057
Net loan activity	4,928	2,310
Total loans receivable, net, at end of year	$ 44,698	$ 39,770

(1) These amounts are participations sold. We did not sell any loans on the secondary market in 2021 or 2022.

Non-Performing and Problem Assets

Delinquency Procedures. When a borrower fails to make a required monthly loan payment, a late notice is generated, generally on the 15th day after the payment due date, stating the payment and late charges due. A follow-up notice is sent every 15 days thereafter. On a case-by-case basis, we will also include follow-up phone calls. Generally, after a loan is 90 days past due it is placed on nonaccrual status. Our Chief Executive Officer and/or our Board of Directors determines on a case-by-case basis further actions. Generally, we will contact our attorney to initiate foreclosure procedures. If the loan is reinstated, foreclosure proceedings will be discontinued, and the borrower will be permitted to continue to make payments. The loan will remain on nonaccrual status until a timely repayment history of at least six months has been established. The past due report is reviewed and discussed at the monthly loan committee meeting, which is attended by all members of the loan committee.

When we acquire real estate as a result of foreclosure, the real estate is classified as foreclosed real estate held for sale until it is sold. The real estate is recorded at estimated fair value at the date of acquisition less estimated costs to sell, and any write-down resulting from the acquisition is charged to the allowance for loan losses. Estimated fair value is based on a new appraisal or an in-house evaluation which is obtained as soon as practicable, typically at the start of the foreclosure proceeding and every six months thereafter until the property is sold. Subsequent decreases in the value of the property are charged to operations. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized at estimated fair value less estimated costs to sell.

Non-Performing Assets. We generally cease accruing interest on our loans when contractual payments of principal or interest have become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. When a loan is placed on nonaccrual status, unpaid interest credited to income is reversed. Interest received on nonaccrual loans is recorded as income or applied against principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectibility of the total contractual principal and interest is no longer in doubt. Restructured loans are restored to accrual status when the obligation is brought current, has performed in accordance with the revised contractual terms for a reasonable period of time (typically six months) and the ultimate collectibility of the total contractual principal and interest is reasonably assured.

The following table sets forth information regarding our non-performing assets at the dates indicated. We had no troubled debt restructurings at the dates indicated.

	At December 31,	
	2022	**2021**
	(Dollars in Thousands)	
Residential real estate	$ --	$ --
Commercial real estate	--	--
Commercial business	--	--
Consumer	16	21
Agriculture real estate	--	--
Total loans	16	21
Loans delinquent 90 days or more and still accruing:		
Residential real estate	--	--
Commercial real estate	--	--
Consumer	--	--
Agriculture real estate	--	--
Total loans		
Total loans delinquent 90 days or more and still accruing	--	--
Total non-performing loans	16	21
Foreclosed real estate	--	--
Total non-performing assets	$ 16	$ 21
Ratios:		
Non-performing loans to total loans	0.04%	0.05%
Non-performing assets to total assets	0.03%	0.04%

For the years ended December 31, 2022 and 2021, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms and interest income recognized on such loans was immaterial.

At December 31, 2022, we had $18,000 of loans that were currently classified as nonaccrual, 90 days past due or troubled debt restructurings. This is a single consumer loan.

Troubled Debt Restructurings. Troubled debt restructurings are defined under ASC 310-40 to include loans for which either a portion of interest or principal has been forgiven, or for loans modified at interest rates or on terms materially less favorable than current market rates. At December 31, 2022 we had one consumer loan of $18,000 which was a troubled debt restructure. This loan is making payments. At December 31, 2021 we had one loan classified as a troubled debt restructuring. This loan had a balance of $21,000 at that date.

Delinquent Loans. The following table sets forth our loan delinquencies by type and amount, at the dates indicated.

	Loans Delinquent For					
	30 to 89 Days		90 Days or Over		Total	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
At December 31, 2022:						
Residential real estate	3	$ 315	1	$ 42	4	$ 357
Commercial real estate	--	–	--	–	--	--
Commercial business	--	–	--	–	--	--
Consumer	2	21	--	–	2	21
Agriculture real estate	--	–	--	–	--	--
Total loans	5	$ 336	1	$ 42	6	$ 378
At December 31, 2021:						
Residential real estate	--	$ --	--	$ –	--	$ --
Commercial real estate	--	–	--	–	--	--
Commercial business	--	–	--	–	--	--
Consumer	1	21	--	–	1	21
Agriculture real estate	--	–	--	–	--	--
Total loans	1	$ 21	--	$ –	1	$ 21

Foreclosed Real Estate Held for Sale. At December 31, 2022, we did not have any foreclosed real estate held for sale.

Classified Assets. Federal regulations provide that loans and other assets of lesser quality should be classified as "substandard", "doubtful" or "loss" assets. An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "special mention" by our management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required to charge-off the amount of such assets. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional loss allowances.

In connection with the filing of our periodic regulatory reports and in accordance with our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations. Loans are listed on the "watch list" initially because of emerging financial weaknesses even though the loan is currently performing as agreed, or because of delinquency status, or if the loan possesses weaknesses although currently performing. Management reviews the status of each impaired loan on our watch list with the Loan Committee and then with the full board of directors at the next regularly scheduled board meeting. If the asset quality of a loan deteriorates, the classification is changed to "special mention," "substandard," "doubtful" or "loss" depending on the circumstances and the evaluation. Generally, loans 90 days or more past due are placed on nonaccrual status and classified "substandard."

The following table sets forth our amounts of classified assets and assets designated as special mention as of the dates indicated. We did not have any special mention loans or foreclosed real estate held for sale at December 31, 2022 or December 31, 2021.

	At December 31,	
	2022	2021
	(In Thousands)	
Substandard assets	$ 18	$ 226
Doubtful assets	--	--
Loss assets	--	--
Total classified assets	$ 18	$ 226
Special mention assets	--	--
Total classified and criticized assets	$ 18	$ 226

Allowance for Loan Losses

Analysis and Determination of the Allowance for Loan Losses. Our allowance for loan losses is the amount considered necessary to reflect probable incurred losses in our loan portfolio. We evaluate the need to establish allowances against losses on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to operations.

Our methodology for assessing the appropriateness of the allowance for loan losses consists of two key elements: (1) allocated allowances for impaired loans, and (2) a general valuation allowance for non-impaired loans. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available for the entire portfolio.

Allocated Allowances on Impaired Loans. We establish an allocated allowance when loans are determined to be impaired. Loss is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. Factors in identifying a specific problem loan include: (1) the strength of the customer's personal or business cash flows; (2) the availability of other sources of repayment; (3) the amount due or past due; (4) the type and value of collateral; (5) the strength of our collateral position; (6) the estimated cost to sell the collateral; and (7) the borrower's effort to cure the delinquency. In addition, for loans secured by real estate, we consider the extent of any past due and unpaid property taxes applicable to the property serving as collateral for the mortgage.

General Valuation Allowance on Non-impaired Loans. We establish a general allowance for non-impaired loans to recognize the probable losses associated with lending activities. This general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages based on our historical loss experience for the last two years, adjusted for qualitative factors that could impact the allowance for loan losses. These qualitative factors may include changes in lending policies and procedures, existing general economic and business conditions affecting our primary market area, volume and severity of non-performing loans, collateral value, nature and volume of the loan portfolio and existence and effect of any concentrations of credit and the level of such concentrations, recent loss experience in particular segments of the portfolio, duration of the current business cycle and bank regulatory examination results. The applied loss factors are re-evaluated quarterly to ensure their relevance in the current real estate environment.

Allowance for Loan Losses. The following table sets forth activity in our allowance for loan losses for the periods indicated.

	At or For the Years Ended December 31,	
	2022	**2021**
	(Dollars in thousands)	
Balance at beginning of year	$ 416	$ 407
Charge-offs	--	(40)
Recoveries	--	--
Net recoveries (charge-offs)	--	(40)
Provision for loan losses	2	49
Balance at end of year	$ 418	$ 416
Ratios:		
Net charge-offs to average loans outstanding	0.00%	0.10%
Allowance for loan losses to non-performing loans at the end of year	2,584.11%	1981.01%
Allowance for loan losses to total loans at end of year	0.93%	1.03%

Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At December 31,					
	2022			**2021**		
	Amount	**Percent of Allowance to Total Allowance**	**Percent of Loans in Category to Total Loans**	**Amount**	**Percent of Allowance to Total Allowance**	**Percent of Loans in Category to Total Loans**
	(Dollars in thousands)					
Residential real estate	$ 223	53.3%	54.4%	$ 225	54.4%	60.6%
Commercial real estate	124	29.6%	30.4%	87	20.9%	23.7%
Commercial business	33	8.0%	8.7%	38	9.1%	9.1%
Consumer	2	0.5%	0.5%	2	0.5%	0.6%
Agriculture real estate	32	7.6%	6.0%	26	6.3%	6.0%
Classified assets net	4	1.0%	NA	38	9.1%	NA
			100.00%			100.00%
Total allowance for loan losses	$ 418	100.00%		$ 416	100.00%	

Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Because future events affecting borrowers and collateral cannot be predicted with certainty, the existing allowance for loan losses may not be adequate and management may determine that increases in the allowance are necessary if the quality of any portion of our loan portfolio deteriorates as a result. Furthermore, the FDIC and Missouri Division of Finance periodically reviews our allowance for loan losses and as a result of such reviews, we may have to adjust our allowance for loan losses or recognize further loan charge-offs. However, the FDIC and Missouri Division of

Finance is not directly involved in the process of establishing the allowance for loan losses, as the process is our responsibility, and any adjustment of the allowance is the responsibility of management. Material additions to the allowance would materially decrease our results of operations.

Investments

General. We have the authority to invest in various types of liquid assets, including United States government and government agency obligations, securities of various federal agencies and government-sponsored entities (including securities collateralized by mortgages), certificates of deposits of insured banks and savings institutions, municipal and corporate debt securities, and any other securities authorized for investment by a federal savings association.

U.S. GAAP requires that debt securities be categorized as "held to maturity," "trading securities" or "available for sale," based on management's intent as to the ultimate disposition of each security. U.S. GAAP allows debt securities to be classified as "held to maturity" and reported in financial statements at amortized cost only if the reporting entity has the positive intent and ability to hold these securities to maturity. Securities that might be sold in response to changes in market interest rates, changes in the security's prepayment risk, increases in loan demand, or other similar factors cannot be classified as "held to maturity."

Our investment objectives are to: (i) ensure adequate liquidity for loan demand, deposit fluctuations, and other changes in balance sheet mix; (ii) manage interest rate risk; (iii) maximize our overall return; (iv) ensure collateral is available for pledging; and (v) manage asset-quality diversification of our assets. Our board of directors has the overall responsibility for the investment portfolio, including approval of our investment policy. Our board of directors also has the responsibility for the approval of investment strategies and for monitoring our investment performance. Our President and Chief Executive Officer is the institution's investment manager and is responsible for proposing investment strategies and for executing approved portfolio strategies as set forth by the board of directors. Our board of directors reviews the status of our investment portfolio on a quarterly basis, or more frequently if warranted.

The following table sets forth the amortized cost and fair value of our securities portfolio (excluding FHLB of Des Moines common stock) at the dates indicated. At the dates indicated, all of our investment securities were held as available for sale.

	At December 31,			
	2022		2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Corporate Bonds	$ 3,649	$ 3,378	$ 2,435	$ 2,442
Taxable Municipal Bonds	1,066	897	599	600
Government Sponsored Mortgage-Backed Securities	2,389	2,286	292	298
Total securities available for sale...	$ 7,104	$ 6,561	$ 3,326	$ 3,340

Portfolio Maturities and Yields.

As of December 31, 2022	Corporate Bonds			Government Sponsored Mortgage Backed			Taxable Municipals			Total		
	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	--	--	--%	--	--	--%	--	--	--%	--	--	0.00%
More Than One Year Through Five Years	1,599	1,544	3.60%	--	--	--	468	450	3.67%	2,067	1,994	3.62%
More Than Five Years Through Ten Years	2,050	1,834	3.56%	--	--	--	598	447	2.28%	2,649	2,281	3.27%
More Than Ten Years	--	--	--%	--	--	--	--	--	--%	--	--	--%
Securities With No Final Maturity	--	--	--	2,389	2,286	3.45%	--	--	--%	2,389	2,286	3.45%
Total	3,649	3,378	2.98%	2,389	2,286	3.45%	1,066	897	2.89%	7,105	6,561	3.43%

Investment securities held at December 31, 2022, were grouped into three categories, corporate bonds, in the form of subordinated bank debt, taxable municipals, and government sponsored mortgage-backed securities. Corporate bonds are ten years or less in final maturity, mostly with a call option. These securities have a weighted average yield of 2.98%. Taxable municipals represent three bonds maturing between 2025 and 2033 with a potential call in 2031. These bonds have a yield of 2.89%. The final category, government sponsored mortgage-backed securities are not due on a single maturity date, as they are repaid as the underlying mortgages are repaid. The weighted average yield of these securities was 3.45% at December 31, 2022.

Sources of Funds

General. Deposits traditionally have been our primary source of funds for our lending activities and, as applicable, other investments. We also occasionally borrow from the FHLB of Des Moines to supplement cash flow needs. Our additional sources of funds are scheduled loan repayments, loan prepayments, retained earnings and the proceeds of loan sales.

Deposits. We accept deposits primarily from individuals who reside in, and businesses located in, Greene County, Missouri. We rely on our competitive pricing and products, convenient location and quality customer service to attract and retain deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of checking accounts, money market accounts, savings accounts and certificates of deposit.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements and our deposit growth goals. At December 31, 2022 we had $14.3 million in total internet and brokered deposits, compared to $7.4 million in total brokered deposits and Internet deposits at December 31, 2021. These amounts are 33.6% and 18.5% of total deposits, at December 31, 2022 and 2021, respectively.

The following table sets forth the distribution of average total deposits by account type, for the periods indicated.

	For The Year Ended December 31,					
	2022			2021		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
Deposit type:			(Dollars in thousands)			
Non-interest bearing checking accounts	$ 2,483	5.8%	--%	$ 1,691	4.0%	--%
Checking and MMDA accounts	21,467	50.0%	1.29%	20,320	48.0%	0.99%
Savings accounts	309	0.7%	0.00%	140	0.3%	0.00%
Certificates of deposit	18,702	43.5%	1.60%	20,238	47.7%	1.48%
Total deposits	$ 42,961	100.0%	1.34%	$ 42,389	100.0%	1.18%

As of December 31, 2022, and 2021 the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $250,000 was $5.3 million and $3.2 million, respectively. At December 31, 2022 $5.0 million were brokered certificates of deposit, compared to $2.0 million at December 31, 2021. The following table sets forth the maturity of those certificates as of the dates indicated.

	At December 31, 2022	At December 31, 2021
	(In thousands)	
Three months or less	$ --	$ --
Over three months through six months	251	301
Over six months through one year	--	2,629
Over one year to three years	5,000	--
Over three years	--	250
Total	$ 5,251	$ 3,180

Borrowings. We may obtain advances from the FHLB of Des Moines utilizing the security of the common stock we own in the FHLB of Des Moines and qualifying residential mortgage loans as collateral, provided certain standards related to creditworthiness are met. These advances are made pursuant to several credit programs, each of which has its own interest rate and range of maturities. FHLB of Des Moines advances are generally available to meet seasonal and other withdrawals of deposit accounts and to permit increased lending. The following table sets forth information concerning balances and interest rates on our borrowings at and for the periods shown:

	At or For the Years Ended December 31,	
	2022	2021
	(In thousands)	
Balance at end of year	$ 3,161	$ --
Average balance during year	984	308
Maximum outstanding at any month end	3,161	423
Weighted average interest rate at end of year	3.63%	--
Average interest rate during year	3.53%	1.62%

Properties

We operate from our main office located at 318 South Avenue, Springfield, Missouri 65806, which we own. The net book value of our premises, land and equipment was $582,000 at December 31, 2022.

Legal Proceedings

At December 31, 2022, we were not involved in any legal proceedings the outcome of which we believe would be material to our financial condition, results of operations, cash flow or capital.

Personnel

As of December 31, 2022, we had nine full-time equivalent employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

Subsidiary Activity

Systematic does not have any subsidiaries.

Competition

We face intense competition in our market area both in making loans and attracting deposits. A recent study by SouthState Correspondent Bank shows Springfield, Missouri as the ninth most competitive MSA with a population over 350,000. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds insurance companies and online banks. Some of our competitors have greater name recognition and market presence, and offer certain services that we do not or cannot provide.

Our deposit sources are primarily concentrated in the communities surrounding our banking office in Springfield, Missouri. As of June 30, 2021 (the latest date for which information is publicly available), we ranked 31st in deposit market share out of 36 banks and thrift institutions with offices in Greene County, Missouri with a market share of approximately 0.28%, which does not reflect deposits held by credit unions.

Executive Officers. The following table sets forth certain information regarding the executive officers of Systematic:

Name	Age [(1)]	Position
Derek Fraley	47	President, Chief Executive Officer, Chief Financial Officer and Director
R. Bradley Weaver.	67	Senior Vice President, Chief Lending Officer and Director
Terri McFarland	48	Senior Vice President and Chief Operations Officer

[(1)] At December 31, 2022

Derek Fraley has been President and CEO of Systematic Savings Bank since July 27, 2017 and has served as Chairman and Chief Financial Officer since March 2019. He became a director of Systematic in July 2017. Prior to joining Systematic, he served as a commercial banking lender with BancorpSouth, where he developed, underwrote, and managed large client relationships for three years. From 2008 through 2014, he served as treasurer of Guaranty Bank, where he ran the ALCO Committee and was responsible for deposit pricing, financial modeling, capital planning and liquidity management; he also implemented and maintained customer level profitability reporting, funds transfer pricing, and managed a $100+ million bond portfolio. He began his banking career in 2001 at UMB Bank's Management Training Program and served as a commercial credit analyst, and subsequently served in UMB's investment banking division, acting as liaison and technical expert between investment banking institutional sales staff, correspondent bank clients, and regulatory agencies regarding asset/liability management, accounting, investment, and regulatory issues. He also served as the assistant treasurer for UMB Financial Corporation where he built implemented, and maintained the funds transfer pricing process and was responsible for monthly ALCO reporting, and worked with interest rate risk, economic value of equity, liquidity, capital planning, and budget projections, as well as position reporting and forecasting. Mr. Fraley has a B.S. in Finance from Missouri State University and an MBA from Rockhurst University, Kansas City, Missouri. He is a graduate of Leadership Springfield, a recipient of the 2011 40 under 40 award, and a recipient of the 2015 Trusted Advisor Award, as well as a board member of many local organizations. Derek has taught Banking, financial modeling, and Microsoft Excel.

R. Bradley Weaver was appointed to the Systematic Board in January 2018 and also has served as the Bank's chief lending officer since February 2018. Prior to joining Systematic, he was Chairman and Chief Executive Officer First Bancshares, Inc. of Mountain Grove, Missouri from 2011 to 2017 and a member of the board of directors from 2011 to 2018. From 2008 until May 2011, Mr. Weaver was Senior Vice President Commercial Lending at BancorpSouth Bank in Springfield, Missouri. He previously held positions of increasing responsibility at Mid Missouri Bancshares, where he became President and Chief Executive Officer, and at UMB Financial Corporation, where he held the position of CEO with two community banks before holding the office of Regional President of UMB Bank, N.A.

Terri McFarland began her banking career in July 2000 as a teller at Southern Bank and became a Customer Service Manager in 2002. In 2006, Ms. McFarland accepted a position at First Home Bank as Branch Coordinator and in 2011 became the Chief Operations Officer. She has been Senior Vice President, Chief Operations Officer of Systematic since July 2014. Her primary responsibilities include all daily operations including but not limited to managing Retail Deposit Operations, Human Resources Director and Bank Secrecy Compliance. Throughout her career she has been part of many Chamber of Commerce Committees as well as charitable organizations. She also continues her banking education through Missouri Bankers Association.

REGULATION

General. As a state-chartered commercial bank, the Bank is subject to regulation and oversight by the Missouri Division of Finance and the applicable provisions of Missouri law and regulations of the Missouri Division of Finance adopted thereunder. The Bank also is subject to regulation and examination by the FDIC, which insures the deposits of the Bank to the maximum extent permitted by law, and requirements established by the Federal Reserve. State law and regulations govern the Bank's ability to take deposits and pay interest thereon, to make loans on or invest in residential and other real estate, to make consumer loans, to invest in securities, to offer various banking services to its customers and to establish branch offices. The Bank is subject to periodic examination and reporting requirements by and of the Missouri Division of Finance and the FDIC. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") established the Consumer Financial Protection Bureau ("CFPB") as an independent bureau of the Federal Reserve with responsibility for the implementation of federal financial consumer protection and fair lending laws and regulations. The Bank is subject to consumer protection regulations issued by the CFPB, but as a smaller financial institution, is generally subject to supervision and enforcement by the FDIC and the Missouri Division of Finance with respect to its compliance with federal and state consumer financial protection laws and regulations.

The following is a brief description of certain laws and regulations applicable to the Bank. Descriptions of laws and regulations here and elsewhere in this report do not purport to be complete and are qualified in their entirety by reference to the actual laws and regulations. Legislation is introduced from time to time in the U.S. Congress or the Missouri State Legislature that may affect the operations of the Bank. In addition, the regulations governing the Bank may be amended from time to time by the FDIC, Missouri Division of Finance, Federal Reserve and the CFPB. Any such legislation or regulatory changes in the future could adversely affect the Bank's operations and financial condition. We cannot predict whether any such changes may occur.

Regulation of the Bank

The Bank, as a state-chartered commercial bank, is subject to regulation and oversight by the FDIC and the Missouri Division of Finance extending to all aspects of its operations.

Missouri Regulation

General. As a Missouri-chartered bank, Systematic derives its authority from, and is governed by, the provisions of the Missouri Savings and Loan Law and regulations of the Missouri Division of Finance. The Director of the Missouri Division of Finance proposes regulations which must then be approved, amended, modified or disapproved by the State Banking Board and Savings and Loan Board. Missouri Law and the resulting regulations are administered by the Director.

Investments and Accounts. Missouri law and regulations establish the authority for the investments and loans that may be made by a Missouri-chartered bank. Missouri law authorizes the promulgation of regulations designed to make the powers of Missouri banks comparable to those applicable to federal bank. The manner of establishing and evidencing accounts is prescribed, as are the obligations of the institution with respect to withdrawals from accounts and redemption of accounts. The Director may also impose or grant the same restrictions, duties and powers concerning deposits as are applicable to federal institutions under federal rules and regulations.

Loans-to-One Borrower Limitations. A state bank may lend to a single or related group of borrowers an amount up to 15% of its unimpaired capital and surplus. As of December 31, 2022, Systematic's largest lending relationship with a single or related group of borrowers totaled $1.6 million, which represented 13.9% of unimpaired capital and surplus. Therefore, Systematic was in compliance with the loans-to-one borrower limitation.

Branch Offices. Under Missouri Law, no institution may establish a branch office or agency without the prior written approval of the Director. The Director reviews the proposed location, the functions to be performed at the office, the estimated volume of business, the estimated annual expense of the office and the mode of payments. Decisions of the Director may be appealed to the Board. The relocation or closing of any office is subject to additional regulation and in certain circumstances may require prior approval.

Merger or Consolidation. Missouri Law permits the merger or consolidation of commercial bank, subject to the approval by the Director, when the Director finds that such merger or consolidation is equitable to the shareholders or account holders of the institutions and will not impair the usefulness and success of other properly conducted institutions in the community. Stock institutions must obtain stockholder approval pursuant to the Missouri statutes relating to general and business corporations.

Examination. Periodic reports to the Missouri Division of Finance must be made by each Missouri-chartered institution. The Division conducts and supervises the examination of state-chartered institutions.

Supervision. The Director has general supervisory authority over Missouri-chartered institutions, including enforcement powers. Upon the Director's finding that an institution is engaging in an unsafe and unsound practice or violating laws, regulations or written conditions, the Director may issue cease and desist orders. The Director also has authority to remove directors and officers under certain circumstances. The Director may demand and take possession of the institution, if the institution fails to comply with the Director's order, if the Director determines that the institution is insolvent, in an unsafe condition or conducting business in an unsafe manner, or if the institution refuses to submit to examination or inspection by the Division.

Federal Regulation

Federal and State Enforcement Authority and Actions. As part of its supervisory authority over Missouri-chartered banks, the Missouri Division of Finance may initiate enforcement proceedings to obtain a consent order to cease and desist against an institution believed to have engaged in unsafe and unsound practices or to have violated a law, regulation, or other regulatory limit, including a written agreement. The FDIC also has the authority to initiate enforcement actions against insured institutions for similar reasons and may terminate the deposit insurance if it determines that an institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition. Both of these agencies may utilize less formal supervisory tools to address their concerns about the condition, operations or compliance status of a bank.

Insurance of Accounts and Regulation by the FDIC. The deposit insurance fund (the "DIF") of the FDIC insures deposit accounts in the Bank up to $250,000 per separately insured deposit ownership right or category. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. The Bank's deposit insurance premiums for the year ended December 31, 2022 were $1,000.

Under the FDIC's system for assessing insurance premiums, insured institutions that do not have assets of $10 billion are assessed based on CAMELS component ratings and certain financial ratios. For these institutions, total base assessment rates range from 3 to 30 basis points, subject to adjustment. Stronger institutions pay lower rates, while riskier institutions pay higher rates. Assessments are applied to an institution's assessment base, which is its average total assets minus average tangible equity. The FDIC has authority to increase insurance assessments, and any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates will be in the future.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the Missouri Division of Finance. The FDIC also has the authority to take enforcement actions against banks, banks and savings associations. Management is not aware of any existing circumstances which would result in termination of the Bank's deposit insurance.

A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank.

Capital Requirements. 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 increased 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.

At December 31, 2022, Systematic was categorized as well capitalized under the prompt corrective action regulations of the FDIC. For a complete description of the Bank’s required and actual capital levels on December 31, 2022, see “Note 9 - Regulatory Capital” of the Notes to Financial Statements included in “Item 8. Financial Statements and Supplementary Data,” of this Form 10 K.

The FASB has adopted a new accounting standard for U.S. GAAP that will be effective for us for our first fiscal year beginning after December 15, 2022. This standard, referred to as Current Expected Credit Loss, or CECL, requires a company to recognize credit losses expected over the life of certain financial assets. Upon adoption of CECL, a banking organization must record a one-time adjustment to its credit loss allowances as of the beginning of the fiscal year of adoption equal to the difference, if any, between the amount of credit loss allowances under the current methodology and the amount required under CECL. Implementation of CECL will reduce retained earnings and affect other items in a manner that reduces its regulatory capital. The federal banking regulators (the Federal Reserve, the Office of the Comptroller of the Currency and the FDIC) have adopted a rule that gives a banking organization the option to phase in over a three-year period the day-one adverse effects of CECL on its regulatory capital.

The FDIC also has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution’s capital level is or may become inadequate in light of particular risks or circumstances.

The Bank is finalizing its initial CECL adjustment, and currently anticipates a reduction in retained earnings of approximately $100,000 in order to be properly reserved under the new CECL standard.

Federal Home Loan Bank System. The Bank is a member of the FHLB, one of 11 regional Federal Home Loan Banks that administer the home financing credit function of savings institutions, each serving as a reserve or central bank for its members within its assigned region. The FHLB is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members in accordance with policies and procedures, established by the Board of Directors of the FHLB, which are subject to the oversight of the Federal Housing Finance Board. All borrowings from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term borrowings are required to provide funds for residential home financing. See “Deposit Activities and Other Sources of Funds – Borrowings" above.

As a member, the Bank is required to purchase and maintain stock in the FHLB based on the Bank's asset size and level of borrowings from the FHLB. At December 31, 2022, the Bank had $200,000 in FHLB stock, which was in compliance with this requirement. The FHLB pays dividends quarterly, and the Bank received $1,000 in dividends during the year ended December 31, 2022 and $2,000 during the year ended December 31, 2021.

The Federal Home Loan Banks continue to contribute to low- and moderately-priced housing programs through direct loans or interest subsidies on borrowings targeted for community investment and low- and moderate-income housing projects. These contributions have adversely affected the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of the Bank's FHLB stock may result in a decrease in net income and possibly capital.

Standards for Safety and Soundness. The federal banking regulatory agencies have prescribed, by regulation, guidelines for all insured depository institutions relating to: internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, compensation, fees and benefits. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. Each insured depository institution must implement a comprehensive written information security program that includes administrative, technical and physical safeguards appropriate to the institution's size and complexity and the nature and scope of its activities. The information security program also must be designed to ensure the security and confidentiality of customer information, protect against any unanticipated threats or hazards to the security or integrity of such information, protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer, and ensure the proper disposal of customer and consumer information. Each insured depository institution must also develop and implement a risk-based response program to address incidents of unauthorized access to customer information in customer information systems. If the FDIC determines that the Bank fails to meet any standard prescribed by the guidelines, it may require the Bank to submit to the agency an acceptable plan to achieve compliance with the standard. FDIC regulations establish deadlines for the submission and review of such safety and soundness compliance plans. Management of the Bank is not aware of any conditions relating to these safety and soundness standards which would require submission of a plan of compliance.

Real Estate Lending Standards. FDIC regulations require the Bank to adopt and maintain written policies that establish appropriate limits and standards for real estate loans. These standards, which must be consistent with safe and sound banking practices, must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value ratio limits) that are clear and measurable, loan administration procedures, and documentation, approval and reporting requirements. The Bank is obligated to monitor conditions in its real estate markets to ensure that its standards continue to be appropriate for current market conditions. The Bank's Board of Directors is required to review and approve the Bank's standards at least annually. The FDIC has published guidelines for compliance with these regulations, including supervisory limitations on loan-to-value ratios for different categories of real estate loans. Under the guidelines, the aggregate amount of all construction loans in excess of the supervisory loan-to-value ratios should not exceed 100% of total capital, and the total of all loans for commercial, agricultural, multi-family or other non-one- to four-family residential properties in excess of the supervisory loan-to-value ratio should not exceed 300% of total capital. Loans in excess of the supervisory loan-to-value ratio limitations must be identified in the Bank's records and reported at least quarterly to the Bank's Board of Directors. The Bank is in compliance with the record and reporting requirements.

Activities and Investments of Insured State-Chartered Financial Institutions. Federal law generally limits the activities and equity investments of FDIC-insured state-chartered banks to those that are permissible for national banks. An insured state bank is not prohibited from, among other things, (i) acquiring or retaining a majority interest in a subsidiary, (ii) investing as a limited partner in a partnership, the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets, (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions, and (iv) acquiring or retaining the voting shares of a depository institution owned by another FDIC-insured institution if certain requirements are met.

Environmental Issues Associated With Real Estate Lending. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") is a federal statute that generally imposes strict liability on all prior and present "owners and operators" of sites containing hazardous waste. However, Congress acted to protect secured creditors by providing that the term "owner and operator" excludes a person whose ownership is limited to protecting its security interest in the site. Since the enactment of the CERCLA, this "secured creditor exemption" has been the subject of judicial interpretations which have left open the possibility that lenders could be liable for cleanup costs on contaminated property that they hold as collateral for a loan.

To the extent that legal uncertainty exists in this area, all creditors, including the Bank, that have made loans secured by properties with potential hazardous waste contamination (such as petroleum contamination) could be subject to liability for cleanup costs, which costs often substantially exceed the value of the collateral property.

Federal Reserve System. The Federal Reserve requires that all depository institutions maintain reserves on transaction accounts primarily checking accounts. In response to the COVID-19 pandemic, the Federal Reserve reduced reserve requirement ratios to zero percent effective on March 26, 2020, to support lending to households and businesses. At December 31, 2022, the Bank was in compliance with the reserve requirements in place at that time.

Affiliate Transactions. Federal laws strictly limit the ability of banks to engage in certain transactions with their affiliates, including their bank holding companies. Transactions deemed to be a "covered transaction" under Section 23A of the Federal Reserve Act and between a subsidiary bank and its parent company or the nonbank subsidiaries of the bank holding company are limited to 10% of the bank subsidiary's capital and surplus and, with respect to the parent company and all such nonbank subsidiaries, to an aggregate of 20% of the bank subsidiary's capital and surplus. Further, covered transactions that are loans and extensions of credit generally are required to be secured by eligible collateral in specified amounts. Federal law also requires that covered transactions and certain other transactions between a bank and its affiliates listed in Section 23B of the Federal Reserve Act and related regulations must be on terms as favorable to the bank as transactions with non-affiliates.

Community Reinvestment Act. Banks are also subject to the provisions of the Community Reinvestment Act of 1977 ("CRA"), which requires the appropriate federal bank regulatory agency to assess a bank's performance under the CRA in meeting the credit needs of the community serviced by the bank, including low- and moderate-income neighborhoods. The regulatory agency's assessment of the bank's record is made available to the public. Further, a bank's performance must be considered in connection with a bank's application to, among other things, establish a new branch office that will accept deposits, relocate an existing office or merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution. The Bank received a "satisfactory" rating during its most recent examination.

Dividends. The amount of dividends payable by the Bank depends upon the Bank's earnings and capital position, and is limited by federal and state laws, regulations and policies. According to Missouri law, the Bank may not declare or pay a cash dividend on its capital stock if it would cause its net worth to be reduced below (i) the amount required for liquidation accounts or (ii) the net worth requirements, if any, imposed by the Missouri Division of Finance. In addition, dividends on the Bank's capital stock may not be paid in an aggregate amount greater than the aggregate retained earnings of the Bank, without the approval of the Director of the Division. Dividends payable by the Bank can be limited or prohibited if the Bank does not meet the capital conservation buffer requirement.

The amount of dividends actually paid during any one period will be strongly affected by the Bank's management policy of maintaining a strong capital position. Federal law further provides that no insured depository institution may pay a cash dividend if it would cause the institution to be "undercapitalized," as defined in the prompt corrective action regulations. Moreover, the federal bank regulatory agencies also have the general authority to limit the dividends paid by insured banks if such payments should be deemed to constitute an unsafe and unsound practice.

Other Consumer Protection Laws and Regulations. The Bank is subject to a broad array of federal and state consumer protection laws and regulations that govern almost every aspect of its business relationships with consumers. While the list set forth below is not exhaustive, these include the Truth-in-Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Right to Financial Privacy Act, the Home Ownership and Equity Protection Act, the Consumer Leasing Act, the Fair Credit Billing Act, the Homeowners Protection Act, the Check Clearing for the 21st Century Act, laws governing flood insurance, laws governing consumer protections in connection with the sale of insurance, federal and state laws prohibiting unfair and deceptive business practices, and various regulations that implement some or all of the foregoing. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans, and providing other services. Failure to comply with these laws and regulations can subject the Bank to various penalties, including but not limited to, enforcement actions, injunctions, fines, civil liability, criminal penalties, punitive damages, and the loss of certain contractual rights.

Acquisition. Under the Federal Change in Bank Control Act, a notice must be submitted to the FDIC if any person (including a company), or group acting in concert, seeks to acquire direct or indirect "control" of a commercial bank. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the association's outstanding voting stock, unless the FDIC has found that the acquisition will not result in control of the association. A change in control definitively occurs upon the acquisition of 25% or more of the association's outstanding voting stock. Under the Change in Bank Control Act, the FDIC generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition.

Federal Securities Laws

Systematic's common stock is with the FDIC under the Securities Exchange Act of 1934. Systematic is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934, as implemented by the FDIC.

Emerging Growth Company Status

The JOBS Act, which was enacted in 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company or bank with total annual gross revenues of less than $1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." Systematic qualifies as an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation; however, Systematic will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a "smaller reporting company" under Securities and Exchange Commission regulations, as applied by the FDIC, (generally less than $75 million of voting and non-voting equity held by non-affiliates). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. Systematic has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.07 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a "large accelerated filer" under Securities and Exchange Commission regulations, as applied by the FDIC (generally, at least $700 million of voting and non-voting equity held by non-affiliates).

Item 1A. Risk Factors

An investment in our common stock is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this report and our other filings with the FDIC. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, capital levels, cash flows, liquidity, results of operations, and prospects. The market price of our common stock, to the extent the common stock trades, could decline significantly due to any of these identified or other risks, and you could lose some or all of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. This report is qualified in its entirety by these risk factors.

We are not in a high-growth market area, and continued adverse economic conditions, especially affecting our market area, could adversely affect our financial condition and results of operations.

Our success depends primarily on the general economic conditions in our market area, which we generally consider to be Greene County, Missouri and contiguous counties. Unlike larger banks that are more geographically diversified, we provide banking and financial services to customers primarily in this area. The local economic conditions in our market area, therefore, have a significant impact on our lending, the ability of borrowers to repay their loans and the value of the collateral securing loans.

At December 31, 2022, $6.4 million, or 14.3%, of our total loan portfolio was secured by owner occupied one- to four-family real estate loans. One- to four-family owner occupied real estate lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making losses difficult to predict. A decline in residential real estate values as a result of a downturn in our market area's housing market could reduce the value of the real estate collateral securing these types of loans. As a result, we have increased risk that we could incur losses if borrowers default on their loans because we may be unable to recover all or part of the defaulted loans by selling the real estate collateral. In addition, if borrowers sell their homes, they may be unable to repay their loans in full from the sale proceeds. For these reasons, we may experience higher rates of delinquencies, defaults and losses on our residential mortgage loans.

Risks Related to Our Operations

We may be unable to successfully implement our business strategy. If we fail to grow or fail to manage our growth effectively, our financial condition and results of operations could be negatively affected.

The successful implementation of our strategic plan will require, among other things, that we successfully deploy the capital raised in our 2020 stock offering in connection with our mutual to stock conversion. In addition, our ability to successfully grow will depend on several factors, including continued favorable market conditions, competition from other financial institutions in our market area, and our ability to maintain high asset quality as we increase our loan originations. While we believe we have the management resources and internal systems in place to successfully manage our future growth, growth opportunities may not be available, and we may not be successful in implementing our business strategy. Further, it will take time to implement our business strategy, especially to originate more loans and to attract more favorably priced deposits to generate the revenue needed to offset the associated expenses. In addition, our strategic plan, even if successfully implemented, may not ultimately produce positive results.

We experienced a prolonged period of net losses including as recently as 2019 and may struggle to maintain profitability in the future.

We had net income of $187,000 for the year ended December 31, 2021 and net income of $207,000 for the year ended December 31, 2022. Our profitability suffered due primarily to our elevated noninterest expense relative to our asset size. Historically, we have been unable to meaningfully reduce our noninterest expense and have faced pressure on our earnings because of our small asset size and the ongoing higher cost of compliance with banking and other regulations.

Our operations will depend upon our continued ability to access brokered deposits, Internet deposits and Federal Home Loan Bank advances.

Due to the high level of competition for deposits in our markets, we have from time to time utilized a sizable amount of certificates of deposit obtained through brokered deposits, internet deposits and advances from the Federal Home Loan Bank of Des Moines to help fund our asset base. Brokered deposits are marketed through national brokerage firms that solicit funds from their customers for deposit in banks, including our bank. Brokered deposits and Federal Home Loan Bank advances may generally be more sensitive to changes in interest rates and volatility in the capital markets than retail deposits attracted through our retail operations, and our reliance on these sources of funds increases the sensitivity of our portfolio to these external factors. Our brokered deposits and internet deposits totaled $14.3 million at December 31, 2022. We expect to continue to utilize brokered deposits, internet deposits, and Federal Home Loan Bank advances from time to time as a supplemental funding source.

Bank regulators can restrict our access to these sources of funds in certain circumstances. For example, if the Bank's regulatory capital ratios decline, banking regulators would require the Bank to obtain their approval prior to obtaining or renewing brokered deposits. The regulators might not approve our acceptance of brokered deposits in amounts that we desire or at all. In addition, the availability of brokered deposits and the rates paid on these brokered deposits may be volatile as the balance of the supply of and the demand for brokered deposits changes. Market credit and liquidity concerns may also impact the availability and cost of brokered deposits. Similarly, Federal Home Loan Bank advances are only available to borrowers that meet certain conditions. If Systematic were to cease meeting these conditions, our access to Federal Home Loan Bank advances could be significantly reduced or eliminated.

We depend on our entire team, including our senior management team, to implement our business strategy and execute successful operations and we could be harmed by the loss of their services.

We depend upon the services of the members of our team to implement our business strategy and execute successful operations. We have also benefited from our senior management team, with Derek Fraley, our President and Chief Executive Officer and Chief Financial Officer, R. Bradley Weaver, our Senior Vice President and Chief Lending Officer and Terri McFarland our Senior Vice President and Chief Operations Officer, having been employed by Systematic for 5-1/2 years, 5 years and 7-1/2 years, respectively. We do not hold any key person insurance or bank-owned life insurance for any members of our team, and any loss of their services, could impact our ability to implement our business strategy, and could have a material adverse effect on our results of operations and our ability to compete in our market. As a small community bank, we have fewer management-level personnel who are in a position to assume the responsibilities of our executive officers.

Our small size makes it more difficult for us to compete.

Our small asset size makes it more difficult to compete with other financial institutions which are generally larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. At December 31, 2022, we had total assets of $56.3 million, net loans of $44.7 million, total deposits of $42.7 million and total equity of $10.0 million. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. Our smaller size has also made it more difficult to hire additional staff and to offer competitive salaries and benefits. Finally, as a smaller institution, we are disproportionately affected by the ongoing costs of compliance with banking and other regulations.

We may not be able to realize our deferred tax asset, including the reversal of the valuation allowance.

We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. In 2016, we established a full valuation allowance for our net federal and state deferred tax asset after evaluating the positive and negative evidence in accordance with U.S. GAAP. At December 31, 2022, our valuation allowance was $688,000 and our net deferred tax asset was $0.

Our ability to use our deferred tax asset, including the reversal or partial release of the valuation allowance, depends on our ability to generate future earnings within the operating loss carry-forward periods. Some or all of our deferred tax asset, including the reversal or partial release of the valuation allowance, could expire unused if we are unable to generate sufficient taxable income in the future to utilize the deferred tax asset, or we enter into transactions that limit our right to use it. If a material portion of our deferred tax asset, including the reversal or partial release of the valuation allowance, expires unused, it could have a material adverse effect on our future business, results of operations, financial condition and the value of our common stock. Our ability to realize the deferred tax asset is periodically reviewed and the valuation allowance is adjusted accordingly.

We are subject to extensive regulatory oversight.

We are subject to extensive regulation and supervision. Regulators have intensified their focus on bank lending criteria and controls, and on the USA PATRIOT Act's anti-money laundering and Bank Secrecy Act compliance requirements. There also is increased scrutiny of our compliance practices generally and particularly with the rules enforced by the Office of Foreign Assets Control. It is possible that we are not in full compliance with these requirements. Our failure to comply with these and other regulatory requirements could lead to, among other remedies, administrative enforcement actions and legal proceedings. In addition, future legislation and regulations may significantly affect the financial services industry and could make regulatory compliance more difficult or expensive for us.

Strong competition within our market area may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market area we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage firms operating locally and elsewhere. Many of our competitors have greater name recognition and market presence than Systematic, which helps them in attracting business, and they may offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, which could affect our ability to grow and remain profitable on a long-term basis. Our profitability depends upon our ability to successfully compete in our market area. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected. For additional information see "Business of Systematic—Competition."

The financial services industry could become even more competitive as a result of new legislative, regulatory and technological changes and continued industry consolidation. Also, some of our competitors have fewer regulatory constraints and may have lower cost structures than we do. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services than we can as well as better pricing for those products and services.

Risks Related to Our Lending Activities

Because we intend to continue to emphasize commercial real estate, multi-family, land, commercial business and agriculture estate loans, our credit risk will increase and downturns in our local real estate market or economy could adversely affect our earnings.

We intend to continue to originate commercial real estate, multi-family and land loans and commercial business and agriculture estate loans. These loans generally have more risk than the one- to four-family residential real estate loans that we originate. Because the repayment of these types of loans depends on the successful management and operation of the borrower’s properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate and multi-family loans may also involve relatively large loan balances to individual borrowers or groups of related borrowers. A downturn in the real market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower’s business, thereby increasing the risk of non-performing loans. As our commercial real estate portfolio increases the corresponding risks and potential for losses from these loans may also increase.

Our loan portfolio has increased risk due to our agricultural real estate loans and agricultural and commercial non-real estate loans.

At December 31, 2022, 6.0% of our gross loans consisted of agricultural real estate loans and an additional 9.8% consisted of agricultural and commercial non-real estate loans, the repayment of which are vulnerable to local economic conditions. The credit risk associated with these types of loans is considered to be greater than the credit risk associated with the one- to four-family residential real estate loans that we originate because the repayment of agricultural real estate loans and agricultural and commercial non-real estate loans typically depends on the successful operation and income of the borrowers’ business, which can be significantly affected by economic conditions. Additionally, these loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one-to four-family residential real estate loans.

Agricultural and commercial non-real estate loans are often secured by collateral that may depreciate over time and be difficult to appraise and fluctuate in value (such as accounts receivable, growing crops, livestock, inventory and equipment). Repossessed collateral for a defaulted loan also may be worth less than the outstanding loan balance because of damage, loss or depreciation of the collateral.

The repayment of agricultural real estate loans depends on the profitable operation or management of the farm property securing the loan. The success of a farm may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting or harvesting of crops or limit crop yields (such as hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural commodities produced (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies and environmental regulations). If the cash flow from a farming operation is diminished, the borrower’s ability to repay the loan may be impaired. The primary agricultural commodities in our market area are livestock, dairy and feed grains. Accordingly, adverse circumstances affecting any of these commodities, including changes in government policies may have a significant adverse effect on our agricultural real estate and agricultural and commercial non-real estate loan portfolio.

Our non-owner-occupied residential real estate and commercial real estate loans may expose us to increased credit risk.

At December 31, 2022 $15.4 million, or 34.2%, of our total loan portfolio, was secured by non-owner-occupied residential properties consisting of one- to four-family loans. These loans are located in Missouri and various states throughout the Southeastern United States. Loans secured by non-ownership-occupied generally expose a lender to greater risk of nonpayment and loss than loans secured by owner-occupied properties because repayment of such loans depends primarily on the tenant’s continuing ability to pay rent to the property owner, who is our borrower, or if the property owner is unable to find a tenant, the property owner’s ability to repay the loan without the benefit of a rental income stream. In addition, the physical condition of non-owner-occupied properties is often below that of owner-occupied properties due to lax property maintenance standards, which has a negative impact on the value of collateral properties.

Non-owner occupied commercial real estate loans expose a lender to greater credit risk than loans secured by residential real estate because the collateral securing these loans typically cannot be liquidated as easily as residential real estate. In such cases, we may be compelled to modify the terms of the loan or engage in other potentially expensive work-out techniques. If we foreclose on a non-owner occupied commercial real estate loan, our holding period for the collateral typically is longer than a one- to four-family residential property because there are fewer potential purchasers of the collateral. Additionally, non-owner occupied commercial real estate loans generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, charge-offs on non-owner occupied commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. As of December 31, 2022, our non-owner occupied commercial real estate loans totaled $13.5 million (or 30.0% of our total loan portfolio).

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable incurred losses in our loan portfolio, resulting in additions to our allowance. Material additions to our allowance could materially decrease our results of operations.

In addition, the Missouri Division of Finance and FDIC periodically review our Anticipated Credit Loss (ACL) and as a result of such reviews, we may have to adjust our allowance for loan losses or recognize further loan charge-offs. However, the Missouri Division of Finance and FDIC is not directly involved in the process of establishing the ACL, as the process is our responsibility and any adjustment of the allowance is the responsibility of management. Material additions to the allowance would materially decrease our results of operations.

<u>Risks Related to Changes in Market Interest Rates</u>

Our net interest margin, and consequently our net earnings, are significantly affected by interest rate levels.

Our profitability is dependent to a large extent on net interest income, which is the difference between interest income earned on loans, leases and investment securities and interest expense paid on deposits, other borrowings, senior debt and subordinated notes. The absolute level of interest rates as well as changes in interest rates, including changes to the shape of the yield curve, may affect our level of interest income, the primary component of our gross revenue, as well as the level of our interest expense. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets, impacting our net interest income. Interest rate fluctuations are caused by many factors which, for the most part, are not under our control. For example, national monetary policy implemented by the Federal Reserve plays a significant role in the determination of interest rates. Additionally, competitor pricing and the resulting negotiations that occur with our customers also impact the rates we collect on loans and the rates we pay on deposits.

Changes in the level of interest rates also may negatively affect demand for, and thus our ability to originate, loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our results of operations and financial condition. A decline in the market value of our assets may limit our ability to borrow additional funds. As a result, we could be required to sell some of our loans and investments under adverse market conditions, upon terms that are not favorable to us, in order to maintain our liquidity. If those sales are made at prices lower than the amortized costs of the investments, we will incur losses.

Because of significant competitive pressures in our markets and the negative impact of these pressures on our deposit and loan pricing, coupled with the fact that a significant portion of our loan portfolio has variable rate pricing that moves in concert with changes to the Federal Reserve's federal funds rate, our net interest margin may be negatively impacted if these short-term rates remain at their low levels or decrease further. However, if short-term interest rates rise, our results of operations may also be negatively impacted if we are unable to increase the rates we charge on loans or earn on our investment securities in excess of the increases we must pay on deposits and our other funding sources. As interest rates change, we expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than our interest-earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to our position, this "gap" may work against us, and our results of operations and financial condition may be negatively affected.

Future changes in interest rates could reduce our profits.

Our ability to make a profit largely depends on our net interest income, which could be negatively affected by changes in interest rates. Net interest income is the difference between:

- the interest income we earn on our interest-earning assets, such as loans and securities; and
- the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings.

As a result of our historical focus on originating loans with fixed interest rates, 28.9% of our loans have fixed interest rates. Like many institutions, deposit accounts are our primary source of funds, and such accounts have no stated maturity date or have shorter contractual maturities than loans, which results in our liabilities having a shorter duration than our assets. For example, as of December 31, 2022, 23.6% of our loans had maturities of 15 years or longer, while 19.0% of our certificates of deposit had maturities of one year or less. This imbalance can create significant earnings volatility because market interest rates change over time. In a period of rising interest rates, the interest income earned on our assets, such as loans and investments, may not increase as rapidly as the interest paid on our liabilities, such as deposits. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities, as borrowers prepay mortgage loans, thereby requiring us to reinvest these cash flows at lower interest rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations— Management of Market Risk."

Changes in interest rates creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans in a declining interest rate environment. Additionally, increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable-rate loans.

We monitor interest rate risk through the use of simulation models, including estimates of the amounts by which the fair value of our assets and liabilities (our economic value of equity or "EVE") and our net interest income would change in the event of a range of assumed changes in market interest rates. At December 31, 2022, the analysis indicated that our EVE would increase by $1,000, or 8.1%, if there was an instantaneous 100 basis point decrease in market interest rates. Our EVE would decrease $1,000, or 8.6%, if there was an instantaneous 100 basis point increase in market interest rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations— Management of Market Risk."

<u>Risks Related to Cybersecurity, Third Parties and Technology</u>

Cyber-attacks or other security breaches could adversely affect our operations, net income or reputation.

We regularly collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf.

Information security risks have generally increased in recent years because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial and other transactions and the increased sophistication and activities of perpetrators of cyber-attacks and mobile phishing. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e-mail, text or voice mail, is an emerging threat targeting the customers of popular financial entities. A failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches or due to employee error, malfeasance or other disruptions, could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our operating costs or cause losses.

If this confidential or proprietary information is mishandled, misused or lost, we could be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss.

Physical, procedural and technological safeguards designed to protect confidential and proprietary information from mishandling, misuse or loss, do not provide absolute assurance that mishandling, misuse or loss of information will not occur, and if mishandling, misuse or loss of information does occur, that those events will be detected promptly and addressed. Similarly, when confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf, our policies and procedures require that the third party agree to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit us to confirm the third party's compliance with the terms of the agreement. As information security risks and cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur and may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide the security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource the majority of our data processing to third-party providers. If these third-party providers encounter difficulties, or if we cannot effectively communicate with them, we may be unable to adequately process and account for transactions, which would adversely affect our business operations. Threats to information security also exist in the processing of customer information through various other vendors. The occurrence of any system failures, interruptions, or breaches of security could damage our reputation and result in a loss of customers and business, subject us to additional regulatory scrutiny or expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2022, we had our main office that includes a full-service branch with an aggregate net book value of $406,000. We own the main office on which we pay property taxes and operating expenses. See also Note 4 of the Notes to Financial Statements for additional information. In the opinion of management, the facilities are adequate and suitable for our current needs.

Item 3. Legal Proceedings

Periodically, there have been various claims and lawsuits involving the Bank, such as claims to enforce liens, condemnation proceedings on properties in which the Bank holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Bank's business. The Bank is not a party to any pending legal proceedings that it believes would have a material adverse effect on the financial condition, results of operations or liquidity of the Bank.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

At December 31, 2022, there were 595,125 shares of Systematic common stock issued and outstanding, 72 stockholders of record and an estimated seven holders in nominee or "street name."

Any dividends declared and paid in the future would depend upon a number of factors, including capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in future periods. During the three-year period immediately following the closing date of the Offering (October 13, 2023), the Bank may not declare any distributions of capital to stockholders, including cash dividends or any other retirement or return of capital, except in accordance with applicable laws and regulations and as provided for in the Business Plan, without the prior written approval of the FDIC Kansas City Regional Director if such action would cause the Bank's Leverage and Total Capital ratios to fall below 8.0 percent and 12.0 percent, respectively.

Item 6. Selected Financial Data

Contained in the Annual Report filed as an exhibit hereto and incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Contained in the Annual Report filed as an exhibit hereto and incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises principally from interest rate risk inherent in our lending, investing, deposit and borrowings activities. Management actively monitors and manages its interest rate risk exposure. In addition to other risks that we manage in the normal course of business, such as credit quality and liquidity, management considers interest rate risk to be a significant market risk that could have a potential material effect on our financial condition and result of operations. The information contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Asset and Liability Management and Market Risk" in this Form 10-K is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm*
Statements of Financial Condition at December 31, 2022 and December 31, 2021*
Statements of Income For the Years Ended December 31, 2022 and 2021*
Statements of Comprehensive Income (Loss) For the Years Ended December 31, 2022 and 2021*
Statements of Stockholders' Equity For the Years Ended December 31, 2022 and 2021*
Statements of Cash Flows For the Years Ended December 31, 2022 and 2021*
Notes to Financial Statements*

* Contained in the Annual Report filed as an exhibit hereto and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures: An evaluation of Systematic's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 ("Exchange Act")) was carried out under the supervision and with the participation of Systematic's Chief Executive Officer, Chief Financial Officer and several other members of Systematic's senior management as of the end of the period covered by this annual report. Systematic's Chief Executive Officer/Chief Financial Officer concluded that as of December 31, 2022, Systematic's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by Systematic in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to Systematic's management (including the Chief Executive Officer/Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

While Systematic believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause Systematic to modify its disclosure controls and procedures. Systematic does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Systematic have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns in controls or procedures can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements attributable to errors or fraud may occur and not be detected.

(b) Changes in Internal Controls: There was no change in Systematic's internal control over financial reporting during Systematic's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, Systematic's internal control over financial reporting.

(c) Management's Annual Report on Internal Control Over Financial Reporting: The management of Systematic is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system has been designed to provide reasonable assurance to Systematic's management and board of directors regarding the preparation and fair presentation of Systematic's published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The management of Systematic. has assessed the effectiveness of Systematic's internal control over financial reporting as of December 31, 2022. To make the assessment, we used the criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we have concluded that, as of December 31, 2022, Systematic's internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of Systematic's registered public accounting firm. We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. As a result, for the year ended December 31, 2022 we were not required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

Item 9B. Other Information

There was no information to be disclosed by Systematic in a report on Form 8-K during the fourth quarter of fiscal year 2022 that was not so disclosed.

Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspection

Not applicable

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information contained under the section captioned "Proposal I - Election of Directors" contained in Systematic's Proxy Statement for the 2022 Annual Meeting of Stockholders, and "Part I - Business -- Executive Officers" of this Form 10-K, is incorporated herein by reference.

Code of Ethics

On February 17, 2022, the board of directors adopted the Officer and Director Code of Ethics. The Code of Ethics is applicable to each of Systematic's officers, including the principal executive officer and senior financial officers, and requires individuals to maintain the highest standards of professional conduct. A copy of the Code of Ethics is attached hereto as Exhibit 14.

Audit Committee Matters and Audit Committee Financial Expert

Systematic has a separately-designated standing Audit Committee, composed of Directors Kim Kollmeyer (Chairperson), Ryan DeBoef, and Trevor Crist. Systematic's board of directors has designated Kim Kollmeyer, Audit Committee Chairman, as its financial expert, as defined in SEC's Regulation S-K.

Nomination Procedures

There have been no material changes to the procedures by which shareholders may recommend nominees to Systematic's board of directors.

Item 11. Executive Compensation

The information set forth under the sections captioned "Executive Compensation" and "Directors' Compensation" in Systematic's Proxy Statement for the 2022 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in Systematic's Proxy Statement for the 2022 Annual Meeting of Stockholders is incorporated herein by reference. Systematic is not aware of any arrangements, including any pledge by any person of securities of Systematic, the operation of which may at a subsequent date result in a change in control of Systematic.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information set forth under the headings "Related Party Transactions" and "Director Independence" under the heading "Meetings and Committees of the Board of Directors and Corporate Governance Matters – Corporate Governance" in Systematic's Proxy Statement for the 2022 Annual Meeting of Stockholders is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information set forth under the section captioned "Independent Registered Public Accounting Firm" in Systematic's Proxy Statement for the 2022 Annual Meeting of Stockholders (excluding the information contained under the heading of "Report of the Audit Committee") is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements
See "Part II –Item 8. Financial Statements and Supplementary Data."

2. Financial Statement Schedules
All schedules are omitted because they are not required or applicable, or the required information is shown in the financial statements or the notes thereto.

Exhibits:

3.1	Amended and Restated Articles of Incorporation of Systematic Savings Bank. (1)
3.2	Bylaws of Systematic Savings Bank (1)
4.1	Form of Common Stock Certificate of Systematic Savings Bank (1)
4.2	Description of Capital Stock of Systematic Savings Bank (2)
10.1	Employment Agreement by and between Systematic Savings Bank and Derek Fraley (1)
10.2	Systematic Savings Bank 2021 Equity Incentive Plan (3)
13	Annual Report to Stockholders
14	Code of Ethics
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

(1) Filed as exhibits to Systematic Savings Bank's Registration Statement on Form 10 filed with the Federal Deposit Insurance Corporation and effective on October 3, 2020.
(2) Filed as an exhibit to Systematic Savings Bank's Form 10-K filed with the Federal Deposit Insurance Corporation on March 29, 2022.
(3) Filed as an exhibit to Systematic Savings Bank's Proxy Statement filed with the Federal Deposit Insurance Corporation on April 19, 2022.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: March 20, 2023

By: /s/ Derek Fraley
Derek Fraley
President and Chief Executive Officer
Director
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Derek Fraley
Derek Fraley
President and Chief Executive and Financial Officer Director
(Principal Executive and Financial Officer)

Date: March 20, 2023

By: /s/ Trevor J. Crist
Trevor J. Crist
Director

Date: March 20, 2023

By: /s/ Ryan DeBoef
Ryan DeBoef
Director

Date: March 20, 2023

By: /s/ Dianna A. Devore
Dianna A. Devore
Director

Date: March 20, 2023

By: /s/ Kim Kollmeyer
Kim Kollmeyer
Director

Date: March 20, 2023

By: /s/ Jeff Seifried
Jeff Seifried
Director

Date: March 20, 2023

By: /s/ R. Bradley Weaver
R. Bradley Weaver
Director

Date: March 20, 2023

Exhibit 13

Systematic Savings Bank

Annual Report

December 31, 2022

Dear Shareholders,

We are pleased to present highlights from 2022.

Financial Highlights:

- Net Income of $207 thousand, an improvement over 2021 of $19 thousand, or 10.2%.
- Average Earning Assets increased $1 million, or 1.8%.
- Total Net Interest Income before provision increased $132 thousand, or 8.7%.

Balance Sheet Highlights:

- Total assets increased $5.5 million, or 10.9%.
- According to the December 31, 2022 Uniform Bank Performance Report (UBPR), the Bank's growth rate puts it in the 88th percentile of its peer group.
- Net loans increased $4.9 million, or 12.4%, year over year.
- Total deposits increased $2.4 million, or 5.9%.

Credit Quality Highlights:

- We needed to increased the Allowance for Loan Loss Reserve only $3 thousand. This is a result of two years with little to no charge offs.
- Non-performing assets continue to remain below industry norms, at $21 thousand at the end of 2021 and $18 thousand at the end of 2022.
- According to the December 31, 2022 UBPR, the Bank's peer group has a non performing asset ratio of 0.74%, putting Systematic at the 38th percentile compared to peer.

Annual Interesting Facts:

- Net Income of $207 thousand is our best year of earnings since 2005, when we had net income of $361 thousand.
- The Bank generated 72 loans totaling $19.2 million in 2022.
- After having no Business DDA before 2018, the Bank has grown to 84 business accounts totaling $1.8 million.

As we approach our 100th year, we are proud to be one of only six banks still locally owned in Greene County and one of five in Springfield. We are thrilled you have chosen to be part of our history and heritage. Since 1923, Systematic (Fidelity, at its inception) has been proud to be part of the Springfield community and looks forward to many more years here. We will continue to focus on a strong credit, low overhead model and look forward to deploying our liquidity in a prudent manner, and telling you all about our efforts for years to come.

2022 saw the Bank further refine its balance sheet, diversifying investments, as well as loan category concentrations. What takes the Bank to the next level are core deposits, with customers that are here because they like what we do and how we do it. Systematic has a full product range which belies its size. From Ag lending to Treasury Management, we have tools not generally found at a $50 million bank. At our core though, we focus on unmatched customer service, one customer at a time. We don't have a one size fits all product; we approach each customer uniquely. Our goal is to providing great deposit products and finding ways to put borrowers into the best loan structure to facilitate their goals. All banks will say they are nimble and flexible, we are one of only a few that has the size and staffing to truly be so.

2022 was an exceptional year, in every way, and during all that came the extraordinary list of achievements found on the prior page. These feats came from the hands of only eight full-time employees. With this solid foundation now in place, we look forward to reporting to you this group's future accomplishments as we look forward to the next 100 years.

Each of our employees look forward to hearing from you and finding ways that Systematic can facilitate your needs. We are pleased and proud you have chosen to invest in us and look forward to seeing each of our shareholders in the bank. Our continued success relies on core customers. If you have the confidence to invest in us, your banking relationship with us is what allows us to grow and add value to your investment.

Derek Fraley
Chairman and CEO
Systematic Savings Bank

SYSTEMATIC SAVINGS BANK
Selected Financial Data

The summary financial information presented below is derived in part from the financial statements of Systematic. The following is only a summary and you should read it in conjunction with the financial statements and notes beginning on page F-1. The information at December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021 is derived in part from the audited financial statements of the Savings Bank that appear in this Annual Report. The following information is only a summary and you should read it in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and notes thereto contained elsewhere in this Annual Report.

	At December 31,	
	2022	**2021**
Summary of Selected Balance Sheet Data:	**(Dollars in thousands)**	
Total assets	$ 56,317	$ 50,772
Cash and cash equivalents	3,320	2,688
Available for sale securities	6,561	3,340
Loans receivable, net	44,698	39,770
Premises and equipment, net	583	595
Prepaid expenses and other assets (1)	378	209
Deposits	42,715	40,335
FHLB advances	3,161	--
Total equity	9,967	10,317

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

	Years Ended December 31,	
	2022	**2021**
	(In thousands)	
Selected Operating Data:		
Interest income	$ 2,253	$ 2,022
Interest expense	604	505
Net interest income	1,646	1,517
Provision for loan losses	3	49
Net interest income after provision for loan losses	1,646	1,468
Noninterest income	64	51
Noninterest expense	1,496	1,320
Income taxes	7	12
Net income	$ 207	$ 187

SYSTEMATIC SAVINGS BANK
Selected Financial Data

Selected Financial Ratios and Other Data:	At or For the Years Ended December 31,	
Performance Ratios:	**2022**	**2021**
Return on average assets (ratio of net income (loss) to average total assets)	0.38%	0.35%
Return on average equity (ratio of net income (loss) to average total equity)	2.03%	1.83%
Interest rate spread (1)	2.74%	2.61%
Net interest margin (2)	3.08%	2.88%
Efficiency ratio (3)	87.54%	86.86%
Average equity to average total assets	18.75%	19.23%
Asset Quality Ratios:		
Non-performing assets to total assets	0.03%	0.04%
Non-performing loans to total loans	0.04%	0.06%
Allowance for loan losses to nonperforming loans	2,323%	237%
Allowance for loan losses to total loans	0.93%	1.03%
Net charge-offs to average loans outstanding	N/A	0.10%
Capital Ratios:		
Total capital (to risk-weighted assets)	N/A	N/A
Tier 1 capital (to risk-weighted assets)	N/A	N/A
Common equity Tier 1 capital (to risk-weighted assets)	N/A	N/A
Tier 1 capital (to average assets)	18.14%	19.14%
Other Data:		
Number of offices	1	1
Full-time equivalent employees	9	9

(1) The interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.
(2) The net interest margin represents net interest income as a percentage of average interest-earning assets for the year.
(3) The efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.

Item 7. 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 at December 31, 2022 and 2021 and our results of operations for the years ended December 31, 2022 and 2021. This section should be read in conjunction with the financial statements and notes to the financial statements that appear elsewhere in this report.

Overview

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 $187,000 for the year ended December 31, 2021 compared to net income of $207,000 for the year ended December 31, 2022, a $20,000 improvement compared to the prior year. In prior periods, our profitability suffered due primarily to our elevated level of noninterest expense. The two largest components of our noninterest expense are our equipment and data processing expense and our compensation and benefits expense, which were $162,000 and $783,000, respectively, for the year ended December 31, 2022 and $148,000 and $606,000, respectively, for the year ended December 31, 2021. Our noninterest expense was up slightly for the year ended December 31, 2022 increasing $176,000, or 13.3% compared to the prior year. We continually look for savings and efficiencies; however we may not be able to meaningfully reduce our noninterest expense as we have done in the past, due to our increasing costs of compliance with banking and other regulations and our high data processing fixed costs. Additionally, the increase in our average balance of interest-earning assets for the year ended December 31, 2022 contributed to our increase in net income. Our average balance of interest-earning assets increased $1.0 million to $53.6 million for the year ended December 31, 2022 from $52.7 million for the year ended December 31, 2021. Loans grew to 79.2% of average earning assets in 2022 from 74.6% of average earning assets during 2021. This was offset by a decrease in other interest earning assets falling from 21.5% of total earning assets for 2021 to 11.3% in 2022. The increase in the rate environment was the largest contributor to improved interest income. The ability to put cash to work in the bond market, added $118,000 in interest income, and the bond portfolio grew from 3.9% of earning assets in 2021 to 9.5% in 2022. Likewise, despite other interest earning assets declining $5.3 million from 2021 to 2022, the category still returned $58,000 more interest income in 2022 than in 2021.

Business Strategy

Our mission is to operate and grow a profitable, independent community-oriented bank serving primarily retail customers and small businesses in our market area. In pursuing our mission, our goal is to 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 intend to take 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 statement of financial condition 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 filing.

Income Taxes. Income taxes are provided for the tax effects of certain transactions reported in the financial statements. Income taxes consist of taxes currently due plus deferred taxes related primarily to temporary differences between the financial reporting and income tax basis of the allowance for loan losses, premises and equipment, operating losses, and deferred loan origination costs. The deferred tax assets and liabilities represent the future tax return consequences of the temporary differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. See Note 1 of the Notes to Financial Statements included in this report.

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 Notes 1 and 2 of the Notes to the Financial Statements included in this report.

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

Summary of Selected Statement of Financial Condition Data:	**At 12/31/2022**	**At 12/31/2021**	**Increase (Decrease)**	**% Change**
		(Dollars in thousands)		
Total assets	$ 56,317	$ 50,772	$ 5,545	10.9%
Cash and cash equivalents	3,320	2,688	632	23.5%
Available for sale securities	6,561	3,340	3,221	96.4%
Loans receivable, net	44,698	39,770	4,928	12.4%
Premises and equipment, net	583	595	(12)	(2.0%)
Deposits	42,715	40,335	2,380	5.9%
FHLB advances	3,161	--	3,161	N/A
Total equity	9,967	10,317	(350)	(3.4%)

Total Assets. Total assets increased $5.5 million or 10.9%, to $56.3 million at December 31, 2022 from $50.8 million at December 31, 2021. The increase in total assets was due primarily to increases in loans receivable.

Loans Receivable, Net. Net loans increased $4.9 million, or 12.4%, to $44.7 million at December 31, 2022 from $39.8 million at December 31, 2021. The loan growth during the year was largely organic and spread among several loan categories. For the year ended December 31, 2022, commercial real estate loans increased $7.4 million (78.0)%, commercial business loans increased $730,000 (19.8)%, and agriculture real estate loans increased $274,000 (11.4)%. Meanwhile, residential real estate decreased $3.5 million (14.3)% and consumer loans declined $49,000 (21.7)%. The Bank continues to focus its lending efforts in commercial, owner occupied real estate.

Securities. At December 31, 2022 and 2021, all our securities were classified as available for sale. At December 31, 2022, the securities portfolio included primarily corporate bonds and taxable municipal bonds, with a small balance of mortgage-backed securities ("MBS"). As a result of the elevated rate environment in 2022, relative to recent years, management put more of its investment securities in bonds. There were increases in all categories of securities, as on an amortized cost basis, Corporate Bonds increased $1.2 million (49.8)%, Taxable Municipal Bonds increased $467,000 (80.0)%, and Mortgage Backed Securities increased $2.1 million (718.1)%. These increases were supported by a decline in Time Deposits in Other Institutions of $3.4 million (85.2)%.

Cash and Cash Equivalents. Cash and cash equivalents increased $632,000, or 23.5%, to $3.3 million at December 31, 2022 from $2.7 million at December 31, 2021. The primary reason for the increase in cash and cash equivalents was a $2.6 million decrease in interest bearing time deposits as well as an increase in Deposits of $2.4 million.

Prepaid Expenses and Oher Assets. Other assets increased $169,000 primarily due to an increase in FHLB stock.

Deposits. Deposits increased $2.4 million, or 5.9%, to $42.7 million at December 31, 2022 from $40.3 million at December 31, 2021. Certificates of deposit increased $4.1 million (23.3)% as the Bank issued more brokered and internet deposits. Savings accounts were also up $301,000 (199.2)%. These were offset by a decrease in money market accounts of $2.0 million (11.2)%.

Advances from FHLB of Des Moines. FHLB advances were $3.2 million at December 31, 2022, while there were no advances at December 31, 2021.

Equity. Despite net income of $207,000, total equity declined $350,000 to $10.0 million at December 31, 2022 from $10.3 million December 31, 2021. This decrease was due to mark to market declines in the bond portfolio, as Accumulated Other Comprehensive Income (AOCI) declined $557,000 from December 31, 2021 to December 31, 2022. AOCI is the unrealized market value losses on the securities portfolio, and does not represent a financial loss, unless the Bank were to sell the securities. The reason for this decline was the rapidly changing interest rate environment in 2022.

Comparison of Operating Results for the Years Ended December 31, 2022 and 2021

General. We had net income of $207,000 for the year ended December 31, 2022, compared to net income of $187,000 for the year ended December 31, 2021. Our increase in net income during the year ended December 31, 2022 compared to the comparable period in 2021 was primarily the result of an increase in interest income partially offset by an increase in interest expense.

	For the Years ended			
	12/31/2022	**12/31/2021**	**Increase (Decrease)**	**% Change**
Summary of Operations:	**(Dollars in thousands)**			
Interest income:	$ 2,253	$ 2,022	$ 231	11.4%
Interest expense	604	505	99	19.6%
Net interest income	1,649	1,517	132	8.7%
Provision for loan losses	3	49	(46)	(93.9%)
Net interest income after provision for loan losses	1,646	1,468	178	12.1%
Noninterest income	64	51	13	25.5%
Noninterest expense	1,496	1,320	176	13.3%
Income taxes	7	12	(5)	(41.7%)
Net income	$ 207	$ 187	$ 20	10.7%

Interest Income. Interest income increased $231,000, or 11.4%, to $2.3 million for the year ended December 31, 2022 from $2.0 million for the year ended December 31, 2021. The increase in interest income resulted from an increase in average earning assets, primarily loans. The average balance of interest-earning assets increased from $52.7 million for 2021 to $53.6 million for 2022. Interest income was bolstered by a 36 basis point increase in the average yield on interest earning assets from 3.84% for 2021 to 4.20% for the year ended December 31, 2022. This was brought about by an increase of the Fed Funds rate by the Federal Reserve's Federal Open Market Committee (FOMC) over the course of 2022.

Interest income on investments increased $119,000, or 188.9% during fiscal year 2022 as compared to the same period in 2021. The average balance of securities increased to $5.1 million for 2022 from $2.1 million for 2021. The average yield on investments increased during the same period, from 3.00% for 2021 to 3.54% for 2022 due to the purchase of higher yielding bonds. Interest on other earning assets increased $58,000 (170.6)% during this period.

Interest income on loans increased $54,000, however, this number is artificially compressed because the Bank experienced income of $286,000 in loan fees, which flow into interest income, from Paycheck Protection (PPP) Loans in 2021. These loans had all been forgiven by December 31, 2021. As such, the Bank experienced no such fee income in 2022.

Interest Expense. Interest expense increased $99,000 (19.6)% from $505,000 in 2021 to $605,000 in 2022. The cost of interest bearing liabilities increased 23 basis points, from 1.23% in 2021 to 1.46% in 2022. Interest expense on deposits increased $73,000, or 14.6%, between these periods. Average interest-bearing deposits declined $220,000 and the average cost of deposits increased 20 basis points from 1.23% to 1.43%.

The average balance of FHLB of Des Moines advances increased to $885,000 for the year ended December 31, 2022 from $308,000 for the same period of 2021.

Net Interest Income. Net interest income increased $132,000, or 8.4%, during the year 2022 compared to the same period in 2021. The increase in net interest income was mostly attributable to an increase in the investment portfolio, funded by declines in cash balances.

The net interest rate spread increased to 2.74% for 2022 from 2.61% for 2021 as the average yield on average interest-earning assets increased by 36 basis points and the average cost of average interest bearing liabilities increased 23 basis points.

Provision for Loan Losses. There was a $3,000 provision for loan losses in 2022 compared to a $49,000 for 2021.

	Years Ended 12/31/2022	Years Ended 12/31/2021	Increase (Decrease)	% Change
Summary of Noninterest Income:	**Dollars in thousands**			
FHLB dividends	$ 1	$ 2	$ (1)	(50.0)%
Loan referral premiums	18	6	12	200.0%
Interchange income	19	14	5	35.7%
Service charges and fees	15	15	--	--%
Other	11	15	(4)	(26.7)%
Total noninterest income	$ 64	$ 52	$ 12	23.1%

Noninterest Income. Noninterest income increased $12,000, or 23.1% to $64,000 for the year ended December 31, 2022 from $52,000 for the year ended December 31, 2021. The increase is due primarily to increases in service loan referral income compared to the year ended December 31, 2021.

	Years Ended 12/31/2022	Years Ended 12/31/2021	Increase (Decrease)	% Change
Summary of Noninterest Expense:	**Dollars in thousands**			
Compensation and benefits	$ 783	$ 606	177	29.2%
Occupancy expense	90	93	(3)	(3.2)%
Equipment and data processing	162	148	14	9.5%
FDIC premium expense	46	8	38	475.0%
Professional and regulatory fees	125	135	(10)	(7.4)%
Insurance expense	29	41	(12)	(29.3)%
Other	261	289	(28)	(9.7)%
Total noninterest expense	$ 1,496	$ 1,320	176	13.3%

Noninterest Expense. Noninterest expense increased $176,000, or 13.3%, to $1.5 million for the year ended December 31, 2022 from $1.3 million for the year ended December 31, 2021 due to increases in compensation and benefits.

Compensation and benefits increased $177,000, or 29.2%, to $783,000 for the year ended December 31, 2022 from $606,000 for the year ended December 31, 2021. This was primarily due to merit increases and higher bonuses paid in 2022. Equipment and Data processing increased $14,000, or 9.5%, to $162,000 for the year ended December 31, 2022, compared to $148,000 for the year ended December 31, 2021.

Average Balances and Yields

The following table sets forth average balance sheets, average yields and costs, and certain other information at and for the years 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 Years Ended December 31,					
	2022			2021		
	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate
Interest-earning assets:			Dollars in Thousands			
Loans receivable	$ 42,457	$ 1,980	4.66%	$ 39,294	$ 1,926	4.90%
Securities, taxable	5,106	181	3.54%	2,065	62	3.00%
Securities, non-taxable	--	--		--	--	
Other interest-earning assets	6,044	92	1.52%	11,296	34	0.30%
Total interest-earning assets	53,607	$ 2,253	4.20%	52,655	$ 2,022	3.84%
Noninterest-earning assets	604			481		
Total assets	$ 54,211			$ 53,136		
Interest-bearing liabilities:						
Checking and MMDA accounts	21,467	277	1.29%	20,320	201	0.99%
Savings accounts	309	--	0.00%	140	--	0.00%
Certificates of deposit	18,702	296	1.60%	20,238	299	1.48%
Total deposits	40,478	573	1.43%	40,698	500	1.23%
Advances from FHLB of Des Moines	885	32	3.62%	308	5	1.62%
Total interest-bearing liabilities	$ 41,363	$ 605	1.46%	$ 41,006	$ 505	1.23%
Noninterest-bearing checking deposits	2,483			1,691		
Noninterest-bearing liabilities	199			221		
Equity	10,166			10,218		
Total liabilities and equity	$ 54,211			$ 53,136		
Net interest income		$ 1,649			$ 1,517	
Net interest rate spread[1]			2.74%			2.61%
Net interest-earning assets [2]	$ 12,244			$ 11,649		
Net interest margin [3]			3.08%			2.88%
Average of interest earning assets to interest-bearing liabilities.	129.6%			128.4%		

(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.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated to the changes due to rate and the changes due to volume in proportion to the absolute dollar change in each.

	For Years Ended December 31 2022 vs 2021		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
Interest-earning assets		(In thousands)	
Loans receivable	$ 149	$ (95)	$ 54
Securities, taxable	98	21	119
Securities, non-taxable			
Other interest-earning assets	(14)	72	58
Total interest-earning assets	233	-2	231
Interest-bearing liabilities:			
Checking and MMDA accounts	13	63	76
Savings accounts		--	--
Certificates of deposit	(20)	17	(3)
Total deposits	(7)	80	73
Advances from FHLB of Des Moines	9	17	26
Total interest-bearing liabilities	2	97	99
Change in net interest income	$ 231	$ (99)	$ 132

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 December 31, 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	$ 9,251	$ (2,545)	(21.6)%	18.7%	(3.0)%
+ 200 bp	10,050	(1,747)	(14.8)%	19.7%	(2.1)%
+ 100 bp	10,784	(1,013)	(8.6)%	20.5%	(1.2)%
NC	11,797	--	--%	21.8%	0.0%
- 100 bp	12,754	957	8.1%	22.8%	1.1%
- 200 bp	13,381	1,584	13.4%	23.3%	1.5%
- 300 bp	13,863	2,066	17.5%	23.4%	1.6%

(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, liabilities and off-balance sheet contracts.
(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 December 31, 2022, in the event of a 100 basis point decrease in interest rates, we would experience an 8.1% increase in our economic value of equity. In the event of a 200 basis point increase in interest rates, we would experience a decrease of 14.8% in economic value of equity.

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 December 31, 2022, Systematic had $3.2 million in FHLB of Des Moines advances and no borrowings from Midwest Independent Bank. At December 31, 2022, Systematic had unused borrowing capacity from the FHLB of Des Moines and Midwest Independent Bank of $7.7 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 December 31, 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 December 31, 2022, cash and cash equivalents totaled $3.3 million. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled $6.6 million at December 31, 2022.

We are committed to maintaining a strong liquidity position and 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 December 31, 2022, totaled $8.1 million, or 19.0%, of total deposits. If these deposits do not remain with us, we will 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, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off- balance sheet items to broad risk categories. See "Supervision and Regulation—Federal Banking Regulation—Capital Requirements" and Note 9 of the Notes to Financial Statements.

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 December 31, 2022 and December 31, 2021, we had no outstanding commitments to originate loans because we do not make loan commitments. At December 31, 2022 and December 31, 2021, we had approximately $7.3 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 the years ended December 31, 2022 and 2021 beginning on page F-1 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.

Systematic Savings Bank

December 31, 2022 and 2021

Contents

FORV/S

910 E. St. Louis Street, Suite 200 / Springfield, MO 65806
P 417.865.8701 / **F** 417.865.0682
forvis.com

Report of Independent Registered Public Accounting Firm

To the Stockholders, Board of Directors, and Audit Committee
Systematic Savings Bank
Springfield, Missouri

Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of Systematic Savings Bank (the "Bank") as of December 31, 2022 and 2021, the related statements of income, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on the Bank's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

FORVIS, LLP

FORVIS, LLP (Formerly BKD, LLP)

We have served as the Bank's auditor since 1968.

Springfield, Missouri
March 16, 2023

Systematic Savings Bank

Statements of Financial Condition

December 31, 2022 and 2021

	12/31/2022	12/31/2021
Assets		
Cash and due from banks	$ 3,320,110	$ 695,095
Federal funds sold	-	1,993,000
Cash and cash equivalents	3,320,110	2,688,095
Interest-bearing time deposits	590,000	3,995,000
Available-for-sale securities	6,561,431	3,340,080
Loans receivable, net of allowance for loan losses of $418,112 at December 31, 2022, and $415,612 at December 31, 2021	44,697,995	39,769,774
Interest receivable	187,083	175,066
Prepaid expenses and other assets	377,641	208,758
Premises and equipment, net	582,992	594,810
	$ 56,317,252	$ 50,771,583
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 42,714,845	$ 40,335,211
Advances from borrowers for taxes and insurance	17,443	27,099
Federal funds purchased	360,000	-
FHLB advances	3,161,360	-
Accrued expenses and other liabilities	96,926	91,917
Total liabilities	$ 46,350,573	$ 40,454,227
Stockholders' equity		
Common stock, $.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	5,435,301	5,228,747
Accumulated other comprehensive income (loss)	(543,261)	13,970
Total stockholders' equity	9,966,679	10,317,356
Total liabilities and stockholders' equity	$ 56,317,252	$ 50,771,583

See Notes to Financial Statements

Systematic Savings Bank

Statements of Income

Years Ended December 31, 2022 and 2021

	Years ended 12/31/2022	12/31/2021
Interest income		
Loans	$ 1,980,380	$ 1,925,513
Investments	180,566	62,503
Deposits with financial institutions and other	92,199	33,613
	2,253,145	2,021,629
Interest expense		
Checking accounts	276,521	201,175
Savings accounts	340	162
Certificate accounts	296,104	298,533
FHLB borrowings	31,583	4,947
	604,549	504,817
Net interest income	1,648,596	1,516,812
Provision for loan losses	2,500	49,000
Net interest income after provision for loan losses	1,646,096	1,467,812
Noninterest income	63,748	51,585
Noninterest expense		
Salaries and benefits	783,009	605,597
Net occupancy expense	90,094	93,406
Professional fees	124,616	134,828
Other	498,146	486,143
	1,495,865	1,319,974
Net income before income taxes	213,979	199,423
Income tax expense	7,425	11,951
Net income	$ 206,554	$ 187,472
Net income per share - basic	$ 0.35	$ 0.32

See Notes to Financial Statements

Systematic Savings Bank

Statements of Comprehensive Income (Loss)

Years Ended December 31, 2022 and 2021

	Years ended 12/31/2022	Years ended 12/31/2021
Net income	$ 206,554	$ 187,472
Other comprehensive income (loss)		
Unrealized holding gain (loss) on available-for-sale securities	(557,231)	(20,675)
Other comprehensive income (loss)	(557,231)	(20,675)
Comprehensive income (loss)	$ (350,677)	$ 166,797

See Notes to Financial Statements

Systematic Savings Bank

Statements of Stockholders' Equity
Years Ended December 31, 2022 and 2021

	Common stock					
	Number of shares	Par value	Additional paid-in-capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2021	595,125	$ 5,951	$ 5,068,688	$ 5,041,275	$ 34,645	$ 10,150,559
Net income	-	-	-	187,472	-	187,472
Other comprehensive income	-	-	-	-	(20,675)	(20,675)
Balance, December 31, 2021	595,125	5,951	5,068,688	5,228,747	13,970	10,317,356
Net income	-	-	-	206,554	-	206,554
Other comprehensive income (loss)	-	-	-	-	(557,231)	(557,231)
Balance, December 31, 2022	595,125	$ 5,951	$ 5,068,688	$ 5,435,301	$ (543,261)	$ 9,966,679

See Notes to Financial Statements

Systematic Savings Bank

Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	Years ended 12/31/2022	12/31/2021
Operating activities		
Net income	$ 206,554	$ 187,472
Items not requiring (providing) cash		
Depreciation	28,250	34,843
Provision for loan losses	2,500	49,000
Amortization of premiums and discounts on mortgage-backed and investment securities	18,114	25,383
Changes in		
Interest receivable	(12,017)	(23,481)
Prepaid expenses and other assets	(30,283)	(59,747)
Interest payable	23,375	2,882
Accounts payable and accrued expenses	(18,366)	3,176
Net cash provided by operating activities	218,127	219,528
Investing activities		
Net change in loans	(4,930,721)	(2,358,587)
Net change in interest-bearing time deposits	3,405,000	(2,695,000)
Purchases of available-for-sale securities	(4,191,281)	(2,546,982)
Principal paydowns on mortgage-backed securities	394,586	658,847
Proceeds from maturities and calls	-	500,000
Purchase of premises and equipment	(16,432)	(34,610)
Redemption (purchase) of Federal Home Loan Bank stock	(138,600)	400
Net cash used in investing activities	(5,477,449)	(6,475,932)
Financing activities		
Increase in federal funds purchased	360,000	-
Increase (decrease) in checking and savings accounts	(1,697,588)	3,284,717
Increase (decrease) in certificates of deposit	4,077,222	(3,614,018)
Increase (decrease) in FLHB borrowings	3,161,360	(422,500)
Decrease in advances from borrowers for taxes and insurance	(9,657)	(2,343)
Net cash provided by (used in) financing activities	5,891,337	(754,144)
Increase (decrease) in cash and cash equivalents	632,015	(7,010,548)
Cash and cash equivalents, beginning of year	2,688,095	9,698,643
Cash and cash equivalents, end of year	$ 3,320,110	$ 2,688,095
Supplemental cash flows information		
Interest paid	$ 581,174	$ 507,699
Income taxes paid	$ 6,191	$ 3,151

See Notes to Financial Statements

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

Nature of Operations

Systematic Savings Bank (the "Bank") is a Missouri-chartered stock savings and loan association. The Bank is engaged in providing financial services to customers primarily in Greene and Christian counties in Missouri. The Bank is subject to competition from other financial institutions. The Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

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.

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.

At December 31, 2022 and 2021, the Bank's cash accounts exceeded federally insured limits by approximately $2,800,000 and $250,000, respectively.

Interest-Bearing Time Deposits in Banks

Interest-bearing deposits in banks mature within approximately one year 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 (loss). 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 (loss).

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 $200,300 and $61,700 at December 31, 2022 and 2021, respectively, 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 2019.

The Bank recognizes interest and penalties on income taxes as a component of income tax expense.

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 adoption of the current expected credit losses ("CECL") model during the first quarter of 2023 requires the Bank to recognize a one-time cumulative adjustment to allowance for loan losses and a liability for potential losses related to the unfunded portion of the Bank's loans and commitments in order to fully transition from the incurred loss model to the CECL model. Upon initial adoption, the Bank increased the balance of its allowance for credit losses by approximately $27,000 and created a liability for potential losses related to the unfunded portion of its loans and commitments of approximately $66,000.

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 effective for the Bank in 2022, including interim periods within that year. However, the Bank did not have any leases so there was no impact to the financial statements.

Note 2: Investment Securities

The amortized cost of investment securities available-for-sale and their approximate fair values are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
December 31, 2022				
Corporate bonds	$ 3,649,416	$ -	$ 271,186	$ 3,378,230
Municipal securities	1,065,884	-	168,928	896,956
Government sponsored mortgage-backed securities	2,389,392	-	103,147	2,286,245
	$ 7,104,692	$ -	$ 543,261	$ 6,561,431
December 31, 2021				
Corporate bonds	$ 2,435,494	$ 28,652	$ 21,594	$ 2,442,552
Municipal securities	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 December 31, 2022 was $6,561,432, which is 100% of the Bank's available-for-sale portfolio. Total fair value of these investments at December 31, 2021 was $1,918,127, which is approximately 57% of the Bank's available-for-sale portfolio. These declines primarily resulted from changes in market interest rates.

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 amortized cost and estimated fair value of debt securities available-for-sale at December 31, 2022 are listed by maturity category in the following table. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are presented separately.

	Available-for-Sale	
	Amortized Cost	Fair Value
December 31, 2022		
Within one year	$ -	$ -
One to five years	1,712,791	1,649,508
Five to ten years	2,404,331	2,178,315
After ten years	598,178	447,363
Government sponsored mortgage-backed securities	2,389,392	2,286,245
Totals	$ 7,104,692	$ 6,561,431

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 December 31, 2022 and 2021:

	12/31/2022			
	Less than 12 Months		12 Months or More	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate bonds	$ 3,378,231	$ 271,186	$ -	$ -
Municipal securities	896,956	168,928	-	-
Government sponsored mortgage-backed securities	2,286,245	103,147	-	-
Total temporarily impaired securities	$ 6,561,432	$ 543,261	$ -	$ -

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

Systematic Savings Bank

Notes to Financial Statements

December 31, 2022 and 2021

Note 3: Loans and Allowance for Loan Losses

Classes of loans at December 31, 2022 and 2021, include:

	12/31/2022	12/31/2021
Residential real estate	$ 20,890,157	$ 24,378,131
Commercial real estate	16,997,274	9,550,265
Commercial business	4,413,470	3,683,006
Consumer	177,525	226,604
Agriculture real estate	2,687,817	2,413,718
Total loans	45,166,243	40,251,724
Less		
Deferred loan fees and discounts, net	50,136	66,338
Allowance for loan losses	418,112	415,612
Net loans	$ 44,697,995	$ 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 December 31, 2022 and 2021:

12/31/2022	Residential	Commercial Real Estate	Commercial Business	Consumer	AG Real Estate	Unallocated	Total
Allowance for loan losses							
Balance, beginning of year	$ 224,515	$ 95,230	$ 41,809	$ 2,555	$ 28,380	$ 23,123	$ 415,612
Provision charged to expense	(1,595)	28,330	(8,566)	(571)	3,874	(18,971)	$ 2,500
Losses charged off	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-
Balance, end of year	$ 222,920	$ 123,560	$ 33,243	$ 1,984	$ 32,254	$ 4,152	$ 418,112
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending balance collectively evaluated for impairment	$ 222,920	$ 123,560	$ 33,243	$ 1,984	$ 32,254	$ 4,152	$ 418,112
Loans							
Ending balance	$ 20,890,157	$ 16,997,274	$ 4,413,470	$ 177,525	$ 2,687,817	$ -	$ 45,166,243
Ending balance individually evaluated for impairment	$ -	$ -	$ -	$ 16,180	$ -	$ -	$ 16,180
Ending balance collectively evaluated for impairment	$ 20,890,157	$ 16,997,274	$ 4,413,470	$ 161,345	$ 2,687,817	$ -	$ 45,150,063

	Residential	Commercial Real Estate	12/31/2021 Commercial Business	Consumer	AG Real Estate	Unallocated	Total
Allowance for loan losses							
Balance, beginning of year	$ 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 year	$ 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 December 31, 2022 and 2021:

12/31/2022

	Residential	Commercial Real Estate	Commercial Business	Consumer	Ag RE	Total
Grade						
Pass (1-3 & 35)	$ 20,890,157	$ 16,997,274	$ 4,413,470	$ 161,345	$ 2,687,817	$ 45,150,063
Special mention (4)	-	-	-	-	-	-
Substandard (5)	-	-	-	16,180	-	16,180
	$ 20,890,157	$ 16,997,274	$ 4,413,470	$ 177,525	$ 2,687,817	$ 45,166,243

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 December 31, 2022 and 2021:

12/31/2022

	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	$ 214,149	$ 100,894	$ 41,551	$ 356,594	$ 20,533,563	$ 20,890,157	$ 41,551
Commercial real estate	-	-	-	-	16,997,274	16,997,274	-
Commercial business	-	-	-	-	4,413,470	4,413,470	-
Consumer	4,423	17,785	-	22,208	155,317	177,525	
Ag real estate	-	-	-	-	2,687,817	2,687,817	-
Total	$ 218,572	$ 118,679	$ 41,551	$ 378,802	$ 44,787,441	$ 45,166,243	$ 41,551

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 years ended December 31, 2022 and 2021:

12/31/2022	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	16,180	17,785	-	18,332	-
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 business	-	-	-	-	-
Consumer	16,180	17,785	-	18,332	-
Ag real estate	-	-	-	-	-
Total impaired loans	$ 16,180	$ 17,785	$ -	$ 18,332	$ -

	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	21,144	21,144	-	10,242	-
Ag real estate	-	-	-	-	-
Loans with a specific valuation allowance					
Residential	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Commercial business	-	-	-	85,731	-
Consumer	-	-	-	-	-
Ag real estate	-	-	-	-	-
Total					
Residential	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Commercial business	-	-	-	85,731	-
Consumer	21,144	21,144	-	10,242	-
Ag real estate	-	-	-	-	-
Total impaired loans	$ 21,144	$ 21,144	$ -	$ 95,973	$ -

At December 31, 2022 and 2021, the Bank had the following nonaccrual loans:

	12/31/2022	12/31/2021
Residential	$ -	$ -
Commercial real estate	-	-
Commercial business	-	-
Consumer	16,180	21,144
Ag real estate	-	-
Total	$ 16,180	$ 21,144

During 2021, the Bank modified a consumer loan of $21,144 in a troubled debt restructuring. The modification was a term restructure to lengthen the amortization period. As of December 31, 2022, the loan was performing under the modified terms.

The Bank received five requests for loan modification that fell under provisions of the CARES Act, which allowed interest rate and repayment term modifications due to adverse circumstances related to

COVID-19. The balance of these loans was $2.1 million at the date of request. As of December 31, 2021, all loans were returned to a normal repayment schedule.

The Bank has entered into transactions with certain directors, executive officers, significant stockholders and their affiliates. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties at December 31, 2022 and 2021 was $893,988 and $765,943, respectively.

Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	12/31/2022	12/31/2021
Land	$ 99,658	$ 99,658
Building and improvements	919,275	919,275
Furniture, fixtures and equipment	485,764	469,332
	1,504,697	1,488,265
Less accumulated depreciation	921,705	893,455
Net premises and equipment	$ 582,992	$ 594,810

Note 5: Deposits

Deposits at December 31, 2022 and 2021, are summarized as follows:

	12/31/2022	12/31/2021
Non-interest bearing checking	$ 4,959,399	$ 4,967,325
Checking and MMDA accounts	15,729,989	17,721,054
Savings accounts	452,700	151,297
	21,142,088	22,839,676
Certificates of deposit	21,572,757	17,495,535
	$ 42,714,845	$ 40,335,211

Certificates of deposit in denominations of $250,000 or more were $5,250,597 and $3,180,450 on December 31, 2022 and 2021, respectively. Certificates of deposit in denominations of $100,000 or more were $18,206,149 and $13,044,936 on December 31, 2022 and 2021, respectively. Brokered deposits totaled $5,000,000 and $2,000,000 at December 31, 2022 and 2021, respectively.

Deposits of one commercial customer amounted to approximately 4.1% of the Bank's total deposits at December 31, 2022. Management believes this relationship may be volatile and it is reasonably possible the relationship could change in the near term.

At December 31, 2022, the scheduled maturities of time deposits are as follows:

	12/31/2022
2023	$ 8,118,605
2024	9,951,633
2025	2,727,662
2026	517,016
2027	257,842
	$ 21,572,757

Note 6: Income Taxes

The Bank files its federal tax return on a calendar year basis. As of December 31, 2022 and 2021, retained earnings include approximately $1,015,000 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 December 31, 2022 and 2021.

A reconciliation of income tax expense at the statutory rate to the Bank's actual income tax expense is shown below:

	Years Ended December 31, 2022	2021
Computed at the statutory rate (21%)	$ 44,936	$ 41,880
Changes in the deferred tax valuation allowance	(47,714)	(39,229)
State tax impact on deferred taxes	7,181	9,818
Other	3,022	(518)
Actual tax provision	$ 7,425	$ 11,951

The tax effects of temporary differences related to deferred taxes shown on the December 31, 2022 and 2021, statements of financial condition were:

	2022	2021
Deferred tax assets		
Allowance for loan losses	$ 100,347	99,747
Net operating loss carryforward	471,349	499,294
Other	20,121	32,070
Unrealized loss on available-for-sale securities	114,085	-
	705,902	631,111
Deferred tax liabilities		
Prepaid expenses	17,359	8,939
Unrealized gain on available-for-sale securities	-	2,934
	17,359	11,873
Net deferred tax asset before valuation allowance	688,543	619,238
Valuation allowance		
Beginning balance	(619,238)	(658,467)
Decrease during the period related to temporary differences	47,714	41,332
Increase during the period for unrealized losses on available-for-sale securities	(117,019)	(2,103)
Ending balance	(688,543)	(619,238)
Net deferred tax asset	$ -	$ -

As of December 31, 2022, the Bank had approximately $2,245,000 of net operating loss (NOL) carry forwards available to offset future income taxes. NOLs arising in 2018 or later carry forward indefinitely. NOLs of $2,010,000 arising prior to 2018 expire beginning in 2035.

Note 7: FHLB Advances

At December 31, 2022 and 2021, the Bank had advances of $3,161,360 and $0 with the Federal Home Loan Bank. At December 31, 2022, the Bank had overnight federal funds purchased of $360,000 at an interest rate of 4.60%. The Bank is required to maintain an investment in Federal Home Loan Bank capital stock. The investment is carried at amortized cost and amounted to $200,300 and $61,700 at December 31, 2022 and 2021, respectively. In addition, the Bank has pledged $11,231,701 of its 1-4 family conventional mortgage portfolio as collateral for the advance and future advances.

Interest Rate	Maturity Date	2022	2021
3.50%	08/23/24	$ 561,360	$ -
3.50%	08/23/24	1,600,000	-
3.91%	12/09/27	1,000,000	-
		$ 3,161,360	$ -

Note 8: 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 year ended December 31, 2022:

		Fair Value Measurements		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2022				
Corporate bonds	$ 3,378,230	$2,941,067	$ 437,163	$ -
Municipal securities	896,956	-	896,956	-
Mortgage-backed securities	2,286,245	-	2,286,245	-
	$ 6,561,431	$2,941,067	$ 3,620,364	$ -
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 statements of financial condition, 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.

The fair value measurements of nonrecurring assets classified within the fair value hierarchy at December 31, are as follows:

		Fair Value Measurements		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
December 31, 2022				
Impaired loans	$ 16,180	$ -	$ -	$ 16,180
	$ 16,180	$ -	$ -	$ 16,180
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 consolidated statements of financial condition at amounts other than fair value.

Cash and cash equivalents, interest-bearing 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. The carrying amount approximates fair value. The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using rates currently offered for deposits of similar remaining maturities.

Federal Home Loan Bank advances

The fair value of advances is estimated by using rates on debt with similar terms and remaining maturities. The carrying amount of federal funds purchased approximates fair value.

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

		December 31, 2022		December 31, 2021	
	Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and equivalents, including fed funds sold	1	$ 3,320,110	$ 3,320,110	$ 2,688,095	$ 2,688,095
Interest-bearing time deposits	2	590,000	590,000	3,995,000	3,995,000
Federal Home Loan Bank stock	2	200,300	200,300	61,700	61,700
Loans, net of allowance	3	44,697,995	42,601,248	39,769,774	40,601,292
Interest receivable	2	187,083	187,083	175,066	175,066
Financial liabilities					
Deposits	3	42,714,845	42,165,743	40,335,211	37,826,218
FHLB advances	2	3,161,360	3,452,169	-	-
Federal funds purchased	1	360,000	360,000	-	-

Note 9: 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) Management believes, as of December 31, 2022 and 2021, the Bank met all capital adequacy requirements to which it is subject. Additionally, as of December 31, 2022, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

During the fourth quarter of 2019, federal banking agencies issued a final ruling, which provides for a simple measure of capital adequacy for qualifying community banking organizations, consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The Community Bank Leverage Ratio (CBLR) framework which became effective January 1, 2020, provides an optional simple leverage capital measure, which is generally calculated the same as the generally applicable capital rule's leverage ratio. A banking organization (depository institution or depository institution holding company) that has less than $10 billion in total consolidated assets can elect to opt into the framework if its leverage ratio is greater than 9 percent and the banking organization meets the framework's qualifying criteria of: (i) the generally applicable risk-based and leverage capital requirements in the agencies' capital rules; (ii) the capital ratio requirements to be considered well capitalized under the agencies' prompt corrective action (PCA) framework (in the case of insured depository institutions); and (iii) any other applicable capital or leverage requirements. A qualifying banking organization can opt into or out of the CBLR framework at any time by following the prescribed procedures and completing the associated reporting line items that are required on its Call Report and/or form FR Y-9C, as applicable. If a CBLR banking organization fails to satisfy one of the qualifying criteria but has a leverage ratio of greater than 8 percent, the banking organization can continue to apply the CBLR framework and be considered "well capitalized" for a grace period of up to two quarters.

During March 2020, relief from the 9% threshold was approved as part of the CARES Act. The interim thresholds beginning on March 27, 2020 and for the remainder of 2020 was 8% with 2021 increasing to 8.5% and the originally established 9% to be in effect starting in 2022.

The Saving's Bank opted into the CBLR framework during the first quarter of 2021. The Bank's actual capital amounts and ratios are 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 December 31, 2022						
Tier 1 leverage ratio						
(to average total assets)	$10,510	18.1%	n/a	n/a	≥$5,216	≥ 9%
As of December 31, 2021						
Tier 1 leverage ratio						
(to average total assets)	$10,318	19.1%	n/a	n/a	≥$4,581	≥ 8.5%

Note 10: Retirement Plan

Effective January 1, 2018, the Bank began offering a 401(K)-retirement plan to eligible employees. Previously, the Bank had a defined contribution pension plan covering substantially all employees. The Bank's contributions to the plans are determined annually by the Board of Directors. Contributions to the plans were $19,713 and $14,606 for the years ended December 31, 2022 and 2021, respectively.

Note 11: Significant Estimates and Concentrations

Significant Estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk.

Note 12: Commitments and Credit Risk

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract, and include unfunded amounts of construction loans. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but generally includes commercial or residential real estate. Management uses the same credit policies in granting lines of credit as it does for instruments on the statement of financial condition.

At December 31, 2022 and 2021, the Bank had granted unused lines of credit to borrowers aggregating approximately $7,259,000 and $3,324,000 respectively, for open-end consumer lines.

Note 13: Noninterest Income

Noninterest income consists of the following:

	12/31/2022	12/31/2021
FHLB dividends	$ 936	$ 2,455
SBA loan premium	17,567	6,481
Interchange income	18,912	14,016
Service charges and fees	15,461	14,864
Other	10,872	13,769
	$ 63,748	$ 51,585

Note 14: Other Noninterest Expense

Other noninterest expense consists of the following:

	12/31/2022	12/31/2021
Data processing	$ 162,376	$ 147,638
Group insurance	29,136	24,373
Advertising	5,552	11,805
Insurance	46,102	49,199
Taxes and licenses	58,674	50,008
Miscellaneous	196,306	203,120
	$ 498,146	$ 486,143

Note 15: Subsequent Events

Subsequent events have been evaluated through March 16, 2023 which is the date the financial statements were issued.

Shareholder Information

Annual meeting
The annual meeting of stockholders of Systematic Savings Bank will be held on Wednesday, May 17, 2023, at 1:30 p.m., Central Time. The meeting location will be the Bank's headquarters at 318 South Ave, Springfield, MO 65806.

Stock Listing
The Company's stock is traded on the Over-The-Counter-Bulletin Board under the symbol "SSSB." The stock began trading on the Bulletin Board in October 2020.

Price Range of Common Stock and Stockholders
The Stock has not traded at this time.
As of December 31, 2022, the Bank had approximately 82 shareholders of record.

Code of Ethics
A copy of the Bank's Code of Ethics can be found on the Bank's website www.mysystematic.com.

Annual Reports
We are required to file an annual report and 10-k for the fiscal year ended December 31, 2022. Copies of these, and quarterly reports, may be obtained from inquires to Derek Fraley of Systematic Savings Bank

General Inquiries
Derek Fraley
CEO
318 South Ave
Springfield, MO 65804
417-862-5036

Special Counsel
Breyer & Associates PC
8180 Greensboro Drive
Suite 785
McLean, VA 22102

Transfer Agent
Pacific Stock Transfer Company
6725 Via Austi Pkwy, Suite300
Las Vegas, Nevada 89119

Independent Auditors
FORVIS
910 St. Louis
Springfield, MO 65806

Board of Directors

Derek Fraley
Chairman
Systematic Savings Bank
Springfield, MO

Brad Weaver
Chief Loan Officer
Systematic Savings Bank
Springfield, MO

Trevor Crist
CEO
Nixon & Lindstrom Insurance
Springfield, MO

Dianna Devore
Owner/President
Design Fabrication
Springfield, MO

Kim Kollmeyer
Partner
Kollmeyer and Company
Springfield, MO

Jeff Seifried
Owner
Blackwells
Springfield, MO

Ryan DeBoef
Partner
Hahn | DeBoef Government Relations
Springfield, MO

	Code of Conduct Policy	**Board Approved:** February 22, 2023 **Updated:** February 17, 2021 **Dept. Accountability:** EMC **Individual Accountability:** HR Officer

CORPORATE STATEMENT

The activities of Systematic Savings Bank (Bank) are affected by various laws and regulations, as well as its responsibilities to its members, employees and the community in which it serves. The Code of Conduct Policy provides the avenue for ensuring that the conduct of its employees is consistent with the institution's corporate responsibilities.
This Code sets standards by which all employees must conduct themselves. "Employees" within this policy includes all directors, officers, and staff.

CONFLICT OF INTEREST

The Bank's reputation for integrity is its most valuable asset and is directly affected by the conduct of its employees. Employees must not advance their own personal or business interests, or those of others with whom they have a personal or business relationship, at the expense of the Bank.

If an employee has an interest in a matter or transaction before the Board, they must:
- Disclose all material non-privileged information relevant to the board's decision
- Refrain from participating in the Board's discussion of the matter
- Recuse yourself from voting on the matter (if you are a director)

Each employee represents the Bank and is obligated to act in the company's best interest, and in the best interest of its members. Employees are expected to recognize and avoid situations where personal or financial interest or relationships might influence or appear to influence the employee's judgment on matters affecting the Bank.

Although employees may not intend to create a conflict of interest, they should manage their affairs to avoid even the appearance of such a conflict. If an employee has any doubt about a situation, they should contact their supervisor to discuss it immediately.

CONFIDENTIAL INFORMATION

The unauthorized use or release of confidential information during or after employment with the Bank is a breach of this Code of Conduct Policy. Confidential information with respect to the Bank, its members, prospective customers, suppliers, and employees acquired in the course of business is to be used solely for corporate purposes and never to be discussed with or divulged to unauthorized people. The need for confidentiality extends to everyone, including family, friends and acquaintances.

Confidential information includes, but is not limited to:
- Customer loan or deposit account balances and credit ratings
- Corporate financial information that would not be considered public knowledge
- Corporate policies, objectives, goals and strategies, vendors
- Employee records

ACCOUNTING AND FINANCIAL INFORMATION

The Bank maintains the highest standards in preparing the accounting and financial information disclosed to the public. There should never be issued any information that is false, misleading, incomplete, or data which would lead to mistrust by the public or our members.

EMBEZZLEMENT, THEFT, AND MISAPPLICATION OF FUNDS

Each employee is held responsible for maintaining accurate and complete records. Anyone who embezzles, steals, or willfully misappropriates any monies, funds, or credits of the Bank is subject to the loss of their position, along with a fine, imprisonment or both.

RELATIONSHIP WITH THE MEDIA

A relationship with the media is an important one that affects our image in the community. Employees should refer all questions or requests for information from reporters or other media representatives to the Bank's Chairman of the Board or the Bank's President to ensure consistency and accuracy of information.

GIFTS OF VALUE

It is a federal crime for any employee of a financial institution to corruptly solicit for the benefit of any person anything of value from anyone in return for any business, service or confidential information, intending to be influenced or rewarded, either before or after a transaction is discussed or consummated. This solicitation is meant for the receiving or the giving of a valuable commodity, either directly or indirectly. Systematic Savings Bank has made the decision that any "gift" in excess of $500 is to be brought before the compliance committee or management team for determination of how the gift should be handled.

Things of value exchanged between family members or social friends are not covered by this policy, if they are exchanged solely because of the relationship and not in connection with a business transaction.

ESTATE MATTERS

No employee or member of an employee's family may accept any benefit under a will or trust instrument of a customer of the Bank. No employee or member of an employee's family may act in any fiduciary capacity under a will, trust, or other instrument of a customer of the Bank unless prior senior management approval has been obtained, after consultation with legal counsel. These restrictions do not cover estate documents for the employees' family.

OUTSIDE ACTIVITIES

Employees' outside activities must not interfere or conflict with the interest of the Bank. Acceptance of outside employment, outside speaking engagements, election to the board of directors of other organizations, and participation in activities on behalf of outside organizations or in political activities represent potential conflicts of interest.

Other employment opportunities are permissible, but discouraged. Employees should not engage in outside employment that would adversely affect the quality of work that must be devoted to their duties at the Bank. Employees must disclose all outside employment to senior management and obtain prior approval.

Outside activities should not compete or conflict with the activities of the Bank; involve any use of company equipment, supplies, or facilities; imply the Bank's support; or adversely affect the Bank's reputation.

SOUND PERSONAL FINANCES

The manner in which employees manage their personal finances can affect on-the-job performance and the Bank's image in the community. Therefore, employees must avoid any circumstances that may lead to financially embarrassing situations. Employees should borrow only from financial institutions that regularly lend money and with no favored treatment as to interest rate, terms, security, repayment terms and penalties.

In the event an employee overdraft occurs, an email notification will be sent to the Department Manager and Chief Operations Officer. Employee accounts should not be overdrawn more than five consecutive days. If an employee has insufficient funds six times in a six month period or twice in excess of $1,000, disciplinary action up to and including termination will be taken. Directors and Executive Officers accounts are governed by the Regulation O – Loans to Insiders Policy. In all cases, employees will be charged an overdraft fee as outlined in the Bank Fee Schedule disclosure.

CODE OF CONDUCT VIOLATIONS

If an employee believes they will be in violation of this Policy, the employee must disclose the facts of the situation to their supervisor. Failure to do so is a breach of this Code. Disclosure should always be in writing, and a written response to the employee should be given by senior management.

Any employee who knowingly violates any section of this Policy is subject to disciplinary action, up to and including termination. Suspicions of Code of Conduct violations and/or other criminal activity or business abuses should be reported immediately to the President. Violations can result in civil or criminal penalties under federal securities laws, both for the individual concerned and for the Bank.

ACKNOWLEDGMENT

Every employee will be required to sign a statement that they have read this policy and understand all the provisions and agrees to abide by them. By reviewing and approving this policy annually, the Board of Directors also agrees to abide by all the provisions.

<u>Exhibit 31.1</u>
Certification Required
By Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934

I, Derek Fraley, certify that:

1. I have reviewed this Annual Report on Form 10-K 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(s) 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 annual 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 the 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 fiscal fourth 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(s) 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 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 controls 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: March 20, 2023

/s/ Derek Fraley
Derek Fraley
Chief Executive Officer

Exhibit 32

CERTIFICATION PURSUANT TO

18 U.S.C. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned herby certifies in his capacity as an officer of Systematic Savings Bank ("Systematic") pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 and in connection with this Annual Report on Form 10-K that:

1. the report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. the information contained in the report fairly presents, in all material respects, Systematic's financial condition and results of operations as of the dates and for the periods presented in the financial statements included in such report.

/s/ Derek Fraley
Derek Fraley
Chief Executive Officer

Dated: March 20, 2023

/s/ Derek Fraley
Derek Fraley
Chief Financial Officer

Dated: March 20, 2023