

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2023  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to  
Commission File Number: 001-41844

**Central Plains Bancshares, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**221 South Locust Street  
Grand Island, NE**

(Address of principal executive offices)

**93-2239246**

(I.R.S. Employer  
Identification No.)

**68801**

(Zip Code)

**Registrant's telephone number, including area code: (308) 382-4000**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	None	None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. (1) Yes  No  (2) 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 13, 2023, the registrant had 4,130,815 shares of common stock, \$0.01 par value per share, outstanding.

Table of Contents

	Page	
<b>PART I.</b>	<b>FINANCIAL INFORMATION</b>	1
Item 1.	<a href="#">Financial Statements (Unaudited)</a>	1
	<a href="#">Condensed Consolidated Balance Sheets</a>	1
	<a href="#">Condensed Consolidated Statements of Operations</a>	2
	<a href="#">Condensed Consolidated Statements of Comprehensive Income (Loss)</a>	3
	<a href="#">Condensed Consolidated Statements of Cash Flows</a>	4
	<a href="#">Notes to Unaudited Condensed Consolidated Financial Statements</a>	5
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	27
Item 3.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	37
Item 4.	<a href="#">Controls and Procedures</a>	38
<b>PART II.</b>	<b>OTHER INFORMATION</b>	39
Item 1.	<a href="#">Legal Proceedings</a>	39
Item 1A.	<a href="#">Risk Factors</a>	39
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	39
Item 3.	<a href="#">Defaults Upon Senior Securities</a>	39
Item 4.	<a href="#">Mine Safety Disclosures</a>	39
Item 5.	<a href="#">Other Information</a>	39
Item 6.	<a href="#">Exhibits</a>	40
	<a href="#">Signatures</a>	41

**Explanatory Note**

Central Plains Bancshares, Inc. (the "Company") was formed to serve as the holding company for Home Federal Savings and Loan Association of Grand Island and Subsidiary (the "Association"), into the stock form of organization, which was completed on October 19, 2023. As of September 30, 2023, the reorganization had not been completed and the Company had no assets or liabilities and had not conducted any business activities other than organizational activities.

The conversion was completed October 19, 2023. Information included in this quarterly report subsequent to that date reflect the consolidated operations of the Company.

The unaudited financial statements should be read in conjunction with the audited financial statements, and related notes, of Home Federal Savings and Loan Association of Grand Island and Subsidiary at and for the year ended March 31, 2023 contained in the Company's prospectus dated August 14, 2023 (the "Prospectus"), as filed with the Securities and Exchange Commission pursuant to Securities Act Rule 424(b)(3) on August 24, 2023.

## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

HOME FEDERAL SAVINGS AND LOAN ASSOCIATION OF GRAND ISLAND AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(dollars in thousands)

	As of September 30, 2023 (unaudited)	As of March 31, 2023 (audited)
<b>Assets</b>		
Cash and due from banks	\$ 5,620	\$ 7,915
Interest-bearing deposits in other banks	15,765	8,648
Total cash and cash equivalents	21,385	16,563
Investment securities - Available for sale	54,654	57,842
Investment securities - Held to maturity	349	422
Loans - Net of allowance of \$5,657 and \$5,412, respectively	361,415	348,337
Accrued interest receivable	2,048	1,727
Federal Home Loan Bank (FHLB) stock - At cost	584	563
Premises and equipment - Net	4,040	4,104
Deferred income taxes	3,851	3,292
Mortgage servicing rights	417	434
Other assets	5,176	4,508
<b>Total assets</b>	<b>\$ 453,919</b>	<b>\$ 437,792</b>
<b>Liabilities and Equity</b>		
Noninterest bearing deposits	\$ 102,130	\$ 73,248
Interest bearing deposits	304,964	317,704
Total deposits	407,094	390,952
Pension liability	2,232	2,310
Advances from borrowers for taxes and insurance	993	1,719
Accrued interest payable	1,500	668
Accounts payable, accrued expenses and other liabilities	3,618	3,477
Total liabilities	415,437	399,126
Accumulated other comprehensive loss	(6,808)	(5,107)
Retained earnings	45,290	43,773
Total equity	38,482	38,666
<b>Total liabilities and equity</b>	<b>\$ 453,919</b>	<b>\$ 437,792</b>

See accompanying notes to unaudited consolidated financial statements.

**HOME FEDERAL SAVINGS AND LOAN ASSOCIATION OF GRAND ISLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(dollars in thousands)  
(unaudited)

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2023	2022	2023	2022
<b>Interest and dividend income:</b>				
Loans—including fees	\$ 4,589	\$ 3,600	\$ 8,909	\$ 6,822
Investment securities	399	372	787	716
FHLB stock	7	10	14	12
Federal funds sold	38	58	89	65
Total interest and dividend income	5,033	4,040	9,799	7,615
<b>Interest expense:</b>				
Deposits	1,518	423	2,880	691
Borrowings under Federal Home Loan Bank (FHLB) advances	33	97	102	117
Total interest expense	1,551	520	2,982	808
Net interest income before provision (credit) for credit losses	3,482	3,520	6,817	6,807
Provision (credit) for credit losses	(60)	168	(92)	320
Net interest income after provision (credit) for credit losses	3,542	3,352	6,909	6,487
<b>Noninterest income:</b>				
Servicing fees on loans	76	68	162	143
Service charges on deposit accounts	198	172	385	326
Interchange income	294	270	599	558
Gain on sale of loans	72	64	113	81
Gain from real estate owned and other repossessed assets, net	3	—	4	—
Other	38	135	65	167
Total noninterest income	681	709	1,328	1,275
<b>Noninterest expense:</b>				
Salaries and employee benefits	1,624	1,544	3,188	3,097
Occupancy and equipment	259	258	501	496
Data processing	464	383	907	862
Federal deposit insurance premiums	67	36	148	76
Debit card processing	64	55	124	111
Advertising	90	92	158	166
Other general and administrative expenses	423	415	801	810
Total noninterest expense	2,991	2,783	5,827	5,618
Income before income tax expense	1,232	1,278	2,410	2,144
Income tax expense	259	206	491	397
Net income	<u>\$ 973</u>	<u>\$ 1,072</u>	<u>\$ 1,919</u>	<u>\$ 1,747</u>

See accompanying notes to unaudited consolidated financial statements.

**HOME FEDERAL SAVINGS AND LOAN ASSOCIATION OF GRAND ISLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(dollars in thousands)  
(unaudited)

	For the Three Months Ended September 30,	
	2023	2022
Net income	\$ 973	\$ 1,072
Other comprehensive (loss):		
Unrealized holding losses arising during the period on available-for-sale securities	(1,513)	(1,966)
Minimum pension liability adjustment	—	20
Other comprehensive loss, before tax	(1,513)	(1,946)
Income tax benefit for other comprehensive loss	318	409
Total other comprehensive loss - net of tax	(1,195)	(1,537)
Comprehensive loss	<u>\$ (222)</u>	<u>\$ (465)</u>

	For the Six Months Ended September 30,	
	2023	2022
Net income	\$ 1,919	\$ 1,747
Other comprehensive (loss):		
Unrealized holding losses arising during the period on available-for-sale securities	(2,155)	(4,051)
Minimum pension liability adjustment	—	40
Other comprehensive loss, before tax	(2,155)	(4,011)
Income tax benefit for other comprehensive loss	454	844
Total other comprehensive loss - net of tax	(1,701)	(3,167)
Comprehensive income (loss)	<u>\$ 218</u>	<u>\$ (1,420)</u>

See accompanying notes to unaudited consolidated financial statements.

**HOME FEDERAL SAVINGS AND LOAN ASSOCIATION OF GRAND ISLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(dollars in thousands)  
(unaudited)

	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance—March 31, 2022	\$ (3,725)	\$ 42,127	\$ 38,402
Net income	—	675	675
Other comprehensive loss - net of tax	(1,630)	—	(1,630)
Balance—June 30, 2022	<u>\$ (5,355)</u>	<u>\$ 42,802</u>	<u>\$ 37,447</u>
Net income	—	1,072	1,072
Other comprehensive loss - net of tax	(1,537)	—	(1,537)
Balance—September 30, 2022	<u>\$ (6,892)</u>	<u>\$ 43,874</u>	<u>\$ 36,982</u>
Balance—March 31, 2023	\$ (5,107)	\$ 43,773	\$ 38,666
Adoption of ASU 326 credit losses	—	(402)	(402)
Net income	—	946	946
Other comprehensive loss—net of tax	(506)	—	(506)
Balance—June 30, 2023	<u>\$ (5,613)</u>	<u>\$ 44,317</u>	<u>\$ 38,704</u>
Net income	—	973	973
Other comprehensive loss—net of tax	(1,195)	—	(1,195)
Balance—September 30, 2023	<u>\$ (6,808)</u>	<u>\$ 45,290</u>	<u>\$ 38,482</u>

See accompanying notes to unaudited consolidated financial statements.

**HOME FEDERAL SAVINGS AND LOAN ASSOCIATION OF GRAND ISLAND AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in thousands)  
(unaudited)

	Six Months Ended September 30,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net income	\$ 1,919	\$ 1,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	248	227
Gain on sale of loans	(113)	(81)
Amortization of premium and accretion of discount on securities	99	178
Deferred income tax benefit	(559)	(1,067)
(Recovery) provision for credit losses	(92)	320
Origination of loans held for sale	(6,711)	(4,399)
Proceeds from sales of loans held for sale	6,824	4,480
Contributions to pension plan	300	300
Change in assets and liabilities:		
Accrued interest receivable	(321)	(198)
Mortgage servicing rights	17	65
Other assets	(668)	603
Accrued interest payable	832	16
Accounts payable, accrued expenses and other liabilities	(186)	737
Net cash provided by operating activities	1,589	2,928
<b>Cash flows from investing activities</b>		
Net change in loans	(12,986)	(34,847)
Purchase of investment securities available for sale	(3,799)	—
Principal paydowns from investment securities available for sale	4,734	7,321
Principal paydowns from investment securities held to maturity	73	65
Purchase of FHLB stock	(21)	(635)
Purchase of premises and equipment	(184)	(96)
Net cash used in investing activities	(12,183)	(28,192)
<b>Cash flows from financing activities</b>		
Net change in deposits	16,142	2,591
Proceeds from short-term FHLB advances	—	11,700
Net change in advances from borrowers for taxes and insurance	(726)	(849)
Net cash provided by financing activities	15,416	13,442
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,822</b>	<b>(11,822)</b>
Cash and cash equivalents—beginning of period	16,563	18,979
<b>Cash and cash equivalents—end of period</b>	<b>\$ 21,385</b>	<b>\$ 7,157</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for taxes	\$ 400	\$ 225
Cash paid for interest	\$ 2,150	\$ 792

See accompanying notes to unaudited consolidated financial statements.

**HOME FEDERAL SAVINGS AND LOAN ASSOCIATION OF GRAND ISLAND AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(dollars in thousands)**  
**(unaudited)**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**—Central Plains Bancshares, Inc. (the “Company”) was formed to serve as the holding company for Home Federal Savings and Loan Association of Grand Island and Subsidiary (the “Association”), into the stock form of organization, which was completed on October 19, 2023. As of September 30, 2023, the reorganization had not been completed and the Company had no assets or liabilities and had not conducted any business activities other than organizational activities. As of September 30, 2023, Central Plains Bancshares, Inc. had received \$35.5 million from potential investors in connection with the stock offering. These funds were held in a deposit account at the Bank. Accordingly, the unaudited financial statements, as well as other financial information at or prior to October 19, 2023, contained in this Quarterly Report on Form 10-Q relate solely to the consolidated financial results of Home Federal Savings and Loan Association of Grand Island and Subsidiary.

The Company completed its stock offering on October 19, 2023. The Company sold 4,130,815 shares of common stock at \$10.00 per share in its subscription offering for gross proceeds of approximately \$41.3 million. Shares of the Company’s common stock began trading on October 20, 2023 on the Nasdaq Capital Market under the trading symbol “CPBI.”

The consolidated financial statements include the accounts of the Association and First Service Corporation, a wholly owned subsidiary. All intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Home Federal Savings and Loan Association of Grand Island d.b.a. Home Federal Bank (the “Association”) is a federally chartered mutual savings and loan association whose primary business is providing mortgage, consumer, commercial real estate, and commercial loans in the Grand Island, Nebraska area, with additional lending opportunities through the Association’s participation network of banks in Nebraska and other states, and acquiring consumer and commercial deposits to fund these investments.

All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates**—In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Significant estimates that are particularly susceptible to change in the near term relate to the determination of the allowance for loan losses, the determination of the pension liability, as well as the fair value measurements of investment securities. As with any estimate, actual results could differ from those estimates.

**Accounting Developments**—In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*,” also known as Current Expected Credit Losses, or CECL. ASU 2016-13 was issued to provide financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date to enhance the decision making process. The CECL model utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized.

The Association adopted ASC 326 and all related subsequent amendments thereto effective April 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment for the adoption of CECL resulted in an increase in the allowance for credit losses on loans of \$299, which is presented as a reduction to net loans outstanding, and the establishment of an allowance for credit losses on unfunded loan commitments of \$210, which is recorded within accounts payable, accrued expenses and other liabilities on the consolidated statement of financial condition. The Association recorded a net decrease to retained earnings of \$402, as of April 1, 2023 for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods

beginning after April 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards ("Incurred Loss").

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this update eliminate the accounting guidance and related disclosures for troubled debt restructurings (TDRs) by creditors in Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and requiring an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*. The Association adopted the amendments in this update on April 1, 2023, and is applying the amendments prospectively with the exception of the recognition and measurement of existing TDRs for which the entity has elected to apply a modified retrospective transition method.

#### **Allowance for Credit Losses**

The allowance for credit losses ("ACL") is an estimate of the expected credit losses on the loans held for investment, unfunded loan commitments, held to maturity securities, and available-for-sale debt securities portfolios.

*Allowance for Credit Losses on Loans*—The ACL is maintained by management at a level believed adequate to absorb estimated credit losses that are expected to occur within the existing loan portfolio through their contractual terms adjusted for expected prepayments. The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on loans. Determination of the ACL is inherently subjective in nature since it requires significant estimates and management judgment, and includes a level of imprecision given the difficulty of identifying and assessing the factors impacting loan repayment and estimating the timing and amount of losses. While management utilizes its best judgment and information available, the ultimate adequacy of the ACL is dependent upon a variety of factors beyond the Association's direct control, including, but not limited to, the performance of the loan portfolio, consideration of current economic trends, changes in interest rates and property values, estimated losses on pools of homogeneous loans based on an analysis that uses historical loss experience for prior periods that are determined to have like characteristics with the current period such as pre-recessionary, recessionary, or recovery periods, portfolio growth and concentration risk, management and staffing changes, the interpretation of loan risk classifications by regulatory authorities and other credit market factors.

The ACL methodology consists of measuring loans on a collective (pool) basis when similar risk characteristics exist. The Association has identified seven portfolio segments and measures the ACL using the Scaled CECL Allowance for Losses Estimator ("SCALE") method. The loan portfolios are real estate – construction, real estate – commercial, real estate – residential, commercial, agriculture, other consumer and land development/sanitary improvement districts (SIDS). The SCALE method uses publicly available data from Schedule RI-C of the Call Report to derive the initial proxy expected lifetime loss rates. These proxy expected lifetime loss rates are then adjusted for Association-specific facts and circumstances to arrive at the final ACL estimate that adequately reflects the Association's loss history and credit risk within our portfolio.

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

- The nature and volume of the Association's financial assets;
- The existence, growth, and effect of any concentration of credit;
- The volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets;
- The value of the underlying collateral for loans that are non-collateral-dependent;
- The Association's lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries;
- The quality of the Association's credit review function;
- The experience, ability, and depth of the Association's lending, investment, collection, and other relevant management and staff;

- The effect of other external factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters; and
- Actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the Association operates that affect the collectability of financial assets.

The impact of the above listed internal and external qualitative and credit market risk factors is assessed within predetermined ranges to adjust the ACL totals calculated.

In addition to the pooled analysis performed for the majority of our loan and commitment balances, we also review those loans that have collateral dependency or nonperforming status which requires a specific review of that loan, per our individually analyzed CECL calculations.

Loans are charged off against the ACL when management believes the uncollectability of a loan balance is confirmed, while recoveries of amounts previously charged-off are credited to the ACL. Approved releases from previously established ACL reserves authorized under our ACL methodology also reduce the ACL. Additions to the ACL are established through the provision for credit losses on loans, which is charged to expense.

The Association's ACL methodology is intended to reflect all loan portfolio risk, but management recognizes the inability to accurately depict all future credit losses in a current ACL estimate, as the impact of various factors cannot be fully known. Accrued interest receivable on loans is excluded from the amortized cost basis of financing receivables for the purpose of determining the allowance for credit losses.

*Allowance for Credit Losses on Unfunded Loan Commitments*—The Association estimates expected credit losses over the contractual period in which the Association is exposed to credit risk by a contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the Association. The ACL related to off-balance sheet credit exposures, which is recorded within accounts payable, accrued expenses and other liabilities on the consolidated statement of financial condition, is estimated at each balance sheet date under the CECL model, and is adjusted as determined necessary through the provision for credit losses on the consolidated statement of income. The estimate for ACL on unfunded loan commitments includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

*Allowance for Credit Losses on Securities Available-for-Sale*—For available-for-sale debt securities in an unrealized loss position, the Association *first* assesses whether it intends to sell, or it is more likely than *not* that it will sell, the security before recovery of its amortized cost basis. If either of the aforementioned criteria exists, the Association will record an ACL related to securities available-for-sale with an offsetting entry to the provision for credit losses on securities on the income statement. If either of these criteria does *not* exist, the Association will evaluate the securities individually to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors, such as market interest rate fluctuations.

In evaluating securities available-for sale for potential impairment, the Association considers many factors, including the financial condition and near-term prospects of the issuer, which for debt securities considers external credit ratings and recent downgrades; and its ability and intent to hold the security for a period of time sufficient for a recovery in value. The Association also considers the extent to which the securities are issued by the federal government or its agencies, and any guarantee of issued amounts by those agencies. The amount of the impairment related to other factors is recognized in other comprehensive income (loss).

*Allowance for Credit Losses on Held-to Maturity Securities*—The allowance for credit losses on held-to-maturity debt securities is estimated using a CECL methodology. Any expected credit loss is provided through the allowance for credit loss on held-to-maturity securities and is deducted from the amortized cost basis of the security so that the balance sheet reflects the net amount the Association expects to collect. Nearly all the Association's HTM debt securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, there is a zero-credit loss expectation on these securities.

**Allowance for Loan Losses (Prior to April 1, 2023)**—The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolio. Additions to the allowance are recorded in the provision for loan losses charged to expense. Charge-offs, net of recoveries, are deducted from the allowance. The allowance estimate is based on prior experience, the nature and volume of the loan portfolio, review of specific problem loans, and an evaluation of the overall portfolio quality under current economic conditions. Specific reserves for impaired loans are measured and recognized to the extent that the recorded investment of an impaired loan exceeds its value based on either the fair value of the loan's underlying collateral less estimated costs to sell, the calculated present value of projected cash flows discounted at the contractual interest rate, or the loan's observable fair value.

The Association's allowance for loan losses consists of various methodologies to determine impairment: (a) loans individually evaluated for impairment are evaluated based upon a specific identified probable loss, and (b) loans collectively evaluated for impairment are evaluated based on historical loan loss experience for similar loans with similar characteristics, adjusted to reflect the impact of current conditions. Factors considered in determining the adjustment for current conditions include the following: (a) changes in asset quality, (b) composition and concentrations of credit risk, and (c) the impact of economic risks on the portfolio.

In determining the allowance for loan losses, management considers factors such as economic and business conditions affecting key lending areas, credit concentrations and credit quality trends. Since the evaluation of the inherent loss with respect to these factors is subject to a higher degree of uncertainty, the measurement of the overall allowance is subject to estimation risk and the amount of actual losses can vary significantly from the estimated amounts. The Association's measurement methods incorporate comparisons between recent experience and historical rates.

Loans are generally secured by underlying real estate, business assets, personal property and personal guarantees. The amount of collateral obtained is based upon management's evaluation of the borrower.

The Association periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a TDR.

A loan is considered impaired when it is probable that all principal and interest amounts due will not be collected in accordance with the loan's contractual terms. Except for TDRs, consumer loans within any class are generally not individually evaluated on a regular basis for impairment. All TDRs, regardless of the outstanding balance amount, are considered to be impaired.

The allowance established for probable losses on specific loans is based on a periodic analysis and evaluation of classified loans. Specific reserves for impaired loans are measured and recognized to the extent that the recorded investment of an impaired loan exceeds its value based on either the fair value of the loan's underlying collateral less costs to sell, the calculated present value of projected cash flows discounted at the contractual effective interest rate or the loan's observable fair value.

**Cash and Cash Equivalents**—Cash and cash equivalents include cash on hand, federal funds sold, demand deposits at other financial institutions, and short-term investments with maturities when purchased, of three months or less.

**Investment Securities**—Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Securities not classified as held to maturity are classified as available for sale and recorded at fair value, with unrealized gains and losses on a net-of-tax basis excluded from earnings and reported in other comprehensive income. The fair value of a security is determined based on quoted market prices. If quoted market prices are not available, fair value is determined based on quoted market prices of similar instruments or discounted cash flow models that incorporate market inputs and assumptions including discount rates, prepayment speeds, and loss rates. The Association did not have any securities classified as trading at September 30, 2023 and March 31, 2023.

Purchased premiums and discounts are amortized and accreted to the earlier of call or maturity of the related security using the effective interest method. Realized gains and losses on the sale of securities are recognized on the specific identification method in the statements of income.

For periods prior to April 1, 2023, management monitored securities for other-than-temporary-impairment (OTTI). If the Association intends to sell the security or will more likely than not be required to sell the security before recovery of the entire amortized cost basis, then an OTTI has occurred. However, even if the Association does not intend to sell the security and will not likely be required to sell the security before recovery of its entire amortized cost basis, the Association must evaluate expected cash flows to be received to determine if a credit loss has occurred. In the event of a credit loss, the credit component of the impairment is recorded as a loss in the statement of income and the non-credit component is recognized through other comprehensive income (loss).

**Federal Home Loan Bank Stock**—As a member of the Federal Home Loan Bank of Topeka (FHLB), the Association is required to maintain an investment in the capital stock of the FHLB. For financial reporting purposes, such stock is carried at cost, which approximates fair value, based on the redemption provisions.

**Loans Held for Sale**—Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are generally sold with servicing rights retained. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related mortgage loan sold, which is reduced by the cost allocated to the servicing right. The Association generally locks in the sale price to the purchaser of the mortgage loan at the same time an interest rate commitment is made to the borrower.

**Loans**—Loans that management has the intent and ability to hold for the foreseeable future are stated at the amount of unpaid principal less an allowance for loan losses and any deferred fees or costs on originated loans. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The accrual of interest on loans is discontinued when management believes that the borrower may be unable to make payments as scheduled, generally when a loan becomes contractually delinquent for three months or more. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent that cash payments are received in excess of principal due. Loan origination fees and commitment fees offset by certain direct loan origination costs are deferred and recognized over the contractual life of the loan as a yield adjustment.

**Mortgage Servicing Rights**—Mortgage servicing rights are established based on the allocated fair value of servicing rights retained on loans originated by the Association and subsequently sold in the secondary market. Mortgage servicing rights are amortized into servicing fees on loans on the consolidated statements of income in proportion to, and over the period of, the estimated net servicing income and are evaluated for impairment based on their fair value. Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Association are initially measured at fair value at the date of transfer. The Association has elected to subsequently measure the mortgage servicing rights using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with other noninterest expense on the income statement.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

**Premises and Equipment**—Office properties and equipment are carried at cost less accumulated depreciation. Depreciation is computed based on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 15 years. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Costs incurred for maintenance and repairs are expensed as incurred. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be recoverable.

**Leases**—Lease expense for operating and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term. When the rate implicit in the lease is unknown, the present value of the lease payments is determined using our incremental borrowing rate based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

**Revenue Recognition**—Most of the Association's revenue is not subject to ASC 606, Revenue from Contracts with Customers, including net interest income, fees related to loans and loan commitments, gain on derivatives, and gain on sales of loans and securities.

Under ASC 606, the Association must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue when (or as) the performance obligation(s) are satisfied. The core principle under ASC 606 requires the Association to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Association generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are

rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

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

**Retirement Plans**—Pension expense is the net of service and interest cost, return on plan assets, and amortization of gains and losses not immediately recognized. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

**Interest Rate Risk**—The Association is a mutual savings bank engaged principally in originating and investing in first mortgage loans, consumer loans to individuals, agricultural loans and commercial loans to businesses primarily in Grand Island, Nebraska. These loans are funded primarily with short-term liabilities that have interest rates that vary with market rates over time. The earnings of the Association are exposed to interest rate risk largely because of the mismatch between the repricing intervals of its assets and liabilities.

To reduce interest rate risk the Association has employed the strategy of selling a majority of the single family fixed-rate home loans the Association originates into the secondary market. The Association holds any adjustable-rate single family home loans in their portfolio. In addition, the commercial loans the Association originates and maintains in its portfolio are either tied to some variant of Wall Street Journal Prime (WSJP) and adjust as WSJP adjusts or they contain shorter term call dates (typically three or five years) when amortized over longer periods of time. The consumer portfolio has three-to-five-year amortized terms which mitigate long term interest rate exposure in this portfolio.

**Income Taxes**—The Association and its subsidiary file consolidated income tax returns. Income taxes are accounted for using an asset and liability method. Deferred tax liabilities or assets are recognized for the estimated future tax effects attributable to operating loss and tax credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using the currently enacted tax rates expected to apply in the year in which those temporary differences are expected to be recovered or settled. If needed, a valuation allowance is recorded to reduce deferred tax assets to the amount expected to be realized. The Association recognizes tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon settlement. A liability for unrecognized tax benefits is recorded for any tax benefits claimed in tax returns that do not meet these recognition and measurement standards. The Association recognizes both interest and penalties (if applicable) as a component of income tax expense.

**Comprehensive Income**—Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and minimum pension liability adjustments, are reported as a separate component of the equity section of the consolidated statements of financial condition; such items, along with net income, are components of comprehensive income, net of tax.

**Financial Instruments and Loan Commitments**—Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments, such as standby letters of credit, that are considered financial guarantees are recorded at fair value.

**NOTE 2 - INVESTMENT SECURITIES**

The following is a summary of investment securities at September 30, 2023 and March 31, 2023:

(dollars in thousands)

	September 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available-for-Sale</b>				
FHLMC bonds	\$ 25,564	\$ 7	\$ (3,059)	\$ 22,512
GNMA bonds	3,761	—	(98)	3,663
FNMA bonds	24,465	14	(3,080)	21,399
Municipal bonds	8,991	—	(1,911)	7,080
<b>Total</b>	<u>\$ 62,781</u>	<u>\$ 21</u>	<u>\$ (8,148)</u>	<u>\$ 54,654</u>

**Held-to-Maturity**

FHLMC bonds	\$ 95	\$ —	\$ (1)	\$ 94
GNMA bonds	65	—	(2)	63
FNMA bonds	189	—	(3)	186
<b>Total</b>	<u>\$ 349</u>	<u>\$ —</u>	<u>\$ (6)</u>	<u>\$ 343</u>

(dollars in thousands)

	March 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available-for-Sale</b>				
FHLMC bonds	\$ 25,446	\$ 13	\$ (2,203)	\$ 23,256
GNMA bonds	2,648	—	(58)	2,590
FNMA bonds	26,726	17	(2,453)	24,290
Municipal bonds	8,994	1	(1,289)	7,706
<b>Total</b>	<u>\$ 63,814</u>	<u>\$ 31</u>	<u>\$ (6,003)</u>	<u>\$ 57,842</u>

**Held-to-Maturity**

FHLMC bonds	\$ 116	\$ —	\$ (2)	\$ 114
GNMA bonds	74	—	(1)	73
FNMA bonds	232	1	(4)	229
<b>Total</b>	<u>\$ 422</u>	<u>\$ 1</u>	<u>\$ (7)</u>	<u>\$ 416</u>

[Table of Contents](#)

The fair value and gross unrealized losses on the Association's available-for-sale investment securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2023 and March 31, 2023, are as follows:

(dollars in thousands)

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>September 30, 2023</b>						
<b>Available-for-Sale</b>						
FHLMC bonds	\$ 2,709	\$ (132)	\$ 18,126	\$ (2,927)	\$ 20,835	\$ (3,059)
GNMA bonds	1,380	(19)	2,283	(79)	3,663	(98)
FNMA bonds	1,461	(13)	17,340	(3,067)	18,801	(3,080)
Municipal bonds	1,582	(137)	5,197	(1,774)	6,779	(1,911)
<b>Total</b>	<b>\$ 7,132</b>	<b>\$ (301)</b>	<b>\$ 42,946</b>	<b>\$ (7,847)</b>	<b>\$ 50,078</b>	<b>\$ (8,148)</b>

	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>March 31, 2023</b>						
<b>Available-for-Sale</b>						
FHLMC bonds	\$ 4,714	\$ (133)	16,482	(2,070)	\$ 21,196	\$ (2,203)
GNMA bonds	2,576	(57)	14	(1)	2,590	(58)
FNMA bonds	4,315	(78)	17,027	(2,375)	21,342	(2,453)
Municipal bonds	—	—	5,688	(1,289)	5,688	(1,289)
<b>Total</b>	<b>\$ 11,605</b>	<b>\$ (268)</b>	<b>\$ 39,211</b>	<b>\$ (5,735)</b>	<b>\$ 50,816</b>	<b>\$ (6,003)</b>

The unrealized losses at September 30, 2023 are related to mortgage-backed securities and municipal bonds. Government-sponsored enterprises, such as the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association, have an implied guarantee by the U.S. government. At September 30, 2023, all of the mortgage-backed securities held by the Association were issued by U.S. government-sponsored entities and agencies. The issuers continue to make timely principal and interest payments on the mortgage-backed securities.

Unrealized losses on municipal bonds have not been recognized into income because the issuers' bonds are high credit quality, the Association does not intend to sell and it is likely that the Association will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

At September 30, 2023 and March 31, 2023, investment securities with amortized cost of \$41,687, and \$34,149, respectively, and estimated fair value of \$37,030 and \$31,935, respectively, were pledged to secure public, consumer, and commercial deposits.

The amortized cost and fair values of available for sale investment securities as of September 30, 2023 by contractual maturity, are shown below:

(dollars in thousands)

Maturity	Available for Sale	
	Amortized Cost	Fair Value
Due less than one year	\$ 60	\$ 59
Due after one year through five years	2,444	2,233
Due after five years through ten years	1,802	1,480
Due after ten years	4,685	3,308
Mortgage-backed securities and collateralized mortgage obligations	53,790	47,574
<b>Total</b>	<b>\$ 62,781</b>	<b>\$ 54,654</b>

The Association had no sales of available for sale investment securities for the six months ended September 30, 2023 and 2022.

**NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES**

Accounting Standards Adopted in 2023

In conjunction with the adoption of ASC 326, the Association made certain loan portfolio segment reclassifications to conform to the new allowance for credit losses methodology. Loans and these related reclassifications, are summarized as follows at September 30, 2023 and March 31, 2023:

(dollars in thousands)

	September 30, 2023	Post Adoption March 31, 2023	The Effect of Adoption	Pre Adoption March 31, 2023
Real Estate - Construction	\$ 21,234	\$ 19,301	\$ 19,301	\$ —
Non-1-4 Family Construction & Land Development	—	—	(23,644)	23,644
Real Estate - Commercial	106,798	102,446	—	102,446
Real Estate - Residential	148,042	148,486	148,486	—
1-4 Family Residential	—	—	(119,610)	119,610
Multi-Family Residential	—	—	(34,296)	34,296
Commercial Non-Real Estate	30,875	30,101	—	30,101
Agriculture	20,289	18,166	18,166	—
Agriculture Real Estate	—	—	(9,245)	9,245
Agriculture Non-Real Estate	—	—	(8,921)	8,921
Consumer	23,663	19,956	19,956	—
Consumer Auto	—	—	(5,622)	5,622
Consumer Other	—	—	(14,334)	14,334
Land Development and SIDs*	16,126	15,231	15,231	—
Sanitary & Improvement Districts	—	—	(5,468)	5,468
Total Loans	367,027	353,687	—	353,687
Allowance for credit losses	(5,657)	(5,711)	(299)	(5,412)
Net deferred origination costs & fees	45	62	—	62
Loans—net	<u>\$ 361,415</u>	<u>\$ 348,038</u>	<u>\$ (299)</u>	<u>\$ 348,337</u>

\*SIDs = Sanitary & Improvement Districts

**Related Party Loans:** In the normal course of business, loans are made to directors and officers of the Association. Loans to Association directors and key officers outstanding as of September 30, 2023 and March 31, 2023 were \$74 and \$76, respectively. Additionally, the Association had loans totaling \$649 and \$679 as of September 30, 2023 and March 31, 2023 to related parties that were originated by the Association, sold to Federal Home Loan Mortgage Company and are serviced by the Association.

Changes in the allowance for the three months and six months ended September 30, 2023 and 2022 are as follows:

(dollars in thousands)

	Beginning Allowance Balance	Three Months Ended September 30, 2023		Ending Allowance Balance
		Provision for (Recovery of) Credit Losses	Loans Charged off	
Real Estate - Construction	\$ 384	\$ 14	\$ —	\$ 398
Real Estate - Commercial	1,200	77	—	1,277
Real Estate - Residential	1,966	(134)	—	1,832
Commercial Non-Real Estate	1,261	19	—	1,298
Agricultural	246	(6)	—	240
Other Consumer	383	(49)	—	334
Land Development and SIDs	259	19	—	278
Total	<u>\$ 5,699</u>	<u>\$ (60)</u>	<u>\$ —</u>	<u>\$ 5,657</u>

[Table of Contents](#)

(dollars in thousands)

	Beginning Allowance Balance	Three Months Ended September 30, 2022			Ending Allowance Balance
		Provision for (Recovery of) Loan Losses	Loans Charged off	Recoveries	
1-4 Family Residential	\$ 629	\$ (29)	\$ —	\$ —	\$ 600
Multi Family Residential	508	112	—	—	620
Commercial Real Estate	1,890	72	—	—	1,962
Agricultural Real Estate	213	(10)	—	—	203
Commercial Non-Real Estate	969	(39)	—	35	965
Agricultural Non-Real Estate	281	—	—	—	281
SIDS	40	10	—	—	50
Consumer Auto	63	(19)	—	—	44
Consumer Other	105	26	—	—	131
Non 1-4 Family Construction and Land Development	382	45	—	—	427
<b>Total</b>	<b>\$ 5,080</b>	<b>\$ 168</b>	<b>\$ —</b>	<b>\$ 35</b>	<b>\$ 5,283</b>

(dollars in thousands)

	Beginning Allowance Balance	Impact of ASC326 Adoption	Six Months Ended September 30, 2023			Ending Allowance Balance
			Provision for (Recovery of) Credit Losses	Loans Charged off	Recoveries	
Real Estate - Construction	\$ 334	\$ 28	\$ 36	\$ —	\$ —	\$ 398
Real Estate - Commercial	2,048	(904)	133	—	—	1,277
Real Estate - Residential	1,286	775	(229)	—	—	1,832
Commercial Non-Real Estate	915	450	(103)	—	36	1,298
Agricultural	484	(255)	11	—	—	240
Other Consumer	157	138	38	(1)	2	334
Land Development and SIDs	188	67	22	—	1	278
<b>Total</b>	<b>\$ 5,412</b>	<b>\$ 299</b>	<b>\$ (92)</b>	<b>\$ (1)</b>	<b>\$ 39</b>	<b>\$ 5,657</b>

(dollars in thousands)

	Beginning Allowance Balance	Six Months Ended September 30, 2022			Ending Allowance Balance
		Provision for (Recovery of) Loan Losses	Loans Charged off	Recoveries	
1-4 Family Residential	\$ 636	\$ (36)	\$ —	\$ —	\$ 600
Multi Family Residential	481	139	—	—	620
Commercial Real Estate	1,845	117	—	—	1,962
Agricultural Real Estate	213	(10)	—	—	203
Commercial Non-Real Estate	930	—	—	35	965
Agricultural Non-Real Estate	281	—	—	—	281
SIDS	50	—	—	—	50
Consumer Auto	64	(20)	—	—	44
Consumer Other	71	60	—	—	131
Non 1-4 Family Construction and Land Development	357	70	—	—	427
<b>Total</b>	<b>\$ 4,928</b>	<b>\$ 320</b>	<b>\$ —</b>	<b>\$ 35</b>	<b>\$ 5,283</b>

[Table of Contents](#)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segments and based on impairment method as of March 31, 2023.

(dollars in thousands)

	Year Ended March 31, 2023		
	Individually Evaluated for Impairment	Collectively Evaluated For Impairment	Ending Allowance Balance
<b>Ending allowance balance attributed to loans:</b>			
1-4 Family Residential	\$ 193	\$ 493	\$ 686
Multi Family Residential	—	670	670
Commercial Real Estate	—	2,048	2,048
Agricultural Real Estate	—	203	203
Commercial Non-Real Estate	28	887	915
Agricultural Non-Real Estate	—	281	281
SIDS	—	50	50
Consumer Auto	—	44	44
Consumer Other	—	113	113
Non 1-4 Family Construction and Land Development	—	402	402
<b>Total</b>	<b>\$ 221</b>	<b>\$ 5,191</b>	<b>\$ 5,412</b>

(dollars in thousands)

	Year Ended March 31, 2023		
	Individually Evaluated for Impairment	Collectively Evaluated For Impairment	Total Loans
<b>Loans:</b>			
1-4 Family Residential	\$ 338	\$ 119,272	\$ 119,610
Multi Family Residential	—	34,296	34,296
Commercial Real Estate	483	101,963	102,446
Agricultural Real Estate	—	9,245	9,245
Commercial Non-Real Estate	29	30,072	30,101
Agricultural Non-Real Estate	—	8,921	8,921
SIDS	—	5,468	5,468
Consumer Auto	—	5,622	5,622
Consumer Other	—	14,334	14,334
Non 1-4 Family Construction and Land Development	—	23,644	23,644
<b>Total</b>	<b>\$ 850</b>	<b>\$ 352,837</b>	<b>\$ 353,687</b>

## Table of Contents

The Association's impaired loans at March 31, 2023, were as follows:

(dollars in thousands)

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans
<b>With no related allowance recorded:</b>				
1-4 Family Residential	\$ —	\$ —	\$ —	\$ —
Multi-Family Residential	—	—	—	—
Commercial Real Estate	483	605	—	516
Agriculture Real Estate	—	—	—	—
Commercial Non-Real Estate	1	103	—	6
Agriculture Non-Real Estate	—	—	—	—
Sanitary & Improvement Districts	—	—	—	—
Consumer Auto	—	3	—	—
Consumer Other	—	—	—	—
Non 1-4 Family Construction and Land Development	—	—	—	—
<b>With an allowance recorded:</b>				
1-4 Family Residential	338	366	193	303
Multi-family Residential	—	—	—	—
Commercial Real Estate	—	—	—	42
Agriculture Real Estate	—	—	—	—
Commercial Non-Real Estate	28	43	28	35
Agriculture Non-Real Estate	—	—	—	—
Consumer Auto	—	—	—	—
Consumer Other	—	—	—	2
Non 1-4 Family Construction and Land Development	—	—	—	—
<b>Total impaired loans</b>	<b>\$ 850</b>	<b>\$ 1,120</b>	<b>\$ 221</b>	<b>\$ 904</b>

Collateral dependent loans individually evaluated for purposes of the ACL by collateral type were as follows at September 30, 2023:

(dollars in thousands)

	Real Estate	Other
<b>Portfolio Segment</b>		
Real Estate - Construction	\$ —	\$ —
Real Estate - Commercial	449	—
Real Estate - Residential	106	—
Commercial Non-Real Estate	—	22
Agricultural	—	—
Other Consumer	—	—
Land Development and SIDs	—	—
<b>Total impaired loans</b>	<b>\$ 555</b>	<b>\$ 22</b>

Interest income recognized on impaired loans for the six months ended September 30, 2023 was not material.

**Credit Risk**—The Association monitors the credit risk within the loan portfolio by assessing the strength of the borrower's repayment capacity and the probability of default. The Association first assesses the paying capacity of the borrower; then, it analyzes the sound worth of any pledged collateral or guarantees. In estimating the allowance for loan losses management also uses a quarterly Loan Concentration Report to monitor any concentrations that may develop in any specific category of the loan portfolio. It identifies four varying degrees of credit worthiness:

- Pass Loans: Loans in the pass category are loans that do not raise Association concerns.
- Special Mention Loans: Loans in this category may have a potential for weakness which, if not corrected, could weaken the asset and increase the risk in the future. By classifying a loan as Special Mention the Association can give the loan the attention needed to remedy any credit deficiencies or potential weaknesses.

[Table of Contents](#)

•Substandard Loans: Loans identified as substandard are assets that are inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Loans in this classification category must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Association will sustain some loss if the deficiencies are not corrected. If a loan is classified as Substandard, a determination based upon objective evidence must be made as to any specific or general valuation allowance within the guidelines of generally accepted accounting principles.

•Doubtful Loans: Loans in this category have all the weaknesses inherent in Substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. If a loan is classified as Doubtful, a determination based upon objective evidence must be made as to any specific or general valuation allowance within the guidelines of generally accepted accounting principles.

Based on the most recent analysis performed, the risk category of loans by class and year of origination is as follows:

(dollars in thousands)	Term Loans by Origination Year					Revolving	Total
	2023	2022	2021	Prior	Loans		
<b>September 30, 2023</b>							
Real Estate - Construction							
Pass	\$ 8,260	\$ 5,755	\$ 5,026	\$ 2,193	\$ —	\$ 21,234	
Special Mention	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	
<b>Total Real Estate - Construction</b>	<b>\$ 8,260</b>	<b>\$ 5,755</b>	<b>\$ 5,026</b>	<b>\$ 2,193</b>	<b>\$ —</b>	<b>\$ 21,234</b>	
Current year-to-date gross write-offs	—	—	—	—	—	—	
Real Estate - Commercial							
Pass	13,667	25,963	19,381	38,362	6,569	\$ 103,942	
Special Mention	—	—	—	—	—	—	
Substandard	—	—	—	2,856	—	2,856	
Doubtful	—	—	—	—	—	—	
<b>Total Real Estate - Commercial</b>	<b>\$ 13,667</b>	<b>\$ 25,963</b>	<b>\$ 19,381</b>	<b>\$ 41,218</b>	<b>\$ 6,569</b>	<b>\$ 106,798</b>	
Current year-to-date gross write-offs	—	—	—	—	—	—	
Real Estate - Residential							
Pass	9,760	31,831	52,464	41,294	12,158	\$ 147,507	
Special Mention	—	—	—	—	—	—	
Substandard	—	—	—	448	—	448	
Doubtful	87	—	—	—	—	87	
<b>Total Real Estate - Residential</b>	<b>\$ 9,847</b>	<b>\$ 31,831</b>	<b>\$ 52,464</b>	<b>\$ 41,742</b>	<b>\$ 12,158</b>	<b>\$ 148,042</b>	
Current year-to-date gross write-offs	—	—	—	—	—	—	
Commercial - Non Real Estate							
Pass	3,664	8,292	2,373	12,476	3,450	\$ 30,255	
Special Mention	—	—	—	—	—	—	
Substandard	—	139	—	460	—	599	
Doubtful	—	—	—	21	—	21	
<b>Total Commercial - Non Real Estate</b>	<b>\$ 3,664</b>	<b>\$ 8,431</b>	<b>\$ 2,373</b>	<b>\$ 12,957</b>	<b>\$ 3,450</b>	<b>\$ 30,875</b>	
Current year-to-date gross write-offs	—	—	—	—	—	—	
Agricultural							
Pass	1,320	3,539	2,731	4,477	8,222	\$ 20,289	
Special Mention	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	
<b>Total - Agricultural</b>	<b>\$ 1,320</b>	<b>\$ 3,539</b>	<b>\$ 2,731</b>	<b>\$ 4,477</b>	<b>\$ 8,222</b>	<b>\$ 20,289</b>	
Current year-to-date gross write-offs	—	—	—	—	—	—	
Other Consumer							
Pass	13,841	5,986	1,102	2,718	—	\$ 23,647	
Special Mention	—	—	—	—	—	—	
Substandard	—	—	16	—	—	16	
Doubtful	—	—	—	—	—	—	
<b>Total Other Consumer</b>	<b>\$ 13,841</b>	<b>\$ 5,986</b>	<b>\$ 1,118</b>	<b>\$ 2,718</b>	<b>\$ —</b>	<b>\$ 23,663</b>	
Current year-to-date gross write-offs	—	1	—	—	—	1	
Land Development and SIDs							
Pass	442	7,033	6,648	1,803	200	\$ 16,126	
Special Mention	—	—	—	—	—	—	
Substandard	—	—	—	—	—	—	
Doubtful	—	—	—	—	—	—	
<b>Total Land Development and SIDs</b>	<b>\$ 442</b>	<b>\$ 7,033</b>	<b>\$ 6,648</b>	<b>\$ 1,803</b>	<b>\$ 200</b>	<b>\$ 16,126</b>	
Current year-to-date gross write-offs	—	—	—	—	—	—	
<b>Total loans</b>	<b>\$ 51,041</b>	<b>\$ 88,538</b>	<b>\$ 89,741</b>	<b>\$ 107,108</b>	<b>\$ 30,599</b>	<b>\$ 367,027</b>	

[Table of Contents](#)

The Association's loan classifications as of March 31, 2023, are as follows:

(dollars in thousands)

	Pass	Special Mention	Substandard	Doubtful	Total Loans
1-4 Family Residential	\$ 118,839	\$ —	\$ 771	\$ —	\$ 119,610
Multi-Family Residential	34,296	—	—	—	34,296
Commercial Real Estate	99,367	—	3,079	—	102,446
Agriculture Real Estate	9,245	—	—	—	9,245
Commercial Non-Real Estate	29,390	—	711	—	30,101
Agriculture Non-Real Estate	8,921	—	—	—	8,921
Sanitary & Improvement Districts	5,468	—	—	—	5,468
Consumer Auto	5,591	—	31	—	5,622
Consumer Other	14,334	—	—	—	14,334
Non 1-4 Family Construction & Land Development	23,644	—	—	—	23,644
<b>Total</b>	<b>\$ 349,095</b>	<b>\$ —</b>	<b>\$ 4,592</b>	<b>\$ —</b>	<b>\$ 353,687</b>

**Nonperforming and Past-Due Loans**—All loans in the Association's portfolio are considered past due if the required principal and interest payments have not been received as of the date such payments were due.

The following table presents certain information with respect to loans on nonaccrual status as of and for the six months ended September 30, 2023:

(dollars in thousands)

September 30, 2023	Nonaccrual loans beginning of period	Nonaccrual loans end of period	Nonaccrual with no Allowance for Credit Loss	Nonaccrual with Allowance for Credit Loss	Interest Income Recognized During the Period
Real Estate - Commercial	\$ 484	\$ 449	\$ 449	\$ —	\$ 16
Real Estate- Residential	338	106	19	87	4
Commercial Non-Real Estate	28	22	1	21	4
Other Consumer	—	—	—	—	—
<b>Total</b>	<b>\$ 850</b>	<b>\$ 577</b>	<b>\$ 469</b>	<b>\$ 108</b>	<b>\$ 24</b>

The following table presents the recorded investment in nonaccrual and loans past due 90 days or more and still on accrual, by class as of March 31, 2023:

(dollars in thousands)

March 31, 2023	Nonaccrual	Loans Past Due 90 Days or More Still Accruing
1-4 Family Residential	\$ 338	\$ —
Commercial Real Estate	484	—
Commercial Non-Real Estate	28	—
Consumer Other	—	178
<b>Total</b>	<b>\$ 850</b>	<b>\$ 178</b>

The following is an aging analysis of the contractually past due loans as of September 30, 2023:

(dollars in thousands)

	30-59 Days Past Due	60-89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total	Loans Past Due 90 Days or More Still Accruing
Real Estate - Construction	\$ —	\$ —	\$ —	\$ —	\$ 21,234	\$ 21,234	\$ —
Real Estate - Commercial	—	—	—	—	106,798	106,798	—
Real Estate - Residential	57	78	—	135	147,907	148,042	—
Commercial Non-RE	76	—	—	76	30,799	30,875	—
Agricultural	—	—	—	—	20,289	20,289	—
Other Consumer	109	465	193	767	22,896	23,663	193
Land Development and SIDs	—	—	—	—	16,126	16,126	—
<b>Total</b>	<b>\$ 242</b>	<b>\$ 543</b>	<b>\$ 193</b>	<b>\$ 978</b>	<b>\$ 366,049</b>	<b>\$ 367,027</b>	<b>\$ 193</b>

## Table of Contents

The following is an aging analysis of the contractually past due loans as of March 31, 2023:

(dollars in thousands)

	30–59 Days Past Due	60–89 Days Past Due	Greater than 89 Days Past Due	Total Past Due	Loan Not Past Due	Total
1-4 Family Residential	\$ 585	\$ —	\$ —	\$ 585	\$ 119,025	\$ 119,610
Multi Family Residential	—	—	—	—	34,296	34,296
Commercial Real Estate	—	—	—	—	102,446	102,446
Agricultural Real Estate	—	—	—	—	9,245	9,245
Commercial Non-Real Estate	—	—	28	28	30,073	30,101
Agricultural Non-Real Estate	—	—	—	—	8,921	8,921
SIDS	—	—	—	—	5,468	5,468
Consumer Auto	43	24	—	67	5,555	5,622
Consumer Other	344	—	178	522	13,812	14,334
Non 1-4 Family Construction and Land Development	—	—	—	—	23,644	23,644
<b>Total</b>	<b>\$ 972</b>	<b>\$ 24</b>	<b>\$ 206</b>	<b>\$ 1,202</b>	<b>\$ 352,485</b>	<b>\$ 353,687</b>

The Association may modify loans to borrowers experiencing financial difficulty by providing modifications to repayment terms; more specifically, modifications to loan interest rates. Management performs an analysis at the time of loan modification. Any reserve required is recorded through a provision to the allowance for credit losses on loans.

As of April 1, 2023, the Association adopted ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosures. There were no modifications on loans to borrowers experiencing financial difficulty during the six months ended September 30, 2023. See Note 1. There were no new troubled debt restructurings during the six months ended September 30, 2022.

### NOTE 4 - PREMISES AND EQUIPMENT

Premises and equipment at September 30, 2023 and March 31, 2023, consist of the following:

(dollars in thousands)

	September 30, 2023	March 31, 2023
Land	\$ 828	\$ 818
Buildings and leasehold improvements	8,980	8,855
Equipment	3,350	3,150
Automobiles	136	48
Computer software	1,031	1,031
Total cost	14,325	13,902
Less accumulated depreciation	10,285	9,798
Total premises and equipment	<u>\$ 4,040</u>	<u>\$ 4,104</u>

Depreciation expense included in occupancy and equipment on the consolidated statements of income totaled \$121 and \$107 for the three months ended September 30, 2023 and 2022, and \$248 and \$227 for the six months ended September 30, 2023 and 2022, respectively.

### NOTE 5 - DEPOSITS

A summary of certificates of deposit included in interest bearing deposits in the consolidated statements of financial condition by maturity at September 30, 2023, is as follows:

(dollars in thousands)

12 Months Ending September 30,	Amount
2024	\$ 91,062
2025	4,877
2026	2,476
2027	1,302
2028 or later	222
Total certificate accounts	<u>\$ 99,939</u>

The aggregate amount of jumbo certificates of deposit, each with a minimum denomination of \$250, was \$30,578 at September 30, 2023 and \$31,376 at March 31, 2023, respectively. At September 30, 2023 and March 31, 2023, the Association had \$8,062 in brokered deposits, which mature in November 2023.

**NOTE 6 - BORROWINGS**

The Association had no outstanding borrowings as of September 30, 2023 and March 31, 2023.

The Association had remaining availability for FHLB borrowings of approximately \$40,877 and \$40,579 at September 30, 2023 and March 31, 2023, respectively. The FHLB has sole discretion to deny additional advances. \$80 of investment securities and \$50,000 of loans were pledged as collateral for FHLB advances at September 30, 2023.

Additionally, the Association had the capacity to borrow \$5,000 from a private bankers' bank at September 30, 2023 and March 31, 2023.

**NOTE 7 - REGULATORY CAPITAL REQUIREMENTS**

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

Quantitative measures established by regulation to ensure capital adequacy require the Association to maintain minimum amounts and ratios as set forth in the following tables of tangible, core, and total risk-based capital. To be considered well-capitalized under the regulatory framework for Prompt Corrective Action provisions, the Association must maintain minimum Tier I leverage, Tier I risk-based, common equity Tier 1, and total risk-based capital ratios (as defined) as set forth in the following tables.

As of September 30, 2023 and March 31, 2023, the Association was well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Association must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since September 30, 2023, that management believes have changed the Association's category.

The Association's actual capital amounts and ratios as of September 30, 2023 and March 31, 2023, are also presented in the table below:

(dollars in thousands)	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of September 30, 2023</b>						
Total Capital (to Risk- Weighted Assets)	\$ 49,511	13.43%	\$ 29,501	8.00%	\$ 36,876	10.00%
Tier 1 Capital (to Risk- Weighted Assets)	\$ 44,886	12.17%	\$ 22,125	6.00%	\$ 29,501	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 44,886	12.17%	\$ 16,594	4.50%	\$ 23,969	6.50%
Tier 1 Capital (to Average Assets)	\$ 44,886	10.25%	\$ 17,509	4.00%	\$ 21,886	5.00%
<b>As of March 31, 2023</b>						
Total Capital (to Risk- Weighted Assets)	\$ 47,809	13.45%	\$ 28,432	8.00%	\$ 35,540	10.00%
Tier 1 Capital (to Risk- Weighted Assets)	\$ 43,355	12.20%	\$ 21,324	6.00%	\$ 28,432	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 43,355	12.20%	\$ 15,993	4.50%	\$ 23,101	6.50%
Tier 1 Capital (to Average Assets)	\$ 43,355	10.12%	\$ 17,139	4.00%	\$ 21,424	5.00%

**NOTE 8 - MORTGAGE SERVICING**

Activity for mortgage servicing rights ("MSRs") measured using the amortized cost method was as follows:

(dollars in thousands)	September 30, 2023	March 31, 2023
Mortgage servicing rights		
Balance at beginning of year	\$ 434	\$ 563
Additions	62	33
Repayments and amortization	(79)	(162)
Balance at end of period	<u>\$ 417</u>	<u>\$ 434</u>

At September 30, 2023, no allowance for impairment on the Association's MSRs was established.

At September 30, 2023 and March 31, 2023, the Association was servicing loans for others amounting to \$150,923 and \$149,521, respectively. These loans are not reflected in the Association's financial statements. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors, and foreclosure processing. Loan servicing income is recorded on the accrual basis and includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees. In connection with these loans serviced for others, the Association held borrowers' escrow balances of \$1,358 and \$3,211 at September 30, 2023 and March 31, 2023, respectively, which are included in interest bearing deposits.

Derivative instruments include interest rate locks on commitments to originate loans for the held for sale portfolio and forward commitments on contracts to deliver mortgage-backed securities. The Association has entered into forward commitments for the sale of mortgage loans principally to protect against the risk of adverse interest rate movements on net income. These derivatives are not designated in a hedging relationship. In addition, the Association has entered into commitments to originate loans, which when funded, are classified as held for sale. Such commitments meet the definition of a derivative and are not designated in a hedging relationship. The notional amount and estimated fair value of all such derivative instruments are immaterial.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The Association is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers including commitments to extend credit and lines or letters of credit and commitments to sell to investors loans held for sale. The Association uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

At September 30, 2023 and March 31, 2023, the Association had approved outstanding loan origination commitments of \$1,571 and \$4,681, respectively. Loan commitments, which are funded subject to certain limitations, extend over various periods of time and may expire without being drawn upon. Generally, unused commitments are canceled upon expiration of the commitment term as outlined in each individual contract. All outstanding loan origination commitments were subject to forward sales commitments to various entities. Also, at September 30, 2023 and March 31, 2023, the Association has committed unused lines of credit, equity lines, loans in process and letters of credit to consumers totaling \$41,956 and \$48,938, respectively. The Association evaluates each customer's credit worthiness on a separate basis and requires collateral based on this evaluation. Collateral consists mainly of residential family units and personal property.

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

**NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Association measures certain financial assets and liabilities at fair value in accordance with GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows:

*Level 1*—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

## [Table of Contents](#)

*Level 2*—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.

*Level 3*—Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. The inputs are developed based on the best information available in the circumstances, which might include the Association's own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

**Fair Value of Financial Instruments**—Financial instruments are classified within the fair value hierarchy using the methodologies described above. The following disclosures include financial instruments that are not carried at fair value on the Statements of Financial Condition. The calculation of estimated fair values is based on market conditions at a specific point in time and may not reflect current or future fair values.

Certain financial instruments generally expose the Association to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. The carrying value of these financial instruments assumes to approximate the fair value of these instruments. These instruments include cash and cash equivalents, non-interest-bearing deposit accounts, FHLB advances, FHLB stock, escrow deposits and accrued interest receivable and payable.

The carrying amounts and estimated fair values by fair value hierarchy of certain financial instruments are as follows:

(dollars in thousands)

	Carrying Amount	Measurements at Reporting Date Using			Estimated Fair Value	
		Level 1	Level 2	Level 3		
<b>September 30, 2023</b>						
Financial assets:						
Loans, net	\$ 361,415	\$ —	\$ —	\$ 325,888	\$ 325,888	
Financial liabilities:						
Interest-bearing deposits	\$ 304,964	\$ —	\$ 250,111	\$ —	\$ 250,111	
<b>March 31, 2023</b>						
Financial assets:						
Loans, net	\$ 348,337	\$ —	\$ —	\$ 316,169	\$ 316,169	
Financial liabilities:						
Interest-bearing deposits	\$ 317,704	\$ —	\$ 272,270	\$ —	\$ 272,270	

### Available-for-Sale Securities (Recurring)

Where quoted market prices are available in an active market, securities such as U.S. Treasuries, would be classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy.

The Association's financial assets measured at fair value on a recurring basis are available-for-sale securities. Available-for-sale securities are classified within Level 2 because they are valued based on market prices for similar assets. The fair value of the Association's available-for-sale securities as of September 30, 2023 and March 31, 2023 was \$54,654 and \$57,842, respectively. The Association does not have any other assets or liabilities measured at fair value on a recurring basis as of September 30, 2023 or March 31, 2023.

## [Table of Contents](#)

(dollars in thousands)

	Fair Value Measurements at Reporting Date Using			
	Estimated Fair Value	Level 1	Level 2	Level 3
<b>September 30, 2023</b>				
Securities Available-for-sale				
Mortgage Backed Securities	\$ 47,574	\$ —	\$ 47,574	\$ —
Municipal Bonds	7,080	—	7,080	—
<b>Total</b>	<b>\$ 54,654</b>	<b>\$ —</b>	<b>\$ 54,654</b>	<b>\$ —</b>
<b>March 31, 2023</b>				
Securities Available-for-sale				
Mortgage Backed Securities	\$ 50,136	\$ —	\$ 50,136	\$ —
Municipal Bonds	7,706	—	7,706	—
<b>Total</b>	<b>\$ 57,842</b>	<b>\$ —</b>	<b>\$ 57,842</b>	<b>\$ —</b>

There were no transfers of financial instruments between Levels 1, 2, and 3 during the six months ended September 30, 2023. The Association does not have any financial instruments measured at fair value on a recurring basis classified as Level 3.

### **Nonrecurring Measurements**

The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 and March 31, 2023:

(dollars in thousands)

	Fair Value Measurements at Reporting Date Using			
	Estimated Fair Value	Level 1	Level 2	Level 3
<b>September 30, 2023</b>				
Financial Assets				
Individually evaluated loans	\$ 469	\$ —	\$ —	\$ 469
<b>Totals</b>	<b>\$ 469</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 469</b>
<b>March 31, 2023</b>				
Financial Assets				
Impaired loans	\$ 629	\$ —	\$ —	\$ 629
<b>Totals</b>	<b>\$ 629</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 629</b>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

### **Impaired Loans (March 31, 2023) / Individually Evaluated Loans (September 30, 2023)**

Impaired/Individually evaluated loans are recorded at fair value on a nonrecurring basis. The fair value of loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired/Individually evaluated loans are evaluated on a monthly basis for additional impairment and adjusted accordingly.

The numerical range of unobservable inputs for these valuation assumptions is not meaningful to this presentation.

### **NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE LOSS**

The components of accumulated other comprehensive loss for the three and six months ended September 30, 2023 and 2022 are as follows:

[Table of Contents](#)

(dollars in thousands)	Unrealized Gains and Losses on Available-for- Sale Debt Securities	Defined Benefit Pension Plans	Total
<b>Three Months Ended September 30, 2023</b>			
Balance at beginning of period	\$ (5,224)	\$ (389)	\$ (5,613)
Other comprehensive income (loss)	(1,195)	—	(1,195)
Balance at end of period	<u>\$ (6,419)</u>	<u>\$ (389)</u>	<u>\$ (6,808)</u>
<b>Three Months Ended September 30, 2022</b>			
Balance at beginning of period	\$ (3,681)	\$ (1,674)	\$ (5,355)
Other comprehensive income (loss)	(1,555)	18	(1,537)
Balance at end of period	<u>\$ (5,236)</u>	<u>\$ (1,656)</u>	<u>\$ (6,892)</u>
<b>Six Months Ended September 30, 2023</b>			
Balance at beginning of period	\$ (4,718)	\$ (389)	\$ (5,107)
Other comprehensive income (loss)	(1,701)	—	(1,701)
Balance at end of period	<u>\$ (6,419)</u>	<u>\$ (389)</u>	<u>\$ (6,808)</u>
<b>Six Months Ended September 30, 2022</b>			
Balance at beginning of period	\$ (2,033)	\$ (1,692)	\$ (3,725)
Other comprehensive income (loss)	(3,203)	36	(3,167)
Balance at end of period	<u>\$ (5,236)</u>	<u>\$ (1,656)</u>	<u>\$ (6,892)</u>

The following table summarizes the significant amounts reclassified out of each component of AOCI for three and six months ended September 30, 2023 and 2022:

(dollars in thousands)	Three Months Ended September 30, 2023                      2022		
	Amount Reclassified from AOCI		
<b>Details about AOCI Components</b>			
Unrealized gains and losses on available-for-sale securities	\$ (1,513)	\$ (1,966)	Debt Securities gains (losses), net
	318	411	Income tax (expense) benefit
	<u>\$ (1,195)</u>	<u>\$ (1,555)</u>	Net income (loss)
<b>Amortization of defined benefit pension items</b>			
Actuarial gains (losses)	\$ —	\$ 20	Salaries and employee benefits
	—	(2)	Income tax (expense) benefit
	<u>\$ —</u>	<u>\$ 18</u>	Net income (loss)
<b>Total reclassification for the period</b>	<u>\$ (1,195)</u>	<u>\$ (1,537)</u>	Net income (loss)

## Table of Contents

(dollars in thousands)

**Six Months Ended September 30,**  
**2023**                      **2022**  
**Amount Reclassified**  
**from AOCI**

<b>Details about AOCI Components</b>			
Unrealized gains and losses on available-for-sale securities	\$ (2,155)	\$ (4,051)	Debt Securities gains (losses), net
	454	848	Income tax (expense) benefit
	<u>\$ (1,701)</u>	<u>\$ (3,203)</u>	Net income (loss)
<b>Amortization of defined benefit pension items</b>			
Actuarial gains (losses)	\$ —	\$ 40	Salaries and employee benefits
	—	(4)	Income tax (expense) benefit
	<u>\$ —</u>	<u>\$ 36</u>	Net income (loss)
<b>Total reclassification for the period</b>	<u>\$ (1,701)</u>	<u>\$ (3,167)</u>	Net income (loss)

### NOTE 12 - LEASES

The Association leases office space under operating leases that expire at various dates through October 2030.

Rent expense, which is included in occupancy expenses on the consolidated statements of income, was \$37 and \$37 for the six months ended September 30, 2023 and 2022, respectively.

The following table shows the future undiscounted lease payments required under the leases described above as of September 30, 2023:

<b>12 Months Ending September 30,</b>	<b>Operating Leases</b>
2024	\$ 76
2025	55
2026	50
2027	38
2028	37
Thereafter	112
<b>Total undiscounted lease payments</b>	<u>\$ 368</u>
Less: Imputed interest	<u>(34)</u>
<b>Net lease liability</b>	<u>\$ 334</u>

### NOTE 13 - PLAN OF CONVERSION

#### Plan of Conversion and Change in Corporate Form

On June 6, 2023, the Board of Directors of the Association adopted a plan of conversion (the "Plan"). The Plan has been conditionally approved by the Federal Reserve Board and the Office of the Comptroller of the Currency (the "OCC") and is subject to the affirmative vote of at least a majority of the total votes eligible to be cast by the voting members of the Association at a special meeting. The Plan sets forth that the Association proposes to convert into a stock savings association structure with the establishment of a stock holding company (Central Plains Bancshares, Inc.), as parent of the Association. The Association will convert to the stock form of ownership, followed by the issuance of all of the Association's outstanding stock to Central Plains Bancshares, Inc. Pursuant to the Plan, the Association will determine the total offering value and number of shares of common stock based upon an independent appraiser's valuation. The stock will be priced at \$10.00 per share. In addition, the Association's Board of Directors will adopt an employee stock ownership plan ("ESOP"), which will subscribe for up to 8% of the common stock sold in the offering.

Central Plains Bancshares, Inc. has been organized as a corporation under the laws of the State of Maryland and will own all of the outstanding common stock of the Association upon completion of the conversion.

The conversion will be accounted for as a change in corporate form with the historic basis of the Association's assets, liabilities, and equity unchanged as a result. Costs of \$928,000 have been paid and deferred as of September 30, 2023.

Central Plains Bancshares, Inc. will be an Emerging Growth Company, as defined by the Securities and Exchange Commission, and, for as long as it continues to be an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies." Central Plains Bancshares, Inc. intends to

use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, its financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

**NOTE 14 - SUBSEQUENT EVENTS**

Management evaluated subsequent events through November 13, 2023, the date the unaudited consolidated financial statements were issued. Except for the completion of the Plan of Conversion as discussed in Note 1, management does not believe there were any material subsequent events during this period that would have required further recognition or disclosure in the unaudited consolidated financial statements included in this report.

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

### General

Management's discussion and analysis of financial condition and results of operations at September 30, 2023 and March 31, 2023 and for the three and six months ended September 30, 2023 and 2022 is intended to assist in understanding the financial condition and results of operations of the Association. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto appearing in Part I, Item 1, of this Quarterly Report on Form 10-Q.

### Cautionary Note Regarding 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" 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 quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management 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.

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, including any recessionary conditions and/or increases in unemployment, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding and to maintain adequate liquidity, primarily through deposits;
- fluctuations in real estate values and in the conditions of the residential real estate, commercial real estate, and agricultural real estate markets;
- demand for loans, deposits and non-banking services in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions, including with respect to our ability to charge overdraft fees;
- inflation and changes in the interest rate environment that reduce our margins and yields, the fair value of financial instruments or our level of loan originations, or increase the level of defaults, losses and prepayments on loans we have made and will make;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions and/or their holding companies, including changes in regulatory fees, capital requirements and insurance premiums;
- monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- the inability of third-party providers to perform as expected;

- a failure or breach of our operational or information security systems or infrastructure, including cyberattacks;
- our ability to manage market risk, credit risk and operational risk;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire and our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- 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 or the Public Company Accounting Oversight Board;
- changes in accounting and/or tax estimates;
- the effects of any national or global conflict, war or act of terrorism;
- the ability of the U.S. Government to remain open, function properly and manage federal debt limits;
- our compensation expense associated with equity allocated or awarded to our directors and/or employees;
- the impact of the COVID-19 pandemic or any other pandemic on our operations and financial results and those of our customers;
- our ability to attract and retain key employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

### **Critical Accounting Policies**

Our most significant accounting policies are described in Note 1 to the consolidated financial statements. Certain of these accounting policies require management to use significant judgment and estimates, which can have a material impact on the carrying value of certain assets and liabilities. We consider these policies to be our critical accounting estimates.

The estimates and assumptions that we use are based on historical experience, future forecasts 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 Jumpstart Our Business Startups ("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.

Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. Actual results could differ from these judgments and estimates under different conditions, resulting in a change that could have a material impact on the carrying values of our assets and liabilities and our results of operations. See Note 1, "Basis of Presentation" for additional information on the adoption of ASC 326, which changes the methodology under which management calculates the reserve for loans and investment securities, now referred to as the allowance for credit losses. Management considers the measurement of the allowance for credit losses to be a critical accounting policy. Other than the adoption of ASC 326, there have been no significant changes to the Association's critical accounting policies since March 31, 2023.

### Comparison of Financial Condition at September 30, 2023 and March 31, 2023

**Total Assets.** Total assets increased \$16.1 million, or 3.7%, to \$453.9 million at September 30, 2023 from \$437.8 million at March 31, 2023. The increase was primarily due to a \$13.1 million, or 3.8%, increase in net loans and a \$4.8 million, or 29.1%, increase in cash and cash equivalents.

**Cash and Cash Equivalents.** Cash and cash equivalents increased \$4.8 million, or 29.1%, to \$21.4 million at September 30, 2023 from \$16.6 million at March 31, 2023. This increase was primarily due to loan and investment repayments, and additional deposits. We regularly review our liquidity position based on alternative uses of available funds as well as market conditions.

**Investment Securities Available for Sale.** Securities available-for-sale decreased \$3.2 million, or 5.5%, to \$54.7 million at September 30, 2023 from \$57.8 million at March 31, 2023. We purchased \$3.8 million in securities, received principal payments of \$4.7 million, had net premium amortization and discount accretion of \$99,000 and had an increase in the unrealized loss on the securities portfolio of \$2.2 million during the six-month period ended September 30, 2023.

**Gross Loans.** Gross loans held for investment increased \$13.3 million, or 3.8%, to \$367.0 million at September 30, 2023 from \$353.7 million at March 31, 2023. We experienced increases in all loan categories except for one-to-four family residential real estate loans. The largest increase was in commercial real estate loans, which increased \$4.4 million, or 4.2%, to \$106.8 million from \$102.4 at March 31, 2023.

**Total Deposits.** Total deposits increased \$16.1 million, or 4.1%, to \$407.1 million at September 30, 2023 from \$391.0 million at March 31, 2023. Noninterest-bearing deposits increased \$28.9 million, or 39.4%, to \$102.1 million at September 30, 2023 from \$73.2 million at March 31, 2023, as we believe that new customers opened deposit accounts following the announcement and in anticipation of our proposed mutual-to-stock conversion. Time certificates of deposit increased \$14.3 million, or 16.7%, to \$99.9 million at September 30, 2023 from \$85.6 million at March 31, 2023, as we believe that long-term customers have sought higher-yield deposits as a result of recent increases in market interest rates. We also had brokered deposits of \$8.1 million at September 30, 2023 and at March 31, 2023 that are included in the \$99.9 million at September 30, 2023 and \$85.6 million at March 31, 2023.

**Borrowings.** We had no borrowings at September 30, 2023 or March 31, 2023. We have had limited borrowings in recent periods, as we have generally been able to utilize cash provided by our increase in deposits to fund our operations, although we will utilize FHLB advances as needed to support increased loan funding.

**Total Equity.** Total equity decreased \$184,000, or 0.5% to \$38.5 million at September 30, 2023 from \$38.7 million at March 31, 2023. Net income of \$1.9 million for the six months ended September 30, 2023 was offset by an increase in accumulated other comprehensive loss related to unrealized losses on securities available-for-sale of \$1.7 million for the six months ended September 30, 2023, as well as a reduction in equity of \$402,000 resulting from increasing our allowance for credit losses in connection with our adopting the CECL accounting methodology effective April 1, 2023.

### Average Balance Sheets and Related Yields and Rates

The following table sets forth average annualized balance sheets, average yields and costs, and certain other information at the date and for the years indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are daily average balances. 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. Loan fees are included in interest income on loans and are not material.

	For the Three Months Ended September 30,					
	2023			2022		
	Average Outstanding Balance	Interest	Average Yield/Rate (Dollars in thousands)	Average Outstanding Balance	Interest	Average Yield/Rate
<b>Interest-earning assets:</b>						
Loans	\$ 357,868	\$ 4,589	5.13%	\$ 325,457	\$ 3,600	4.42%
Mortgage-backed securities	50,161	354	2.82%	62,140	327	2.10%
Investment securities (1)	7,506	45	2.40%	8,155	45	2.21%
Interest-bearing deposits and other	3,488	45	5.16%	5,574	68	4.88%
Total interest-earning assets	419,023	5,033	4.80%	401,325	4,040	4.03%
Non-interest-earning assets	18,028			14,641		
Total assets	<u>\$ 437,051</u>			<u>\$ 415,966</u>		
<b>Interest-bearing liabilities:</b>						
Savings accounts	\$ 46,309	27	0.23%	\$ 54,390	10	0.07%
Money market accounts	23,176	91	1.57%	29,309	96	1.31%
NOW accounts	147,037	530	1.44%	160,658	151	0.38%
Certificates of deposit	81,542	788	3.87%	29,617	112	1.51%
Individual retirement accounts	15,580	82	2.11%	15,712	54	1.37%
Total interest-bearing deposits	313,644	1,518	1.94%	289,686	423	0.58%
Borrowings	2,353	33	5.61%	8,346	97	4.65%
Total interest-bearing liabilities	315,997	1,551	1.96%	298,032	520	0.70%
Other non-interest-bearing liabilities	82,060			79,412		
Total liabilities	398,057			377,444		
Total equity	38,994			38,522		
Total liabilities and total equity	<u>\$ 437,051</u>			<u>\$ 415,966</u>		
Net interest income		<u>\$ 3,482</u>			<u>\$ 3,520</u>	
Net interest rate spread (2)			2.84%			3.33%
Net interest-earning assets (3)	<u>\$ 103,026</u>			<u>\$ 103,293</u>		
Net interest margin (4)			3.32%			3.51%
Average interest-earning assets to interest-bearing liabilities	132.60%			134.66%		

(1) Represents investments in municipal bonds.

(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4) Net interest margin represents net interest income divided by average total interest-earning assets.

	Six Months Ended September 30,					
	2023			2022		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
<b>Interest-earning assets:</b>						
Loans	\$ 355,286	\$ 8,909	5.02%	\$ 325,951	\$ 6,822	4.19%
Mortgage-backed securities	51,249	694	2.71%	60,989	626	2.05%
Investment securities (1)	7,506	93	2.48%	8,136	90	2.21%
Interest-bearing deposits and other	3,999	103	5.15%	6,989	77	2.20%
Total interest-earning assets	418,040	9,799	4.69%	402,065	7,615	3.79%
Non-interest-earning assets	17,808			14,099		
Total assets	<u>\$ 435,848</u>			<u>\$ 416,164</u>		
<b>Interest-bearing liabilities:</b>						
Savings accounts	\$ 46,323	54	0.23%	\$ 54,098	18	0.07%
Money market accounts	22,961	180	1.57%	30,476	116	0.76%
NOW accounts	141,716	1,060	1.50%	160,304	266	0.33%
Certificates of deposit	77,701	1,426	3.67%	29,878	188	1.26%
Individual retirement accounts	15,449	160	2.07%	15,734	103	1.31%
Total interest-bearing deposits	304,150	2,880	1.89%	290,490	691	0.48%
Borrowings	3,798	102	5.37%	11,625	117	2.01%
Total interest-bearing liabilities	307,948	2,982	1.94%	302,115	808	0.53%
Other non-interest-bearing liabilities	89,022			76,346		
Total liabilities	396,970			378,461		
Total equity	38,878			37,703		
Total liabilities and total equity	<u>\$ 435,848</u>			<u>\$ 416,164</u>		
Net interest income		<u>\$ 6,817</u>			<u>\$ 6,807</u>	
Net interest rate spread (2)			2.75%			3.25%
Net interest-earning assets (3)	<u>\$ 110,092</u>			<u>\$ 99,950</u>		
Net interest margin (4)			3.26%			3.39%
Average interest-earning assets to interest-bearing liabilities	135.75%			133.08%		

(1)Represents investments in municipal bonds.

(2)Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

(3)Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(4)Net interest margin represents net interest income divided by average total interest-earning assets.

## Comparison of Operating Results for the Three Months Ended September 30, 2023 and September 30, 2022

**General.** Net income decreased \$99,000, or 9.2%, to \$973,000 for the three months ended September 30, 2023, compared to \$1.1 million for the three months ended September 30, 2022. This decrease was due primarily to an increase of \$208,000 in noninterest expense, a decrease of \$28,000 in noninterest income and an increase of \$53,000 in income tax expense, partially offset by an increase in net interest income of \$190,000.

**Interest Income.** Interest income increased \$993,000, or 24.6%, to \$5.0 million for the three months ended September 30, 2023 from \$4.0 million for the three months ended September 30, 2022. The increase was due primarily to an increase in interest income on loans, which is our primary source of interest income.

Interest income on loans increased \$989,000, or 27.5%, to \$4.6 million for the three months ended September 30, 2023 from \$3.6 million for the three months ended September 30, 2022. The average balance of loans increased \$32.4 million, or 10.0%, to \$357.9 million for the three months ended September 30, 2023 from \$325.5 million for the three months ended September 30, 2022. The increase was primarily due to our continued focus on growing our loan portfolio consistent with maintaining asset quality. Our yield on loans increased 71 basis points to 5.13% for the three months ended September 30, 2023 from 4.42% for the three months ended September 30, 2022. The increase in yield was due to increases in market interest rates.

Interest income on securities increased \$27,000, or 7.3%, to \$399,000 for the three months ended September 30, 2023 from \$372,000 for the three months ended September 30, 2022, due to a 65 basis point increase in the average yield from 2.12% for the three months ended September 30, 2022 to 2.77% for the three months ended September 30, 2023. The increase was offset by a \$12.6 million decrease in the average balance of securities to \$57.7 million for the three months ended September 30, 2023 from \$70.3 million for the three months ended September 30, 2022. This decrease in the average balance of securities is attributed to paydowns received and unrealized losses over the period.

**Interest Expense.** Interest expense increased \$1.0 million, or 198.3%, to \$1.6 million for the three months ended September 30, 2023 compared to \$520,000 for the three months ended September 30, 2022, due primarily to an increase in the average balance of and higher costs of interest-bearing liabilities.

Interest expense on deposits increased \$1.1 million, or 258.9%, to \$1.5 million for the three months ended September 30, 2023 compared to \$423,000 for the three months ended September 30, 2022. The increase was due to a 136 basis point increase in the average cost of deposits to 1.94% for the three months ended September 30, 2023 from 0.58% for the three months ended September 30, 2022. The increase in the average cost of deposits was due to the higher interest rate environment and an increase in the average balances of certificates of deposit of \$51.9 million to \$81.5 million for the three months ended September 30, 2023 from \$29.6 million for the three months ended September 30, 2022.

Interest expense on FHLB borrowings decreased \$64,000, or 66.0%, to \$33,000 for the three months ended September 30, 2023 compared to \$97,000 for the three months ended September 30, 2022. The decrease was due to a decrease in the average balance of borrowings of \$5.9 million, or 71.8%, to \$2.4 million for the three months ended September 30, 2023 compared to \$8.3 million for the three months ended September 30, 2022.

**Net Interest Income.** Net interest income was \$3.5 million for each of the three months ended September 30, 2023 and 2022, as a result of our interest income and interest expense increasing by similar amounts. Our interest rate spread decreased 49 basis points to 2.84% for the three months ended September 30, 2023, compared to 3.33% for the three months ended September 30, 2022, and our net interest margin decreased 19 basis points to 3.32% for the three months ended September 30, 2023 compared to 3.51% for the three months ended September 30, 2022.

**Provision for Credit Losses.** Effective April 1, 2023, we adopted the CECL accounting methodology. As a result, we now determine periodic estimates of lifetime expected credit losses on loans and unfunded commitments and recognize the expected credit losses as allowances for credit losses. Previously, provisions for loan losses were charged to operations to establish an allowance for loan losses at a level necessary to absorb known and inherent losses in our loan portfolio that were both probable and reasonably estimable at the date of the consolidated financial statements.

We recorded a reduction of allowance for credit losses of \$60,000 for the three months ended September 30, 2023 compared to a provision for loan losses of \$168,000 for the three months ended September 30, 2022. We had recoveries of \$18,000 during the three months ended September 30, 2023, and recoveries of \$35,000 during the three months ended September 30, 2022.

**Non-Interest Income.** Noninterest income decreased \$28,000, or 3.9%, to \$681,000 for the three months ended September 30, 2023 from \$709,000 for the three months ended September 30, 2022. Service charges on deposit accounts increased \$26,000, or 15.1%, to \$198,000 for the three months ended September 30, 2023 compared to \$172,000 for the three months ended September 30, 2022, primarily due to an increase in overdraft income and debit card usage. Interchange income increased \$24,000, or 8.9%, to \$294,000 for the three months ended September 30, 2023 compared to \$270,000 for the three months ended September 30, 2022. Other income decreased \$97,000, or 71.9%, to \$38,000 for the three months ended September 30, 2023 compared to \$135,000 for the three months ended September 30, 2022.

**Non-Interest Expense.** Noninterest expense increased \$208,000, or 7.5% to \$3.0 million for the three months ended September 30, 2023 from \$2.8 million for the three months ended September 30, 2022. Data processing expense increased \$81,000, or 21.1%, to \$464,000 for the three months ended September 30, 2023 from \$383,000 for the three months ended September 30, 2022. Federal deposit insurance premiums increased \$31,000, or 86.1%, to \$67,000 for the three months ended June 30, 2023 from \$36,000 for the three months ended September 30, 2022, due to a combination of an increase in deposits and an increase in federal deposit insurance premium rates.

**Income Tax Expense.** We recognized income tax expense of \$259,000 and \$206,000 for the three months ended September 30, 2023 and 2022, respectively, resulting in effective rates of 21.0% and 16.1%. The most significant difference between our effective tax rate and statutory rates results from investment partnership tax credits.

#### **Comparison of Operating Results for the Six Months Ended September 30, 2023 and September 30, 2022**

**General.** Net income increased \$172,000, or 9.8%, to \$1.9 million for the six months ended September 30, 2023, compared to \$1.7 million for the six months ended September 30, 2022. This increase was due primarily to an increase of \$422,000 in net interest income and an increase of \$53,000 in noninterest income, partially offset by an increase of \$209,000 in noninterest expense and \$94,000 in income tax expense.

**Interest Income.** Interest income increased \$2.2 million, or 28.7%, to \$9.8 million for the six months ended September 30, 2023 from \$7.6 million for the six months ended September 30, 2022. The increase was due primarily to an increase in interest income on loans, which is our primary source of interest income.

Interest income on loans increased \$2.1 million, or 30.6%, to \$8.9 million for the six months ended September 30, 2023 from \$6.8 million for the six months ended September 30, 2022. The average balance of loans increased \$29.3 million, or 9.0%, to \$355.3 million for the six months ended September 30, 2023 from \$326.0 million for the six months ended September 30, 2022. The increase is due to our continued focus on growing our loan portfolio consistent with maintaining asset quality. Our yield on loans increased 83 basis points to 5.02% for the six months ended September 30, 2023 from 4.19% for the six months ended September 30, 2022. The increase in yield was due to increases in market interest rates.

Interest income on securities increased \$71,000, or 9.9%, to \$787,000 for the six months ended September 30, 2023 from \$716,000 for the six months ended September 30, 2022, due to a 61 basis point increase in the average yield from 2.07% for the six months ended September 30, 2022 to 2.68% for the six months ended September 30, 2023. The increase was offset by a \$10.3 million decrease in the average balance of securities to \$58.8 million for the six months ended September 30, 2023 from \$69.1 million for the six months ended September 30, 2022. This decrease in the average balance of securities is attributed to paydowns received and unrealized losses over the period.

**Interest Expense.** Interest expense increased \$2.2 million, or 269.1%, to \$3.0 million for the six months ended September 30, 2023 compared to \$808,000 for the six months ended September 30, 2022, due primarily to an increase in the average balance of and higher costs of interest-bearing liabilities.

Interest expense on deposits increased \$2.2 million, or 316.8%, to \$2.9 million for the six months ended September 30, 2023 compared to \$691,000 for the six months ended September 30, 2022. The increase was due to a 141 basis point increase in the average cost of deposits to 1.89% for the six months ended September 30, 2023 from 0.48% for the six months ended September 30, 2022. The increase in the average cost of deposits was due to the higher interest rate environment and an increase in the average balances of certificates of deposit of \$47.8 million to \$77.7 million for the six months ended September 30, 2023 from \$29.9 million for the six months ended September 30, 2022.

Interest expense on FHLB borrowings decreased \$15,000, or 12.8%, to \$102,000 for the six months ended September 30, 2023 compared to \$117,000 for the six months ended September 30, 2022. The decrease was due to a decrease in the average balance of borrowings of \$7.8 million, or 67.3%, to \$3.8 million for the six months ended September 30, 2023 compared to \$11.6 million for six months ended September 30, 2022.

**Net Interest Income.** Net interest income was \$6.8 million for each of the six months ended September 30, 2023 and 2022, as a result of our interest income and interest expense increasing by similar amounts. Our interest rate spread decreased 50 basis points to 2.75% for the six months ended September 30, 2023, compared to 3.25% for the six months ended September 30, 2022, and our net interest margin decreased 13 basis points to 3.26% for the six months ended September 30, 2023 compared to 3.39% for the six months ended September 30, 2022.

**Provision for Credit Losses.** Effective April 1, 2023, we adopted the CECL accounting methodology. As a result, we now determine periodic estimates of lifetime expected credit losses on loans and unfunded commitments and recognize the expected credit losses as allowances for credit losses. Previously, provisions for loan losses were charged to operations to establish an allowance for loan losses at a level necessary to absorb known and inherent losses in our loan portfolio that are both probable and reasonably estimable at the date of the consolidated financial statements.

We recorded a reduction of allowance for credit losses of \$92,000 for the six months ended September 30, 2023 compared to a provision for loan losses of \$320,000 for the six months ended September 30, 2022. In addition, we recognized a reduction in beginning retained earnings of \$402,000 related to an increase in our allowance for credit losses in connection with our adoption of CECL. Our allowance for credit losses was \$5.7 million at September 30, 2023 compared to an allowance for loan losses of \$5.4 million at March 31, 2023 and \$5.3 million at September 30, 2022. The ratio of our allowance for credit/loan losses to total loans was 1.54% at September 30, 2023 compared to 1.53% at March 31, 2023 and 1.55% at September 30, 2022.

We had charge-offs of less than \$1,000 and recoveries of \$39,000 during the six months ended September 30, 2023, compared to charge-offs of less than \$1,000 and recoveries of \$35,000 during the six months ended September 30, 2022.

To the best of our knowledge, we have recorded all lifetime expected credit losses on loans and unfunded commitments at September 30, 2023. However, future changes could result in material increases in our provision for credit losses. In addition, the OCC, as an integral part of its examination process, will periodically review our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance for credit losses.

**Non-Interest Income.** Noninterest income increased \$53,000, or 4.2%, and was \$1.3 million for each of the six months ended September 30, 2023 and 2022. Service charges on deposit accounts increased \$59,000, or 18.1%, to \$385,000 for the six months ended September 30, 2023 compared to \$326,000 for the six months ended September 30, 2022, primarily due to increases in overdraft income and debit card usage. Other income decreased \$102,000, or 61.1%, to \$65,000 for the six months ended September 30, 2023 compared to \$167,000 for the six months ended September 30, 2022. Gain on sale of loans increased \$32,000, or 39.5%, to \$113,000 for the six months ended September 30, 2023 from \$81,000 for the six months ended September 30, 2022.

**Non-Interest Expense.** Noninterest expense increased \$209,000, or 3.7%, to \$5.8 million for the six months ended September 30, 2023 from \$5.6 million for the six months ended September 30, 2022. Salaries and employee benefits increased \$91,000, or 2.9%, to \$3.2 million for the six months ended September 30, 2023 from \$3.1 million for the six months ended September 30, 2022. Data processing expense increased \$45,000, or 5.2%, to \$907,000 for the six months ended September 30, 2023 from \$862,000 for the six months ended September 30, 2022. Federal deposit insurance premiums increased \$72,000, or 94.7%, to \$148,000 for the six months ended September 30, 2023 from \$76,000 for the six months ended September 30, 2022, due to a combination of an increase in deposits and an increase in federal deposit insurance premium rates.

**Income Tax Expense.** Income tax expense increased \$94,000, or 23.7%, to \$491,000 for the six months ended September 30, 2023 from \$397,000 for the six months ended September 30, 2022. The effective tax rate for the six months ended September 30, 2023 and 2022 were 20.4% and 18.5%, respectively. The most significant difference between our effective tax rate and statutory rates results from investment partnership tax credits.

**Management of Market Risk**

**General.** Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. All directors participate in discussions during the regular board meetings evaluating the interest rate risk inherent in our assets and liabilities, and the level of risk that is appropriate. These discussions take into consideration our business strategy, operating environment, capital, liquidity and performance objectives consistent with the policy and guidelines approved by them.

Our asset/liability management strategy attempts to manage the impact of changes in interest rates on net interest income, our primary source of earnings. Among the techniques we are using to manage interest rate risk are:

- maintaining capital levels that exceed the thresholds for well-capitalized status under federal regulations;
- maintaining adequate levels of liquidity;
- selling longer-term, fixed-rate loans, subject to market conditions; and
- continuing to diversify our loan portfolio by adding more commercial-related loans, which typically have shorter maturities and/or adjustable rates.

By following these strategies, we believe that we are better positioned to react to increases and decreases in market interest rates.

We have not engaged in hedging activities, such as engaging in futures or options. We do not anticipate entering into similar transactions in the future.

**Net Interest Income Analysis.** We analyze our sensitivity to changes in interest rates through a third-party net interest income ("NII") model. NII is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our NII would be for a one-year period and then calculate what the NII would be for the same period under the assumptions that the United States Treasury yield curve increases or decreases gradually by up to 400 basis points. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in the interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below.

The following table sets forth, at September 30, 2023, the calculation of the estimated changes in our NII that would result from the designated changes in the United States Treasury yield curve over a one-year period.

Changes in Interest Rates (basis points) <sup>(1)</sup>	NII Year 1 Forecast (Dollars in thousands)	Change in Net Interest Income Year One (% change from year one base)
400	\$ 15,186	(1.97)%
300	15,258	(1.50)
200	15,339	(0.98)
100	15,418	(0.47)
Base	15,491	—
(100)	15,505	0.09
(200)	15,539	0.31
(300)	15,587	0.62
(400)	15,687	1.27

(1)Assumes a gradual change in interest rates at all maturities over a one-year period.

The table above indicates that at September 30, 2023, we would have experienced a 0.98% decrease in NII in the event of a gradual, one-year 200 basis point increase in market interest rates and a 0.31% increase in NII in the event of a gradual, one-year 200 basis point decrease in market interest rates.

## Market Value of Equity

We also use a third-party model to compute amounts by which the net present value of our assets and liabilities (market value of equity or "MVE") would change in the event of a range of assumed changes in market interest rates. This model uses a discounted cash flow analysis and an option-based pricing approach to measure the interest rate sensitivity of net portfolio value. The model estimates the economic value of each type of asset, liability and off-balance sheet contract under the assumptions that the United States Treasury yield curve increases or decreases instantaneously by up to 400 basis points.

The following table sets forth, at September 30, 2023, the calculation of the estimated changes in our MVE that would result from the designated immediate changes in the United States Treasury yield curve.

Changes in Interest Rates (basis points) <sup>(1)</sup>	Estimated Increase (Decrease) in MVE (Dollars in thousands)			MVE as a Percentage of Present Value of Assets <sup>(3)</sup>	
	Estimated MVE <sup>(2)</sup>	Dollar Change	Percent Change	MVE Ratio <sup>(4)</sup>	Increase (Decrease) (basis points)
400	\$ 64,025	\$ (9,509)	(12.93)%	18.02%	(4)
300	66,816	(6,718)	(9.14)	18.19	13
200	68,737	(4,797)	(6.52)	18.10	4
100	69,452	(4,082)	(5.55)	17.69	(37)
Base	73,534	—	—	18.06	—
(100)	67,863	(5,671)	(7.71)	16.08	(198)
(200)	61,232	(12,302)	(16.73)	14.07	(399)
(300)	52,480	(21,054)	(28.63)	11.70	(636)
(400)	41,453	(32,081)	(43.63)	8.97	(909)

(1)Assumes an immediate uniform change in interest rate at all maturities.

(2)MVE 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 present value of incoming cash flows on interest-earning assets.

(4)MVE Ratio represents MVE divided by the present value of assets.

The table above indicates that at September 30, 2023, we would have experienced a 6.52% decrease in MVE in the event of an instantaneous parallel 200 basis point increase in the market interest rates and a 16.73% decrease in MVE in the event of an instantaneous 200 basis point decrease in market interest rates.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurement. Modeling changes in NII and MVE require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. For instance, the NII and MVE tables presented above assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. However, the shape of the yield curve changes constantly and the value and pricing of our assets and liabilities, including our deposits, may not closely correlate with changes in market interest rates. Accordingly, although the NII and MVE tables may provide an indication of our interest rate risk exposure at a particular point in time and in the context of a particular yield curve, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on NII and MVE and will differ from actual results.

NII and MVE calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of our loans, deposits and borrowings.

## Liquidity and Capital Resources

**Liquidity.** Liquidity describes our ability to meet 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 maturities of securities. We also have the ability to borrow from the FHLB. The Association had remaining availability for FHLB borrowings of approximately \$40.9 million at September 30, 2023. The FHLB has sole discretion to deny additional advances. Additionally, the Association had the capacity to borrow \$5.0 from a private bankers' bank at September 30, 2023. We could significantly increase our borrowing capacity from the FHLB Topeka if we pledged additional assets as security. We also have the ability to participate in the Federal Reserve Board's Bank Term Funding Program if needed.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments. The levels of these assets are dependent on our operating, financing, lending and investing activities during any period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities. For the six months ended September 30, 2023, cash flows from operations, investing, and financing activities resulted in a net increase in cash and cash equivalents of \$4.8 million. Net cash provided by operating activities amounted to \$1.6 million, primarily due to net income of \$1.9 million. Net cash used in investing activities amounted to \$12.2 million, primarily due to a net increase in loans of \$13.0 million and the purchase of available-for-sale investment securities of \$3.8 million, partially offset by proceeds from paydowns of available-for-sale investment securities of \$4.7 million. Net cash provided by financing activities amounted to \$15.4 million, primarily due to a net increase in deposits of \$16.1 million. For the six months ended September 30, 2022, cash flows from operations, investing, and financing activities resulted in a net decrease in cash and cash equivalents of \$11.8 million. Net cash provided by operating activities amounted to \$2.9 million, primarily due to net income of \$1.7 million. Net cash used in investing activities amount to \$28.2 million, primarily due to a net increase in loans of \$34.8 million, partially offset by proceeds from paydowns of available-for-sale investment securities of \$7.3 million. Net cash provided by financing activities amounted to \$13.4 million, primarily due to a net increase in proceeds from short-term FHLB advances of \$11.7 million and an increase in deposits of \$2.6 million. For further information, see the statements of cash flows contained in the consolidated financial statements in Part 1, Item 1 of this Quarterly Report.

### **Impact of Inflation and Changing Prices**

The consolidated financial statements and related data presented in this Quarterly Report have been prepared according to GAAP 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 the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Information with respect to qualitative disclosures about market risk can be found in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operation - Management of Market Risk."

**Item 4. Controls and Procedures.**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by the quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings.**

At September 30, 2023 we were not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business, the outcome of which would not be material to our financial condition or results of operations.

**Item 1A. Risk Factors.**

Not required for smaller reporting companies.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

None.

## Table of Contents

### Item 6. Exhibits.

Furnish the exhibits required by Item 601 of Regulation S-K (§ 229.601 of this chapter).

Exhibit Number	Description
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

**SIGNATURES**

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

**Central Plains Bancshares, Inc.**

Date: November 13, 2023

By: */s/ Steven D. Kunzman*  
Steven D. Kunzman  
Chairman of the Board, President and Chief Executive Officer

Date: November 13, 2023

By: */s/ Bradley M. Kool*  
Bradley M. Kool  
First Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven D. Kunzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Central Plains Bancshares, Inc. (the "registrant");

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)) for the registrant and have:

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

(b) 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

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

5. The registrant's other certifying officer(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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 13, 2023

By:

/s/ Steven D. Kunzman  
Steven D. Kunzman  
Chairman of the Board, President and Chief Executive Officer

---

**CERTIFICATION PURSUANT TO  
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Bradley M. Kool, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Central Plains Bancshares, Inc. (the "registrant");

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)) for the registrant and have:

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

(b) 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

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

5. The registrant's other certifying officer(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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 13, 2023

By:

/s/ Bradley M. Kool  
Bradley M. Kool  
First Vice President and Chief Financial Officer

---

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Central Plains Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023

By:

/s/ Steven D. Kunzman  
Steven D. Kunzman  
Chairman of the Board, President and Chief Executive Officer

---

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Central Plains Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2)The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023

By:

/s/ Bradley M. Kool  
Bradley M. Kool  
First Vice President and Chief Financial Officer

---

