REFINITIV

DELTA REPORT

10-Q

CZWI - CITIZENS COMMUNITY BANCOR

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	819
CHANGES	385
DELETIONS	184
ADDITIONS	250

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023 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 001-33003

CITIZENS COMMUNITY BANCORP, INC.
(Exact name of registrant as specified in its charter)

Maryland	**20-5120010**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**

2174 EastRidge Center
Eau Claire, WI 54701
(Address and Zip Code of principal executive offices)

715-836-9994
(Registrant's telephone number, including area code)

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, $.01 par value per share	CZWI	NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

At August 3, 2023 November 3, 2023 there were 10,469,925 10,468,091 shares of the registrant’s common stock, par value $0.01 per share, outstanding.

CITIZENS COMMUNITY BANCORP, INC.

FORM 10-Q

June September 30, 2023

INDEX

PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Balance Sheets
June September 30, 2023 (unaudited) and December 31, 2022
(derived from audited financial statements)
(in thousands, except share and per share data)

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Assets	*Assets*			*Assets*		
Cash and cash equivalents	Cash and cash equivalents	$ 42,969	$ 35,363	Cash and cash equivalents	$ 32,532	$ 35,363
Other interest bearing deposits	Other interest bearing deposits	—	249	Other interest bearing deposits	—	249
Available for sale ("AFS") securities, at fair value (amortized cost of $187,172, net of allowance for credit losses of $0 at June 30, 2023)		161,135	165,991			
Held to maturity ("HTM") securities, at amortized cost, net of allowance for credit losses of $0 at June 30, 2023		93,800	96,379			
Available for sale ("AFS") securities, at fair value (amortized cost of $183,152, net of allowance for credit losses of $0 at September 30, 2023)				Available for sale ("AFS") securities, at fair value (amortized cost of $183,152, net of allowance for credit losses of $0 at September 30, 2023)	153,414	165,991
Held to maturity ("HTM") securities, at amortized cost, net of allowance for credit losses of $0 at September 30, 2023				Held to maturity ("HTM") securities, at amortized cost, net of allowance for credit losses of $0 at September 30, 2023	92,336	96,379
Equity investments	Equity investments	2,299	1,794	Equity investments	2,433	1,794
Other investments	Other investments	16,347	15,834	Other investments	15,109	15,834
Loans receivable	Loans receivable	1,424,988	1,411,784	Loans receivable	1,447,529	1,411,784
Allowance for credit losses	Allowance for credit losses	(23,164)	(17,939)	Allowance for credit losses	(22,973)	(17,939)
Loans receivable, net	Loans receivable, net	1,401,824	1,393,845	Loans receivable, net	1,424,556	1,393,845
Loans held for sale	Loans held for sale	2,394	—	Loans held for sale	2,737	—
Mortgage servicing rights, net	Mortgage servicing rights, net	4,008	4,262	Mortgage servicing rights, net	3,944	4,262
Office properties and equipment, net	Office properties and equipment, net	19,827	20,493	Office properties and equipment, net	19,465	20,493
Accrued interest receivable	Accrued interest receivable	5,702	5,285	Accrued interest receivable	5,936	5,285
Intangible assets	Intangible assets	2,052	2,449	Intangible assets	1,873	2,449
Goodwill	Goodwill	31,498	31,498	Goodwill	31,498	31,498
Foreclosed and repossessed assets, net	Foreclosed and repossessed assets, net	1,199	1,271	Foreclosed and repossessed assets, net	1,046	1,271
Bank owned life insurance ("BOLI")	Bank owned life insurance ("BOLI")	25,290	24,954	Bank owned life insurance ("BOLI")	25,467	24,954
Other assets	Other assets	19,493	16,719	Other assets	18,741	16,719

TOTAL ASSETS	TOTAL ASSETS	$1,829,837	$1,816,386	TOTAL ASSETS	$1,831,087	$1,816,386
Liabilities and Stockholders' Equity	*Liabilities and Stockholders' Equity*			*Liabilities and Stockholders' Equity*		
Liabilities:	Liabilities:			Liabilities:		
Deposits	Deposits	$1,464,682	$1,424,720	Deposits	$1,473,235	$1,424,720
Federal Home Loan Bank ("FHLB")	Federal Home Loan Bank ("FHLB")	122,530	142,530	Federal Home Loan Bank ("FHLB")	114,530	142,530
Other borrowings	Other borrowings	67,357	72,409	Other borrowings	67,407	72,409
Other liabilities	Other liabilities	9,710	9,639	Other liabilities	10,513	9,639
Total liabilities	Total liabilities	1,664,279	1,649,298	Total liabilities	1,665,685	1,649,298
Stockholders' Equity:	Stockholders' Equity:			Stockholders' Equity:		
Common stock—$0.01 par value, authorized 30,000,000; 10,470,175 and 10,425,119 shares issued and outstanding, respectively		105	104			
Common stock—$0.01 par value, authorized 30,000,000; 10,468,091 and 10,425,119 shares issued and outstanding, respectively				Common stock—$0.01 par value, authorized 30,000,000; 10,468,091 and 10,425,119 shares issued and outstanding, respectively	105	104
Additional paid-in capital	Additional paid-in capital	119,404	119,240	Additional paid-in capital	119,612	119,240
Retained earnings	Retained earnings	64,926	65,400	Retained earnings	67,424	65,400
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(18,877)	(17,656)	Accumulated other comprehensive loss	(21,739)	(17,656)
Total stockholders' equity	Total stockholders' equity	165,558	167,088	Total stockholders' equity	165,402	167,088
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,829,837	$1,816,386	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,831,087	$1,816,386

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Operations (unaudited)
Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022
(in thousands, except per share data)

		Three Months Ended		Six Months Ended			Three Months Ended		Nine Months Ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Interest and dividend income:	Interest and dividend income:					Interest and dividend income:				
Interest and fees on loans	Interest and fees on loans	$ 17,960	$ 14,893	$ 35,086	$ 28,660	Interest and fees on loans	$ 19,083	$ 15,937	$ 54,169	$ 44,597
Interest on investments	Interest on investments	2,817	1,810	5,364	3,419	Interest on investments	2,689	2,022	8,053	5,441
Total interest and dividend income	Total interest and dividend income	20,777	16,703	40,450	32,079	Total interest and dividend income	21,772	17,959	62,222	50,038
Interest expense:	Interest expense:					Interest expense:				

Interest on deposits	Interest on deposits	6,162	985	10,510	2,053	Interest on deposits	7,388	1,681	17,898	3,734
Interest on FHLB and FRB borrowed funds	Interest on FHLB and FRB borrowed funds	1,892	297	3,385	608	Interest on FHLB and FRB borrowed funds	1,210	568	4,595	1,176
Interest on other borrowed funds	Interest on other borrowed funds	1,037	1,154	2,074	1,984	Interest on other borrowed funds	1,053	1,253	3,127	3,237
Total interest expense	Total interest expense	9,091	2,436	15,969	4,645	Total interest expense	9,651	3,502	25,620	8,147
Net interest income before provision for credit losses	Net interest income before provision for credit losses	11,686	14,267	24,481	27,434	Net interest income before provision for credit losses	12,121	14,457	36,602	41,891
Provision for credit losses	Provision for credit losses	450	400	500	400	Provision for credit losses	(325)	375	175	775
Net interest income after provision for credit losses	Net interest income after provision for credit losses	11,236	13,867	23,981	27,034	Net interest income after provision for credit losses	12,446	14,082	36,427	41,116
Non-interest income:	Non-interest income:					Non-interest income:				
Service charges on deposit accounts	Service charges on deposit accounts	488	482	973	970	Service charges on deposit accounts	491	535	1,464	1,505
Interchange income	Interchange income	591	614	1,142	1,163	Interchange income	601	597	1,743	1,760
Loan servicing income	Loan servicing income	499	600	1,068	1,301	Loan servicing income	611	611	1,679	1,912
Gain on sale of loans	Gain on sale of loans	904	414	1,202	1,136	Gain on sale of loans	299	194	1,501	1,330
Loan fees and service charges	Loan fees and service charges	88	141	168	233	Loan fees and service charges	140	267	308	500
Net gains (losses) on investment securities	Net gains (losses) on investment securities	10	(75)	66	(112)	Net gains (losses) on investment securities	116	(55)	182	(167)
Other	Other	333	196	586	394	Other	307	323	893	717
Total non-interest income	Total non-interest income	2,913	2,372	5,205	5,085	Total non-interest income	2,565	2,472	7,770	7,557
Non-interest expense:	Non-interest expense:					Non-interest expense:				
Compensation and related benefits	Compensation and related benefits	5,336	5,589	10,674	10,987	Compensation and related benefits	5,293	5,900	15,967	16,887
Occupancy	Occupancy	1,359	1,343	2,782	2,708	Occupancy	1,335	1,429	4,117	4,137
Data processing	Data processing	1,444	1,415	2,904	2,716	Data processing	1,536	1,382	4,440	4,098
Amortization of intangible assets	Amortization of intangible assets	193	399	397	798	Amortization of intangible assets	179	399	576	1,197
Mortgage servicing rights expense, net	Mortgage servicing rights expense, net	148	195	306	(132)	Mortgage servicing rights expense, net	150	197	456	65
Advertising, marketing and public relations	Advertising, marketing and public relations	151	250	287	462	Advertising, marketing and public relations	185	300	472	762
FDIC premium assessment	FDIC premium assessment	203	118	404	233	FDIC premium assessment	204	119	608	352
Professional services	Professional services	306	368	811	770	Professional services	342	382	1,153	1,152

Gain on repossessed assets, net		(9)	(2)	(38)	(9)					
(Losses) gains on repossessed assets, net						(Losses) gains on repossessed assets, net	100	(8)	62	(17)
New market tax credit depletion	New market tax credit depletion	—	162	—	325	New market tax credit depletion	—	163	—	488
Other	Other	715	625	1,440	1,272	Other	645	1,014	2,085	2,286
Total non-interest expense	Total non-interest expense	9,846	10,462	19,967	20,130	Total non-interest expense	9,969	11,277	29,936	31,407
Income before provision for income taxes	Income before provision for income taxes	4,303	5,777	9,219	11,989	Income before provision for income taxes	5,042	5,277	14,261	17,266
Provision for income taxes	Provision for income taxes	1,097	1,411	2,351	2,917	Provision for income taxes	2,544	1,284	4,895	4,201
Net income attributable to common stockholders	Net income attributable to common stockholders	$ 3,206	$ 4,366	$ 6,868	$ 9,072	Net income attributable to common stockholders	$ 2,498	$ 3,993	$ 9,366	$ 13,065
Per share information:	Per share information:					Per share information:				
Basic earnings	Basic earnings	$ 0.31	$ 0.41	$ 0.66	$ 0.86	Basic earnings	$ 0.24	$ 0.38	$ 0.89	$ 1.24
Diluted earnings	Diluted earnings	$ 0.31	$ 0.41	$ 0.66	$ 0.86	Diluted earnings	$ 0.24	$ 0.38	$ 0.89	$ 1.24
Cash dividends paid	Cash dividends paid	$ —	$ —	$ 0.29	$ 0.26	Cash dividends paid	$ —	$ —	$ 0.29	$ 0.26

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Comprehensive Income (Loss) (unaudited)
Three and Six Nine months ended June 30, 2023 September 30, 2023 and 2022
(in thousands)

		Three Months Ended		Six Months Ended			Three Months Ended		Nine Months Ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net income attributable to common stockholders	Net income attributable to common stockholders	$ 3,206	$ 4,366	$ 6,868	$ 9,072	Net income attributable to common stockholders	$ 2,498	$ 3,993	$ 9,366	$ 13,065
Other comprehensive gain (loss), net of tax:	Other comprehensive gain (loss), net of tax:					Other comprehensive gain (loss), net of tax:				
Securities available for sale	Securities available for sale					Securities available for sale				
Net unrealized losses arising during period, net of tax	Net unrealized losses arising during period, net of tax	(2,277)	(5,315)	(1,212)	(12,438)	Net unrealized losses arising during period, net of tax	(2,862)	(4,980)	(4,074)	(17,418)
Reclassification adjustment for net gains included in net income, net of tax	Reclassification adjustment for net gains included in net income, net of tax	(9)	—	(9)	—	Reclassification adjustment for net gains included in net income, net of tax	—	—	(9)	—
Other comprehensive loss, net of tax	Other comprehensive loss, net of tax	(2,286)	(5,315)	(1,221)	(12,438)	Other comprehensive loss, net of tax	(2,862)	(4,980)	(4,083)	(17,418)
Comprehensive income (loss)		$ 920	$ (949)	$ 5,647	$ (3,366)					

Comprehensive (loss) income	Comprehensive (loss) income	$	(364)	$	(987)	$	5,283	$ (4,353)

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statement of Changes in Stockholders' Equity (unaudited)
Six Nine Months Ended June 30, 2023 September 30, 2023
(in thousands, except shares and per share data)

		Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Stockholders' Equity
Balance, January 1, 2023	**Balance, January 1, 2023**	10,425,119	$ 104	$119,240	$65,400	$ (17,656)	$ 167,088
Net income	Net income	—	—	—	3,662	—	3,662
Other comprehensive income, net of tax	Other comprehensive income, net of tax	—	—	—	—	1,065	1,065
Forfeiture of unvested shares	Forfeiture of unvested shares	(1,168)	—	—	—	—	—
Surrender of restricted shares of common stock	Surrender of restricted shares of common stock	(10,287)	—	(129)	—	—	(129)
Restricted common stock awarded under the equity incentive plan	Restricted common stock awarded under the equity incentive plan	50,606	1	—	—	—	1
Restricted common stock issued upon achievement of the 2020 performance criteria	Restricted common stock issued upon achievement of the 2020 performance criteria	18,551	—	—	—	—	—
Amortization of restricted stock	Amortization of restricted stock	—	—	216	—	—	216
Cumulative change in accounting principle for adoption of ASU 2016-13	Cumulative change in accounting principle for adoption of ASU 2016-13	—	—	—	(4,432)	—	(4,432)
Cumulative change in accounting principle for adoption of ASU 2023-02	Cumulative change in accounting principle for adoption of ASU 2023-02	—	—	—	130	—	130
Cash dividends ($0.29 per share)	Cash dividends ($0.29 per share)	—	—	—	(3,040)	—	(3,040)
Balance at March 31, 2023	**Balance at March 31, 2023**	10,482,821	105	119,327	61,720	(16,591)	164,561
Net income	Net income	—	—	—	3,206	—	3,206

	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Co In
Balance, January 1, 2023	10,425,119		$	104	$119,240	$	
Net income	—	—		—	3,662		
Other comprehensive income, net of tax	—	—		—	—		
Forfeiture of unvested shares	(1,168)	—		—	—		
Surrender of restricted shares of common stock	(10,287)	—		(129)	—		
Restricted common stock awarded under the equity incentive plan	50,606	1		—	—		
Restricted common stock issued upon achievement of the 2020 performance criteria	18,551	—		—	—		
Amortization of restricted stock	—	—		216	—		
Cumulative change in accounting principle for adoption of ASU 2016-13	—	—		—	(4,432)		
Cumulative change in accounting principle for adoption of ASU 2023-02	—	—		—	130		
Cash dividends ($0.29 per share)	—	—		—	(3,040)		
Balance at March 31, 2023	10,482,821	105		119,327	61,720		
Net income	—	—		—	3,206		

Other comprehensive loss, net of tax	Other comprehensive loss, net of tax	—	—	—	—	(2,286)	(2,286)	Other comprehensive loss, net of tax	—	—	—	—
Forfeiture of unvested shares	Forfeiture of unvested shares	(1,500)	—	—	—	—	—	Forfeiture of unvested shares	(1,500)	—	—	—
Common stock options exercised	Common stock options exercised	3,000	—	28	—	—	28	Common stock options exercised	3,000	—	28	—
Common stock repurchased	Common stock repurchased	(14,146)	—	(117)	—	—	(117)	Common stock repurchased	(14,146)	—	(117)	—
Amortization of restricted stock	Amortization of restricted stock	—	—	166	—	—	166	Amortization of restricted stock	—	—	166	—
Balance at June 30, 2023	**Balance at June 30, 2023**	10,470,175	$ 105	$ 119,404	$ 64,926	$ (18,877)	$ 165,558	**Balance at June 30, 2023**	10,470,175	105	119,404	64,926

Net income	Net income	—	—
Other comprehensive loss, net of tax	Other comprehensive loss, net of tax	—	—
Forfeiture of unvested shares	Forfeiture of unvested shares	(2,084)	—
Amortization of restricted stock	Amortization of restricted stock	—	—
Balance, September 30, 2023	**Balance, September 30, 2023**	10,468,091	$ 105

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statement of Changes in Stockholders' Equity (unaudited)
Twelve Months Ended December 31, 2022
(in thousands, except shares and per share data)

	Common Stock		Additional Paid-In	Retained	Accumulated Other Comprehensive Income	Total Stockholders'
	Shares	Amount	Capital	Earnings	(Loss)	Equity
Balance, January 1, 2022	10,502,442	$ 105	$ 119,925	$ 50,675	$ 161	$ 170,866
Net income	—	—	—	4,706	—	4,706
Other comprehensive loss, net of tax	—	—	—	—	(7,123)	(7,123)
Surrender of restricted shares of common stock	(10,119)	—	(141)	—	—	(141)
Restricted common stock awarded under the equity incentive plan	38,586	—	—	—	—	—
Restricted stock issued upon achievement of the 2019 performance criteria	11,834	—	—	—	—	—
Common stock options exercised	2,500	—	20	—	—	20
Common stock repurchased	(18,462)	—	(211)	(77)	—	(288)
Stock option expense	—	—	1	—	—	1
Amortization of restricted stock	—	—	195	—	—	195
Cash dividends ($0.26 per share)	—	—	—	(2,742)	—	(2,742)
Balance at March 31, 2022	10,526,781	105	119,789	52,562	(6,962)	165,494
Net income	—	—	—	4,366	—	4,366
Other comprehensive loss, net of tax	—	—	—	—	(5,315)	(5,315)
Forfeiture of unvested shares	(866)	—	—	—	—	—
Common stock awarded under the equity incentive plan	4,500	—	—	—	—	—
Stock option expense	—	—	1	—	—	1

Amortization of restricted stock	—	—	197	—	—	197
Balance at June 30, 2022	10,530,415	105	119,987	56,928	(12,277)	164,743
Net income	—	—	—	3,993	—	3,993
Other comprehensive loss, net of tax	—	—	—	—	(4,980)	(4,980)
Forfeiture of unvested shares	(1,260)	—	—	—	—	—
Surrender of restricted shares of common stock	(120)	—	(2)	—	—	(2)
Restricted common stock awarded under the equity incentive plan	2,136	—	—	—	—	—
Common stock repurchased	(52,961)	—	(603)	(88)	—	(691)
Stock option expense	—	—	1	—	—	1
Amortization of restricted stock	—	—	255	—	—	255
Balance, September 30, 2022	10,478,210	105	119,638	60,833	(17,257)	163,319
Net income	—	—	—	4,696	—	4,696
Other comprehensive loss, net of tax	—	—	—	—	(399)	(399)
Forfeiture of unvested shares	(500)	—	—	—	—	—
Surrender of restricted shares of common stock	(491)	—	(7)	—	—	(7)
Common stock options exercised	5,400	—	51	—	—	51
Common stock repurchased	(57,500)	(1)	(655)	(129)	—	(785)
Amortization of restricted stock	—	—	213	—	—	213
Balance, December 31, 2022	10,425,119	$ 104	$ 119,240	$ 65,400	$ (17,656)	$ 167,088

See accompanying condensed notes to unaudited consolidated financial statements.

CITIZENS COMMUNITY BANCORP, INC.
Consolidated Statements of Cash Flows (unaudited)
Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022
(in thousands)

		Six Months Ended			Nine Months Ended	
		June 30, 2023	June 30, 2022		September 30, 2023	September 30, 2022
Cash flows from operating activities:	Cash flows from operating activities:			Cash flows from operating activities:		
Net income attributable to common stockholders	Net income attributable to common stockholders	$ 6,868	$ 9,072	Net income attributable to common stockholders	$ 9,366	$ 13,065
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			Adjustments to reconcile net income to net cash provided by operating activities:		
Investment securities net (discount accretion) premium amortization	Investment securities net (discount accretion) premium amortization	(34)	57	Investment securities net (discount accretion) premium amortization	(46)	59
Depreciation expense	Depreciation expense	1,203	1,163	Depreciation expense	1,787	1,773
Provision for credit losses	Provision for credit losses	500	400	Provision for credit losses	175	775
Net realized (gain) loss on equity securities	Net realized (gain) loss on equity securities	(54)	113	Net realized (gain) loss on equity securities	(170)	167
Net realized gain on debt securities	Net realized gain on debt securities	(12)	—	Net realized gain on debt securities	(12)	—
Deferred tax asset valuation allowance				Deferred tax asset valuation allowance	1,828	—
Increase in mortgage servicing rights resulting from transfers of financial assets	Increase in mortgage servicing rights resulting from transfers of financial assets	(52)	(227)	Increase in mortgage servicing rights resulting from transfers of financial assets	(138)	(275)
Mortgage servicing rights amortization and impairment, net	Mortgage servicing rights amortization and impairment, net	306	(132)	Mortgage servicing rights amortization and impairment, net	456	65
Amortization of intangible assets	Amortization of intangible assets	397	798	Amortization of intangible assets	576	1,197

Amortization of restricted stock	Amortization of restricted stock	382	392	Amortization of restricted stock	590	647
Net stock based compensation expense	Net stock based compensation expense	—	2	Net stock based compensation expense	—	3
Loss on sale of office properties and equipment				Loss on sale of office properties and equipment	—	271
Decrease in deferred income taxes	Decrease in deferred income taxes	129	676	Decrease in deferred income taxes	226	252
Increase in cash surrender value of life insurance	Increase in cash surrender value of life insurance	(336)	(310)	Increase in cash surrender value of life insurance	(513)	(472)
Net gain from disposals of foreclosed and repossessed assets		(38)	(9)			
Net loss (gain) from disposals of foreclosed and repossessed assets				Net loss (gain) from disposals of foreclosed and repossessed assets	62	(17)
Gain on sale of loans held for sale, net	Gain on sale of loans held for sale, net	(1,202)	(1,136)	Gain on sale of loans held for sale, net	(1,501)	(1,330)
New market tax credit depletion expense	New market tax credit depletion expense	—	325	New market tax credit depletion expense	—	488
Net change in:	Net change in:			Net change in:		
Loans held for sale	Loans held for sale	(1,192)	6,634	Loans held for sale	(1,236)	7,334
Accrued interest receivable and other assets	Accrued interest receivable and other assets	(1,047)	388	Accrued interest receivable and other assets	(1,615)	356
Other liabilities	Other liabilities	(1,466)	(1,759)	Other liabilities	(663)	(3,625)
Total adjustments	Total adjustments	(2,516)	7,375	Total adjustments	(194)	7,668
Net cash provided by operating activities	Net cash provided by operating activities	4,352	16,447	Net cash provided by operating activities	9,172	20,733
Cash flows from investing activities:	Cash flows from investing activities:			Cash flows from investing activities:		
Net decrease in other interest bearing deposits	Net decrease in other interest bearing deposits	249	6	Net decrease in other interest bearing deposits	249	1,143
Purchase of available for sale securities	Purchase of available for sale securities	(11,007)	(5,760)	Purchase of available for sale securities	(11,007)	(10,543)
Proceeds from principal payments of available for sale securities	Proceeds from principal payments of available for sale securities	9,128	14,577	Proceeds from principal payments of available for sale securities	13,164	21,799
Proceeds from sales of available for sale securities	Proceeds from sales of available for sale securities	5,105	—	Proceeds from sales of available for sale securities	5,105	—
Purchase of held to maturity securities	Purchase of held to maturity securities	—	(35,342)	Purchase of held to maturity securities	—	(35,342)
Proceeds from principal payments and maturities of held to maturity securities	Proceeds from principal payments and maturities of held to maturity securities	2,571	7,204	Proceeds from principal payments and maturities of held to maturity securities	4,031	8,838
Equity investment capital distribution				Equity investment capital distribution	132	—
Purchase of equity investments	Purchase of equity investments	(450)	(150)	Purchase of equity investments	(600)	(300)
Net (purchases) sales of other investments		(513)	406			
Net sales (purchases) of other investments				Net sales (purchases) of other investments	725	(602)

Proceeds from sales of foreclosed and repossessed assets	Proceeds from sales of foreclosed and repossessed assets	254	38	Proceeds from sales of foreclosed and repossessed assets	307	56
Net increase in loans	Net increase in loans	(13,199)	(36,445)	Net increase in loans	(35,606)	(65,476)
Net capital expenditures	Net capital expenditures	(547)	(1,583)	Net capital expenditures	(771)	(2,446)
Proceeds from disposal of office properties and equipment	Proceeds from disposal of office properties and equipment	10	—	Proceeds from disposal of office properties and equipment	12	14
New market tax credit investment	New market tax credit investment	—	(4,056)	New market tax credit investment	—	(4,056)
Net cash used in investing activities	Net cash used in investing activities	(8,399)	(61,105)	Net cash used in investing activities	(24,259)	(86,915)

Cash flows from financing activities:	Cash flows from financing activities:			Cash flows from financing activities:		
Federal Home Loan Bank advances	Federal Home Loan Bank advances	15,000	44,000	Federal Home Loan Bank advances	15,000	72,000
Amortization of fair value adjustments for acquired Federal Home Loan Bank advances	Amortization of fair value adjustments for acquired Federal Home Loan Bank advances	—	3	Amortization of fair value adjustments for acquired Federal Home Loan Bank advances	—	3
Federal Home Loan Bank advance call payments	Federal Home Loan Bank advance call payments	—	(27,500)	Federal Home Loan Bank advance call payments	—	(55,000)
Federal Home Loan Bank advance termination payments	Federal Home Loan Bank advance termination payments	—	(15,015)	Federal Home Loan Bank advance termination payments	—	(15,015)
Federal Home Loan Bank maturities	Federal Home Loan Bank maturities	(35,000)	(11,000)	Federal Home Loan Bank maturities	(43,000)	(11,000)
Amortization of debt issuance costs	Amortization of debt issuance costs	115	107	Amortization of debt issuance costs	165	340
Proceeds from other borrowings, net of origination costs	Proceeds from other borrowings, net of origination costs	—	34,197	Proceeds from other borrowings, net of origination costs	—	34,191
Other borrowings principal reductions	Other borrowings principal reductions	(5,167)	(5,606)	Other borrowings principal reductions	(5,167)	(20,606)
Net increase in deposits	Net increase in deposits	39,962	12,675	Net increase in deposits	48,515	46,833
Common stock restricted shares	Common stock restricted shares	1	—	Common stock restricted shares	1	—
Repurchase shares of common stock	Repurchase shares of common stock	(117)	(288)	Repurchase shares of common stock	(117)	(979)
Surrender of restricted shares of common stock	Surrender of restricted shares of common stock	(129)	(141)	Surrender of restricted shares of common stock	(129)	(143)
Common stock options exercised	Common stock options exercised	28	20	Common stock options exercised	28	20
Cash dividends paid	Cash dividends paid	(3,040)	(2,742)	Cash dividends paid	(3,040)	(2,742)
Net cash provided by financing activities	Net cash provided by financing activities	11,653	28,710	Net cash provided by financing activities	12,256	47,902
Net increase (decrease) in cash and cash equivalents		7,606	(15,948)			
Net decrease in cash and cash equivalents				Net decrease in cash and cash equivalents	(2,831)	(18,280)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	35,363	47,691	Cash and cash equivalents at beginning of period	35,363	47,691

Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	$ 42,969	$ 31,743	Cash and cash equivalents at end of period	$ 32,532	$ 29,411
Supplemental cash flow information:	**Supplemental cash flow information:**			**Supplemental cash flow information:**		
Cash paid during the period for:	Cash paid during the period for:			Cash paid during the period for:		
Interest on deposits	Interest on deposits	$ 10,088	$ 2,121	Interest on deposits	$ 16,602	$ 3,784
Interest on borrowings	Interest on borrowings	$ 5,363	$ 2,148	Interest on borrowings	$ 8,363	$ 4,698
Income taxes	Income taxes	$ 2,505	$ 1,880	Income taxes	$ 3,855	$ 3,365
Supplemental noncash disclosure:	**Supplemental noncash disclosure:**			**Supplemental noncash disclosure:**		
Transfers from loans receivable to other real estate owned ("OREO")	Transfers from loans receivable to other real estate owned ("OREO")	$ 144	$ 65	Transfers from loans receivable to other real estate owned ("OREO")	$ 144	$ 92
Transfers from office properties and equipment to foreclosed and repossessed assets				Transfers from office properties and equipment to foreclosed and repossessed assets	$ —	$ 130

See accompanying condensed notes to unaudited consolidated financial statements.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share and per share data)

(UNAUDITED)

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Citizens Community Federal N.A. (the “Bank”) included herein have been included by its parent company, Citizens Community Bancorp, Inc. (the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. As used in this quarterly report, the terms “we”, “us”, “our”, and “Citizens Community Bancorp, Inc.” mean the Company and its wholly owned subsidiary, the Bank, unless the context indicates other meaning.

The Bank is a national banking association (a “National Bank”) and operates under the title of Citizens Community Federal National Association (“Citizens Community Federal N.A.” or “Bank” or “CCFBank”). The Company is a bank holding company, supervised by the Federal Reserve Bank of Minneapolis, and operates under the title of Citizens Community Bancorp, Inc. The U.S. Office of the Comptroller of the Currency (the “OCC”), is the primary federal regulator for the Bank.

The consolidated income of the Company is principally derived from the income of the Bank, the Company’s wholly owned subsidiary, serving customers in Wisconsin and Minnesota through 23 branch locations. Its primary markets include the Chippewa Valley Region in Wisconsin, the Mankato and Twin Cities markets in Minnesota, and various rural communities around these areas. The Bank offers traditional community banking services to businesses, agricultural operators and consumers, including one-to-four family residential mortgages.

The Bank is subject to competition from other financial institutions and non-financial institutions providing financial products. Additionally, the Bank is subject to the regulations of certain regulatory agencies and undergoes periodic examination by those regulatory agencies.

In preparing these consolidated financial statements, we evaluated the events and transactions that occurred subsequent to the June 30, 2023 September 30, 2023, balance sheet date and through the date the financial statements were available to be issued for items that should potentially be recognized or disclosed in these consolidated financial statements.

The accompanying consolidated interim financial statements are unaudited. However, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Unless otherwise stated herein, and except for shares and per share amounts, all amounts are in thousands.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates –Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates are based on management’s best knowledge of current events and actions the Company may undertake in the future. Estimates are used in accounting for, among other items, fair value of financial instruments, the allowance for credit losses, mortgage servicing rights, foreclosed and repossessed assets, valuation of intangible assets arising from acquisitions, useful lives for depreciation and amortization, valuation of goodwill and long-lived assets, stock based compensation, deferred tax assets, uncertain income tax positions and contingencies. Management does not anticipate any material changes to estimates made herein in the near term. Factors that may cause sensitivity to the aforementioned estimates include but are not limited to: those items described under the caption "Risk Factors" in Item 1A of the annual report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 7, 2023; the matters described in "Risk Factors" in Item 1A of the quarterly reports on Form 10-Q for the quarter quarters ended March 31, 2023 and June 30, 2023, filed with the SEC on May 4, 2023; and August 3, 2023, respectively; the matters described in "Risk Factors" in Item 1A of this Form 10-Q; external market factors such as market interest rates and unemployment rates; changes to operating policies and procedures and changes in applicable banking regulations. Actual results may ultimately differ from estimates, although management does not generally believe such differences would materially affect the consolidated financial statements in any individual reporting period.

Investment Securities; Held to Maturity and Available for Sale – Management determines the appropriate classification of investment securities at the time of purchase and reevaluates such designation as of the date of each balance sheet. Securities are classified as held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Held to maturity securities are stated at amortized cost. Investment securities not classified as held to maturity are classified as available

for sale. Available for sale securities are stated at fair value, with unrealized holding gains and losses being reported in other comprehensive income (loss), net of tax. Realized gains or losses on sales of available for sale securities are calculated with the specific identification method and are included in the consolidated statements of operations under net gains on investment securities. Interest income includes amortization of purchase premium or accretion of purchase discount. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the estimated lives of the securities.

Allowance for Credit Losses – Held to Maturity Securities -The Company measures expected credit losses on held to maturity debt securities on a collective basis by major security type. For agency mortgage-backed securities there are no expected credit losses as they are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. For other securities, the estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

Allowance for Credit Losses – Available for Sale Securities - The Company measures the allowance for credit losses on available for sale debt securities by evaluating securities in an unrealized loss position using a two-step process. First, the Company assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost. If it is determined that the Company intends or will be required to sell the security, it is written down to its fair value through income. as net gains or losses on investment securities in our consolidated statement of operations. For agency mortgage-backed and asset-backed securities that do not meet the criteria in step one, there are no expected credit losses as they are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. For other debt securities that do not meet the criteria in step one, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and the allowance for credit losses on available for sale investments is recorded for the credit loss, limited by the amount that the fair value is less that the amortized cost basis. Any impairment that has not been recorded though an allowance for credit losses is recognized in other comprehensive income.

Equity investments - The Company is required to maintain an investment in Federal Agricultural Mortgage Corporation ("Farmer Mac") equity securities. Farmer Mac equity securities are carried at their fair market value, which is readily determinable. Changes in fair value are recognized as net gains (losses) or losses on investment securities in the our consolidated statement of operations.

Also included in equity investments are the Company's investments in a Volker Rule-compliant Small Business Investment Company ("SBIC") and an investment fund. The SBIC and investment fund meet the definition of investment companies, as defined in ASC 946, Financial Services - Investment Companies. These investments seek returns by investing in various small businesses and do not have redemption rights. Distributions from the investments will be received as the underlying investments, which generally have a life of 10 years, are liquidated. We elected the practical expedient available in Topic 820, Fair Value Measurements, which permits the use of net asset value ("NAV") per share or equivalent to value investments in entities that are or are similar to investment companies. SBICs and investment funds report their investments at estimated fair value. We record the unrealized gains and losses resulting from changes in the fair value of these investments as gains or losses on equity investment securities in our consolidated statements of operations. The carrying value of these investments is equal to the capital account as provided by the investee and adjusted as necessary.

Other Investments - As a member of the Federal Reserve Bank ("FRB") System and the Federal Home Loan Bank ("FHLB") System, the Bank is required to maintain an investment in the capital stock of these entities. These securities are "restricted" in that they can only be sold back to the respective institutions or another member institution at par. Therefore, they are less liquid than other exchange traded equity securities. As no ready market exists for these stocks, and they have no quoted market value, these investments are carried at cost and periodically evaluated for impairment based on the ultimate recovery of par value. Cash dividends are reported as other income in the our consolidated statement of operations.

Also included in other investments is stock of our correspondent bank, Bankers' Bank, without readily determinable fair value. This stock is carried at cost plus or minus changes resulting from observable price changes in orderly transactions for this stock, less other-than-temporary impairment charges, if any.

Management's evaluation for impairment of these other investments, includes consideration of the financial condition and other available relevant information of the issuer. Based on management's quarterly evaluation, no impairment has been recorded on these securities. Other investments totaling $16,347 $15,109 at June 30, 2023 September 30, 2023 consisted of $8,153 $6,909 of FHLB stock, $5,686 of

$5,692 of Federal Reserve Bank stock and $2,508 of Bankers' Bank stock. Other investments totaling $15,834 at December 31, 2022 consisted of $7,652 of FHLB stock and $5,674 of Federal Reserve Bank stock and $2,508 of Bankers' Bank stock.

Loans – Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of: deferred loan fees and costs, accretable yield on acquired loans and noncredit discount on purchased credit deteriorated (PCD) loans. Interest income is accrued on the unpaid principal balance of these loans and is presented as a separate line item on the consolidated balance sheets. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the interest method over the contractual life of the loan with no prepayments assumed. If the loan is prepaid, any unamortized net fee is recognized at this time. Late charge fees are recognized into income when collected.

Interest income on commercial, mortgage and consumer loans is discontinued according to the following schedules:

- Commercial/agricultural real estate loans past due 90 days or more;
- Commercial and industrial/agricultural operating loans past due 90 days or more;
- Closed end consumer installment loans past due 120 days or more; and
- Residential mortgage loans and open ended consumer installment loans past due 180 days or more.

Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued but not received for a loan placed on nonaccrual status is reversed against interest income. Interest received on such loans is accounted for on the cash basis or cost recovery method until qualifying for return to accrual status. Loans are returned to accrual status when payments are made that bring the loan account current with the contractual term of the loan and a six month payment history has been established.

Residential mortgage loans and open ended consumer installment loans are charged off to estimated net realizable value less estimated selling costs at the earlier of when (a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 180 days or more. Closed ended consumer installment loans are charged off to net realizable value at the earlier of when (a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 120 days or more. Commercial/agricultural real estate, commercial and industrial and agricultural operating loans are charged off to net realizable value at the earlier of when (a) the loan is deemed by management to be uncollectible, or (b) the loan becomes past due 90 days or more.

Allowance for Credit Losses – Loans The allowance for credit losses (“ACL”) on loans is a valuation allowance for current expected credit losses in the Company’s loan portfolio. Prior to January 1, 2023, the valuation allowance was established for probable and inherent credit losses. Loan losses are charged against the ACL when management believes that the collectability of a loan balance is unlikely. Subsequent recoveries, if any, are credited to the ACL. In determining the allowance, the company estimates credit losses over the loan’s entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers relevant available information from internal and external sources relating to historical loss experience; known and inherent risks in our portfolio; information about specific borrowers’ ability to repay; estimated collateral values; current economic conditions; reasonable and supportable forecasts for future conditions; and other relevant factors determined by management. To ensure that the ACL is maintained at an adequate level, a detailed analysis is performed on a quarterly basis and an appropriate provision is made to adjust the allowance. The entire ACL balance is available for any loan that, in management’s judgment, should be charged off.

The determination of the ACL requires significant judgement to estimate credit losses. The ACL on loans is measured collectively on a pooled basis when similar risk characteristics exist, and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The ACL on loans collectively evaluated is measured using the loss rate model. The Company categorizes its loan portfolio into four segments based on similar risk characteristics. Loans within each segment are pooled based on individual loan characteristics. Aggregated risk drivers are then calculated at a pool level. Risk drivers are identified attributes that have proven to be predictive of loan loss rates and vary based on loan segment and type. A loss rate is calculated and applied to the pool utilizing a model that combines the pool’s risk drivers, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. The loss rate is then combined with the loans balance and contractual maturity, adjusted for expected prepayments, to determine expected future losses. Future and supportable economic forecasts are based on national economic conditions and their reversion to the mean is implicit in the model and generally occurs over a period of two years.

Qualitative adjustments are made to the allowance calculated on collectively evaluated loans to incorporate factors not included in the model. Qualitative factors include but are not limited to, lending policies and procedures, the experience and ability of lending and other staff, the volume and severity of problem credits, quality of the loan review system, and other external factors.

Loans that exhibit different risk characteristics from the pool are individually evaluated for impairment. Loans can be identified for individual evaluation for a variety of reasons including delinquency, nonaccrual status, risk rating and loan modification. Accruing loans that exhibit different risk characteristics from their pool may also be within scope. On these loans, an allowance may be established so that the loan is reported, net, at the lower of (a) its amortized cost; (b) the present value of the loan’s estimated future cash flows using the loan’s existing rate; or (c) at the fair value of any loan collateral, less estimated disposal costs, if the loan is collateral dependent. Collateral dependency is determined using the practical expedient when: 1) the borrower is experiencing financial difficulty; and 2) repayment is expected to be provided substantially through the sale or operation of the collateral.

The Company has elected to not measure an ACL on accrued interest as it writes off accrued interest in a timely manner.

Allowance for Credit Losses - Unfunded Commitments - The ACL on unfunded commitments is a liability for credit losses on commitments to originate or fund loans, and standby letters of credit. It is included in “Other liabilities” on the consolidated balance sheets. Expected credit losses are estimated over the contractual period in which the Company is exposed to credit risk via a commitment that cannot be unconditionally canceled, adjusted for projected prepayments when appropriate. In addition,the estimate of the liability considers the likelihood that funding will occur. The ACL on unfunded commitments is adjusted through provision for credit losses on consolidated statements of operations. Because the business processes and risks associated with unfunded commitments are essentially the same as loans, the Company uses the same process to estimate the liability.

Loans Held for Sale — Loans held for sale are those loans the Company has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or fair value. Gains and losses on sales of loans are recognized at settlement dates, and are determined by the difference between the sales proceeds and the carrying value of the loans after allocating costs to servicing rights retained. Such gains and losses are included as non-interest income in the consolidated statements of operations. All sales are made without recourse. Interest rate lock commitments on mortgage loans to be funded and sold are valued at fair value, and are included in other assets or liabilities, if material.

Transfers of financial assets—Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the entity, (2) the transferee obtains the right, free of conditions that constrain it from taking advantage of that right, to pledge or exchange the transferred assets, and (3) the entity does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Mortgage Servicing Rights— Mortgage servicing rights ("MSR") assets result as the Company sells loans to investors in the secondary market and retains the rights to service mortgage loans sold to others. MSR assets are initially measured at fair value; assessed for impairment at least annually; and carried at the lower of the initial capitalized amount, net of accumulated amortization, or estimated fair value. MSR assets are amortized in proportion to and over the period of estimated net servicing income, with the amortization recorded as "mortgage servicing rights expense" in non-interest expense in the consolidated statement of operations.

The valuation of MSRs and related amortization, included in mortgage servicing rights expense in the consolidated statements of operations, thereon are based on numerous factors, assumptions and judgments, such as those for: changes in the mix of loans, interest rates, prepayment speeds, and default rates. Changes in these factors, assumptions and judgments may have a material effect on the valuation and amortization of MSRs. Although management believes that the assumptions used to evaluate the MSRs for impairment are reasonable, future adjustment may be necessary if future economic conditions differ substantially from the economic assumptions used to determine the value of MSRs.

Servicing fee income, which is reported on the consolidated statements of operations in non-interest income as loan servicing income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of outstanding principal; or a fixed amount per loan and are recorded as income when earned.

Goodwill and other intangible assets—The Company accounts for goodwill and other intangible assets in accordance with ASC Topic 350, "Intangibles - Goodwill and Other." The Company records the excess of the cost of acquired entities over the fair value of identifiable tangible and intangible assets acquired, less liabilities assumed, as goodwill. On a periodic basis, management assesses whether events or changes in circumstances indicate that the carrying amounts of the intangible assets may be impaired. Goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis, and more

frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit

below its carrying amount. A reporting unit is defined as any distinct, separately identifiable component of the Company's one operating segment for which complete, discrete financial information is available and reviewed regularly by the segment's management. The Company has one reporting unit as of June 30, 2023 September 30, 2023, which is related to its banking activities. The impairment testing process is conducted by assigning net assets and goodwill to the Company's reporting unit. An initial qualitative evaluation is made to assess the likelihood of impairment and determine whether further quantitative testing to calculate the fair value is necessary. When the qualitative evaluation indicates that impairment is more likely than not, quantitative testing is required whereby the fair value of the Company's reporting unit is calculated and compared to the recorded book value, "step one." If the calculated fair value of the Company's reporting unit exceeds its carrying value, goodwill is not considered impaired and "step two" is not considered necessary. If the carrying value of the Company's reporting unit exceeds its calculated fair value, the impairment test continues ("step two") by comparing the carrying value of the Company's reporting unit's goodwill to the implied fair value of goodwill. An impairment charge is recognized if the carrying value of goodwill exceeds the implied fair value of goodwill. The Company has performed the required goodwill impairment test and has determined that goodwill was not impaired as of December 31, 2022. The Company has monitored events and conditions since December 31, 2022, and has determined that no triggering event has occurred that would require goodwill to be tested for impairment.

Foreclosed and Repossessed Assets, net – Assets acquired through foreclosure or repossession are initially recorded at fair value, less estimated costs to sell, which establishes a new cost basis. If the fair value declines subsequent to foreclosure or repossession, a write-down is recorded through expense. Costs incurred after acquisition are expensed and are included in non-interest expense, other in the consolidated statements of operations.

Bank Owned Life Insurance (BOLI)—The Bank invests in bank-owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Bank on a select group of employees. The Bank is the owner and beneficiary of the policies. Income from the increase in cash surrender value of the policies as well as the receipt of death benefits is included in non-interest income on the consolidated statements of operations.

New Markets Tax Credits - As a part of its commitment to the communities it serves, in the first quarter of 2022, the Company made an investment in an LLC that is sponsoring a community development project that has been awarded a New Markets Tax Credit (NMTC) through the U.S. Department of the Treasury's Community Development Financial Institutions Fund. This investment is Community Reinvestment Act eligible and is designed to generate a return primarily through the realization of the tax credit. This LLC is considered a Variable Interest Entity (VIE) as the Company represents the holder of the equity investment at risk, but does not have the ability to direct the activities that most significantly affect the performance of the LLC. As such, the Company is not the primary beneficiary of the VIE and the LLC has not been consolidated. With the adoption of ASU 2023-02 on January 1, 2023 discussed in *Recent Accounting Pronouncements - Adopted* below, the investment is accounted for using the proportional amortization method, which requires amortizing the investment in the period of and in proportion to the recognition of the related tax credit. Amortization of the investment is included in provision for income taxes and the utilization of the tax credit is recorded as a reduction in provision for income taxes. Prior to the adoption of ASU 2023-02 the investment was accounted for using the equity method of accounting and was amortized through non-interest expense

As of June 30, 2023 September 30, 2023, the carrying amount of this investment, which is included in other assets in the consolidated balance sheets, was $3,189. $3,044. Prior to the adoption of ASU 2023-02, the carrying value of the investment as of December 31, 2022 was $3,350. The risk of loss with this investment is limited to its carrying value and is tied to its ability to operate in compliance with the rules and regulations necessary for the qualification of the tax credit generated by the investment. As of June 30, 2023 September 30, 2023, there were no known instances of noncompliance associated with the investment.

Leases - We determine if an arrangement is a lease at inception. All of our existing leases have been determined to be operating leases under ASC 842. Right-of-use ("ROU") assets are included in other assets in our consolidated balance sheets. Operating lease liabilities are included in other liabilities in our consolidated balance sheets. Lease expense is included in non-interest expense, occupancy in the consolidated statements of operations.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date, based on the present value of lease payments over the lease term. As none of our existing leases provide an implicit rate, we use our incremental borrowing rate, based on information available at commencement date, in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease, when it is reasonably certain that we will exercise that option. Lease expense is recognized based on the total contractually required lease payments, over the term of the lease, on a straight-line basis.

Debt and equity issuance costs—Debt issuance costs, which consist primarily of fees paid to note lenders, are deferred and included in other borrowings in the consolidated balance sheets. Debt issuance costs with a Company call option that originated prior to 2020 and senior note debt issuance costs, are amortized over the contractual term of the corresponding debt, as a component of interest expense on other borrowed funds in the consolidated statements of operations. Debt issuance costs that originated in 2020 and thereafter, are amortized through the first Company call option date of the corresponding debt, as a

component of interest expense on other borrowed funds in the consolidated statements of operations. Specific costs associated with the issuance of shares of the Company's common or preferred stock are netted against proceeds and recorded in stockholders' equity, as additional paid in capital, on the consolidated balance sheets, in the period of the share issuance.

Advertising, Marketing and Public Relations Expense—The Company expenses all advertising, marketing and public relations costs as they are incurred.

Income Taxes – The Company accounts for income taxes in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") Topic 740, "Income Taxes." Under this guidance, deferred taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates that will apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date.

The Company regularly reviews the carrying amount of its net deferred tax assets to determine if the establishment of a valuation allowance is necessary. If based on the available evidence, it is more likely than not that all or a portion of the Company's net deferred tax assets will not be realized in future periods, a deferred tax valuation allowance would be established. Consideration is given to various positive and negative factors that could affect the realization of the deferred tax assets. In evaluating this available evidence, management considers, among other things, historical performance, expectations of future earnings, the ability to carry back losses to recoup taxes previously paid, the length of statutory carry forward periods, any experience with utilization of operating loss and tax credit carry forwards not expiring, tax planning strategies and timing of reversals of temporary differences. Significant judgment is required in assessing future earnings trends and the timing of reversals of temporary differences. Accordingly, the Company's evaluation is based on current tax laws as well as management's expectations of future performance.

The Company's effective tax rates were 50.5% and 34.3% for the three and nine months ended September 30, 2023, and 24.3% for both the three and nine months ended September 30, 2022. The Wisconsin state budget, signed July 5, 2023, effective January 1, 2023, made originated loans in Wisconsin for business purposes up to $5,000 non-taxable. This change lowers the Company's income tax rates for the three and nine-month periods ended September 30, 2023. The current period income tax expense was lower due to the retroactive, i.e. nine-month effect of this change by $553. This reduction of income tax expense was offset by a one-time tax expense of $1,828 in the current period, as the impact of the resulting lower incremental tax rate decreased the estimated future realization of an existing deferred tax asset resulting in a valuation allowance.

Revenue Recognition - The Company's primary source of revenue is interest income from interest earning assets, which is recognized on the accrual basis of accounting using the effective interest method. The recognition of revenues from interest earning assets is based upon formulas from underlying loan agreements, securities contracts or other similar contracts.

The Company accounts for revenue from contracts with customers in accordance with ASC Topic 606, "Revenue from Contracts with Customers." Topic 606 provides that revenue from contracts with customers be recognized when performance obligations under the terms of a contract are satisfied. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing service. The Company does not have any materially significant payment terms as payment is received shortly after the satisfaction of the performance obligation. The non-interest income line items recognized under the scope of Topic 606 are as follows:

Service charges on deposit accounts - Service charges on accounts consist of monthly service fees, transaction-based fees, overdraft services and other deposit account related fees. The Company's performance obligation for monthly services fees is generally satisfied over the period in which the service is provided. Revenue for these monthly fees is recognized during the service period. Other deposit account related fees are largely transactional based, and therefore, the Company's performance obligation is satisfied at the time the service is provided. Payment for service charges on deposit accounts are primarily received immediately or in the following month through a direct charge to a customer's account.

Interchange income - The Company earns interchange fees when cardholder debit card transaction are processed through card association networks. The interchange rates are generally set by the card association based upon purchase

volumes and other factors. Interchange fees represent a percentage of the underlying transaction value. The Company has a continuous contract, based on customary business practices, with the card association networks to make funds available for settlement of card transactions. The Company's performance obligation is satisfied over time as it makes funds available, and the related income is recognized when received.

Gain (loss) on repossessed assets - The Company records a gain or loss from the sale of repossessed assets, when control of the property or asset transfers to the buyer, which generally occurs at the time of an executed deed or sales agreement. When the Company finances the sale of repossessed assets to a buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the repossessed asset is derecognized and the gain or loss on sale is recorded upon transfer of control of the property to the buyer. In determining the gain on sale or loss on the sale, the Company adjust the transaction price and related gain or loss on sale if a significant financing component is present.

Non-interest income outside of the scope of Revenue from Contracts with Customers, Topic 606 is recognized on the accrual basis of accounting as services are provided or as transactions occur. Non-interest income outside of the scope of Topic 606 includes mortgage banking activities, loan fees and service charges, net gains (losses) on investment securities, and other, which is primarily made up of BOLI related income.

Earnings Per Share – Basic earnings per common share is net income or loss divided by the weighted average number of common shares outstanding during the period. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable during the period, consisting of stock options outstanding under the Company's stock incentive plans that have an exercise price that is less than the Company's stock price on the reporting date.

Loss Contingencies—Loss contingencies, including claims and legal actions arising in the normal course of business, are recorded as liabilities when the likelihood of loss is probable and an amount of loss can be reasonably estimated.

Other Comprehensive Income —Accumulated and other comprehensive income or loss is comprised of the unrealized and realized gains and losses on securities available for sale, net of tax, and is shown on the accompanying consolidated statements of comprehensive income.

Operating Segments—While our executive officers monitor the revenue streams of the various banking products and services, operations are managed and financial performance is evaluated on a Company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated in one reportable operating segment.

Reclassifications – Certain items previously reported were reclassified for consistency with the current presentation.

Recent Accounting Pronouncements—The Financial Accounting Standards Board (FASB) issues Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification (ASC). This section provides a summary description of recent ASUs that have potentially significant implications (elected or required) within the consolidated financial statements, or that management expects may have a significant impact on financial statements issued in the near future.

Recent Accounting Pronouncements—Adopted

ASU 2020-04 and ASU 2021-01, Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting--These ASUs provide optional and temporary relief, in the form of optional expedients and exceptions, for applying GAAP to modifications of contacts, hedging relationships and other transactions affected by reference rate (e.g. LIBOR) reforms. ASU 2020-04 and ASU 2021-01 was effective immediately upon issuance and will remain in effect through December 31, 2024. The Company utilizes LIBOR, among other indexes, as a reference rate for underwriting variable rate loans. Reference rate reform has not had, nor does the Company expect it to have, a material effect on the Company's consolidated balance sheet, operations or cash flows.

ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments--The ASU changes accounting for credit losses on loans receivable and debt securities from an incurred loss methodology to an expected credit loss methodology. Among other things, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Accordingly, ASU 2016-13 requires the use of forward-looking information to form credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, though the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on debt securities and purchased financial assets with credit deterioration. In November, 2019, the FASB issued ASU 2019-10, which delayed the effective date for ASU 2016-13 for smaller reporting companies, resulting in ASU 2016-13

becoming effective in the first quarter of 2023 for the Company. Earlier adoption was permitted; however, the Company elected not to adopt the ASU early.

The Company formed a cross-functional team to implement ASU 2016-13. Key objectives of the team included selecting a loss estimation methodology, establishing processes and controls, data validation, creation of supporting analytics, documentation of policies and procedures, and developing disclosures. As previously disclosed, the Company is utilizing a third-party model to assist in loss estimation including pooling loans with similar risk characteristics and modeling methodologies.

The Company adopted ASU 2016-13 using the modified retrospective approach effective January 1, 2023. Results for the periods beginning on and after January 1, 2023 are presented under ASU 2016-13 while prior period amounts are reported in accordance with previously applicable accounting standards. The company recorded a reduction to retained earnings of $4,432 upon the adoption of ASU 2016-13, primarily due to the requirement to estimate credit losses over the life of the loan and the duration of the Company's portfolio. The Company also recorded an increase to the ACL of $4,706. This increase was made up

of two components, $4,576 for non-purchased credit deteriorated ("PCD") loans and $130 for PCD loans. An ACL on unfunded commitments of $1,537 was also established. The Company elected not to record an allowance on HTM securities as the portfolio consists almost entirely of agency-backed securities that inherently have minimal nonpayment risk. The transition adjustment included corresponding increases in deferred tax assets.

The Company adopted ASU 2016-13 using the prospective transition approach for financial assets considered PCD. These assets were previously classified as purchase credit impaired ("PCI") and accounted for under ASC 310-30 prior to January 1, 2023. In accordance with the standard, the Company did not reassess whether the PCI assets met the criteria of PCD assets as of the adoption date. The amortized cost of the PCD assets were adjusted to reflect the addition of $130 to the allowance for credit losses. This adjustment is included in the discussion of the transition adjustment above. The remaining noncredit discount, based on the adjusted amortized cost, will be accreted into interest income at the effective interest rate over the remaining life of the assets.

The following table illustrates the impact of ASU 2016-13 adoption in thousands

	Pre-ASU 2016-13 Adoption December 31, 2022	Impact of ASU 2016-13 Adoption	As Reported under ASU 2016-13 January 1, 2023
Allowance for credit losses:			
Commercial/Agricultural Real Estate	$ 14,085	$ 4,510	$ 18,595
C&I/Agricultural operating	2,318	(331)	1,987
Residential Mortgage	599	1,119	1,718
Consumer Installment	129	216	345
Unallocated	808	(808)	—

Total allowance for credit losses on loans	17,939	4,706	22,645
Allowance for credit losses on unfunded commitments	—	1,537	1,537
Total allowance for credit losses	$ 17,939	$ 6,243	$ 24,182

ASU 2022-02, Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures - The ASU addresses and amends areas identified by the FASB as part of its post-implementation review of the accounting standard that introduced the current expected credit losses model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the current expected credit losses model and enhance the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require disclosure of current-period gross write-offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. The company adopted ASU 2022-02 in conjunction with ASU 2016-13 on January 1, 2023 using the prospective approach.

ASU 2023-02, Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method - This ASU expands the use of the proportional amortization method in accounting for tax credit investments to all tax credit investments that meet certain criteria. The Company has determined that its New Markets Tax Credit investment qualifies for use of the proportional amortization method under this ASU and has elected to early adopt the update as of January 1, 2023 using the modified retrospective approach. The transition adjustment resulted in an increase to retained earnings of $130. Amortization of the investment will now be recognized in the period of and

proportional to recognition of the related tax credit and included in provision for income taxes in the consolidated statements of operations. Prior to adoption of this amendment, the amortization was included in other non-interest expense as a separate line item.

The Company chose to adopt ASU 2023-02 because it felt that the proportional amortization method more accurately reflects the economic substance of its tax credit investment. Proportional amortization better matches the cost of the investment with the benefits received, and including the amortization of the investment in provision for income taxes better reflects the benefit the Company receives from the transaction. For the three and six nine months ended June 30, 2023 September 30, 2023, adopting ASU 2023-02 increased net income $33 and $65, $98, respectively.

Recently Issued, But Not Yet Effective Accounting Pronouncements

None

NOTE 2 – INVESTMENT SECURITIES

The amortized cost, estimated fair value and related unrealized gains and losses on securities available for sale and held to maturity as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively, were as follows:

Available for sale securities	Available for sale securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Available for sale securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2023										
September 30, 2023						September 30, 2023				
U.S. government agency obligations	U.S. government agency obligations	$ 18,820	$ 107	$ 224	$ 18,703	U.S. government agency obligations	$ 17,452	$ 89	$ 223	$ 17,318
Mortgage-backed securities	Mortgage-backed securities	94,382	—	18,406	75,976	Mortgage-backed securities	92,722	—	22,991	69,731
Corporate debt securities	Corporate debt securities	47,147	—	6,894	40,253	Corporate debt securities	47,153	20	6,284	40,889
Asset-backed securities	Asset-backed securities	26,823	10	630	26,203	Asset-backed securities	25,825	27	376	25,476
Total available for sale securities	Total available for sale securities	$ 187,172	$ 117	$ 26,154	$ 161,135	Total available for sale securities	$ 183,152	$ 136	$ 29,874	$ 153,414
December 31, 2022	December 31, 2022					December 31, 2022				
U.S. government agency obligations	U.S. government agency obligations	$ 18,373	$ 173	$ 233	$ 18,313	U.S. government agency obligations	$ 18,373	$ 173	$ 233	$ 18,313

Mortgage-backed securities	Mortgage-backed securities	97,458	—	18,848	78,610	Mortgage-backed securities	97,458	—	18,848	78,610
Corporate debt securities	Corporate debt securities	44,636	—	4,385	40,251	Corporate debt securities	44,636	—	4,385	40,251
Asset-backed securities	Asset-backed securities	29,877	—	1,060	28,817	Asset-backed securities	29,877	—	1,060	28,817
Total available for sale securities	Total available for sale securities	$ 190,344	$ 173	$ 24,526	$ 165,991	Total available for sale securities	$ 190,344	$ 173	$ 24,526	$ 165,991

Held to maturity securities	Held to maturity securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Held to maturity securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2023										
September 30, 2023						September 30, 2023				
Obligations of states and political subdivisions	Obligations of states and political subdivisions	$ 600	$ —	$ 49	$ 551	Obligations of states and political subdivisions	$ 600	$ —	$ 48	$ 552
Mortgage-backed securities	Mortgage-backed securities	93,200	5	19,075	74,130	Mortgage-backed securities	91,736	3	23,539	68,200
Total held to maturity securities	Total held to maturity securities	$93,800	$ 5	$19,124	$74,681	Total held to maturity securities	$92,336	$ 3	$23,587	$68,752
December 31, 2022	December 31, 2022					December 31, 2022				
Obligations of states and political subdivisions	Obligations of states and political subdivisions	$ 600	$ —	$ 54	$ 546	Obligations of states and political subdivisions	$ 600	$ —	$ 54	$ 546
Mortgage-backed securities	Mortgage-backed securities	95,779	7	19,553	76,233	Mortgage-backed securities	95,779	7	19,553	76,233
Total held to maturity securities	Total held to maturity securities	$96,379	$ 7	$19,607	$76,779	Total held to maturity securities	$96,379	$ 7	$19,607	$76,779

At June 30, 2023 September 30, 2023, the Bank has pledged mortgage-backed securities with a carrying value of $29,984 $29,542 as collateral against a borrowing line of credit with the Federal Reserve Bank. As of June 30, 2023 September 30, 2023, there were no borrowings outstanding on this Federal Reserve Bank line of credit. As of June 30, 2023 September 30, 2023, the Bank has pledged U.S. Government Agency securities with a carrying value of $1,979 $531 and mortgage-backed securities with a carrying value of $2,161 $1,900 as collateral against specific municipal deposits. As of June 30, 2023 September 30, 2023, the Bank also has mortgage-backed securities with a carrying value of $223 $688 pledged as collateral to the Federal Home Loan Bank of Des Moines.

At December 31, 2022, the Bank had pledged certain of its mortgage-backed securities with a carrying value of $5,421 as collateral to secure a line of credit with the Federal Reserve Bank. As of December 31, 2022, there were no borrowings outstanding on this Federal Reserve Bank line of credit. As of December 31, 2022, the Bank had pledged certain of its U.S. Government Agency securities with a carrying value of $2,602 and mortgage-backed securities with a carrying value of $2,219 as collateral against specific municipal deposits. As of December 31, 2022, the Bank also had mortgage-backed securities with a carrying value of $142 pledged as collateral to the Federal Home Loan Bank of Des Moines.

For the three and six nine month periods ended June 30, 2023 September 30, 2023 gross sales of available securities were $0 and $5,105, respectively, gross gains on the sale of available for sale securities were $0 and $12, respectively, and gross losses on the sale of available for sale securities were $0. $0 for both periods.

For the three and six nine month periods ended June 30, 2022 September 30, 2022, there were no sales of available for sale securities.

The estimated fair value of securities at June 30, 2023 September 30, 2023 and December 31, 2022, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities on mortgage-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Expected maturities may differ from contractual maturities on certain agency and municipal securities due to the call feature.

		June 30, 2023		December 31, 2022			September 30, 2023		December 31, 2022	
Available for sale securities	Available for sale securities	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Available for sale securities	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	Due in one year or less	$ —	$ —	$ —	$ —	Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	Due after one year through five years	10,079	9,604	8,525	8,184	Due after one year through five years	13,850	13,523	8,525	8,184
Due after five years through ten years	Due after five years through ten years	48,112	41,511	45,622	41,427	Due after five years through ten years	43,761	37,639	45,622	41,427
Due after ten years	Due after ten years	34,599	34,044	38,739	37,770	Due after ten years	32,819	32,521	38,739	37,770

Total securities with contractual maturities	Total securities with contractual maturities	$ 92,790	$ 85,159	$ 92,886	$ 87,381	Total securities with contractual maturities	90,430	83,683	92,886	87,381
Mortgage-backed securities	Mortgage-backed securities	94,382	75,976	97,458	78,610	Mortgage-backed securities	92,722	69,731	97,458	78,610
Total available for sale securities	Total available for sale securities	$187,172	$161,135	$190,344	$165,991	Total available for sale securities	$183,152	$153,414	$190,344	$165,991

		June 30, 2023		December 31, 2022			September 30, 2023		December 31, 2022	
Held to maturity securities	**Held to maturity securities**	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	**Held to maturity securities**	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	Due in one year or less	$ 100	$ 97	$ —	$ —	Due in one year or less	$ 100	$ 99	$ —	$ —
Due after one year through five years	Due after one year through five years	500	454	450	415	Due after one year through five years	500	453	450	415
Due after five years through ten years	Due after five years through ten years	—	—	150	131	Due after five years through ten years	—	—	150	131
Total securities with contractual maturities	Total securities with contractual maturities	600	551	600	546	Total securities with contractual maturities	600	552	600	546
Mortgage-backed securities	Mortgage-backed securities	93,200	74,130	95,779	76,233	Mortgage-backed securities	91,736	68,200	95,779	76,233
Total held to maturity securities	Total held to maturity securities	$93,800	$74,681	$96,379	$76,779	Total held to maturity securities	$92,336	$68,752	$96,379	$76,779

Securities with unrealized losses at June 30, 2023 September 30, 2023 and December 31, 2022, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

		Less than 12 Months		12 Months or More		Total			Less than 12 Months		12 Months or More		Total	
Available for sale securities	**Available for sale securities**	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	**Available for sale securities**	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2023														
September 30, 2023								**September 30, 2023**						
U.S. government agency obligations	U.S. government agency obligations	$ 940	$ 6	$ 2,840	$ 218	$ 3,780	$ 224	U.S. government agency obligations	$ 3,961	$ —	$ 3,615	$ 223	$ 7,576	$ 223
Mortgage-backed securities	Mortgage-backed securities	12	—	75,964	18,406	75,976	18,406	Mortgage-backed securities	6	—	69,725	22,991	69,731	22,991
Corporate debt securities	Corporate debt securities	11,099	928	29,154	5,966	40,253	6,894	Corporate debt securities	4,602	320	34,372	5,964	38,974	6,284
Asset-backed securities	Asset-backed securities	—	—	24,977	630	24,977	630	Asset-backed securities	—	—	20,789	376	20,789	376
Total	Total	$12,051	$ 934	$132,935	$25,220	$144,986	$26,154	Total	$ 8,569	$ 320	$128,501	$29,554	$137,070	$29,874
December 31, 2022	**December 31, 2022**							**December 31, 2022**						
U.S. government agency obligations	U.S. government agency obligations	$ 3,169	$ 138	$ 1,138	$ 95	$ 4,307	$ 233	U.S. government agency obligations	$ 3,169	$ 138	$ 1,138	$ 95	$ 4,307	$ 233
Mortgage-backed securities	Mortgage-backed securities	9,654	896	68,907	17,952	78,561	18,848	Mortgage-backed securities	9,654	896	68,907	17,952	78,561	18,848
Corporate debt securities	Corporate debt securities	21,547	1,688	18,704	2,697	40,251	4,385	Corporate debt securities	21,547	1,688	18,704	2,697	40,251	4,385
Asset-backed securities	Asset-backed securities	7,955	221	20,862	839	28,817	1,060	Asset-backed securities	7,955	221	20,862	839	28,817	1,060

Total	Total	$42,325	$ 2,943	$109,611	$21,583	$151,936	$24,526	Total	$42,325	$ 2,943	$109,611	$21,583	$151,936	$24,526
		Less than 12 Months		12 Months or More		Total			Less than 12 Months		12 Months or More		Total	
Held to maturity securities	**Held to maturity securities**	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	**Held to maturity securities**	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2023														
September 30, 2023								**September 30, 2023**						
Obligations of states and political subdivisions	Obligations of states and political subdivisions	$ —	$ —	$ 551	$ 49	$ 551	$ 49	Obligations of states and political subdivisions	$ —	$ —	$ 552	$ 48	$ 552	$ 48
Mortgage-backed securities	Mortgage-backed securities	109	3	73,809	19,072	73,918	19,075	Mortgage-backed securities	—	—	68,001	23,539	68,001	23,539
Total	Total	$ 109	$ 3	$ 74,360	$ 19,121	$ 74,469	$ 19,124	Total	$ —	$ —	$ 68,553	$ 23,587	$ 68,553	$ 23,587
December 31, 2022	**December 31, 2022**							**December 31, 2022**						
Obligations of states and political subdivisions	Obligations of states and political subdivisions	$ —	$ —	$ 546	$ 54	$ 546	$ 54	Obligations of states and political subdivisions	$ —	$ —	$ 546	$ 54	$ 546	$ 54
Mortgage-backed securities	Mortgage-backed securities	16,627	2,416	59,367	17,137	75,994	19,553	Mortgage-backed securities	16,627	2,416	59,367	17,137	75,994	19,553
Total	Total	$ 16,627	$ 2,416	$ 59,913	$ 17,191	$ 76,540	$ 19,607	Total	$ 16,627	$ 2,416	$ 59,913	$ 17,191	$ 76,540	$ 19,607

At June 30, 2023 September 30, 2023 no ACL was established for available for sale or held to maturity securities. Substantially all the held to maturity portfolio is made up of agency backed mortgage securities. These securities are guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, the Company does not expect to incur credit losses on these securities. Unrealized losses on available-for-sale investment securities have not been recognized into income because the issuers' bonds are agency backed securities or other securities that all principal and interest is expected to be received on a timely basis. Furthermore, the Company does not intend to sell, and it is likely that management 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. The issuers continue to make timely principal and interest payments on their bonds.

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Portfolio Segments:

Commercial and agricultural real estate loans are underwritten after evaluating and understanding the borrower's ability to operate profitably and prudently expand its business. Management examines current and projected cash flows to determine the ability of the borrower to repay its obligations as agreed. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The level of owner-occupied property versus non-owner-occupied property are tracked and monitored on a regular basis. Agricultural real estate loans are primarily comprised of loans for the purchase of farmland. Loan-to-value ratios on loans secured by farmland generally do not exceed 75%.

Commercial and industrial ("C&I") loans are primarily underwritten based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. These cash flows, however, may not be as expected and the value of collateral securing the loans may fluctuate. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee. Agricultural operating loans are generally comprised of term loans to fund the purchase of equipment, livestock and seasonal operating lines. Operating lines are typically written for one year and secured by the crop and other farm assets or other business assets, as considered necessary. Agricultural loans carry significant credit risks as they may involve larger balances concentrated with single borrowers or groups of related borrowers. In addition, repayment of such loans depends on the successful operation or management of the farm property securing the loan or for which an operating loan is utilized. Farming operations may be affected by adverse weather conditions such as drought, hail or floods that can severely limit crop yields.

Residential mortgage loans are collateralized by primary and secondary positions on real estate and are underwritten primarily based on borrower's documented income, credit scores, and collateral values. Under consumer home equity loan guidelines, the borrower will be approved for a loan based on a percentage of their home's appraised value less the balance owed on the existing first mortgage. Credit risk is minimized within the residential mortgage portfolio due to relatively small loan account balances spread across many individual borrowers. Management evaluates trends in past due loans and current economic factors such as the housing price index on a regular basis.

Consumer installment loans are comprised of originated indirect paper loans secured primarily by boats and recreational vehicles and other consumer loans secured primarily by automobiles and other personal assets. Consumer loan underwriting terms often depend on the collateral type, debt to income ratio and the borrower's creditworthiness as evidenced by their credit score. In the event of a consumer installment loan default, collateral value alone may not provide an adequate source of repayment of the outstanding loan balance. This shortage is a result of the greater likelihood of damage, loss and depreciation for consumer based collateral.

Loans are stated at the principal amount outstanding net of unearned net deferred fees and costs and loans in process, unearned discounts on acquired loans, and allowance for credit losses ("ACL"). Unearned net deferred fees and costs includes deferred loan origination fees reduced by loan origination costs and is amortized to interest income over the life of the related loan using methods that approximated the effective interest rate method. Interest on substantially all loans is credited to income based on the principal amount outstanding. A summary of loans at June 30, 2023 September 30, 2023 follows:

		June 30, 2023			September 30, 2023	
		Amortized Cost	% of Total		Amortized Cost	% of Total
Commercial/Agricultural real estate:	**Commercial/Agricultural real estate:**			**Commercial/Agricultural real estate:**		
Commercial real estate	Commercial real estate	$ 730,391	51.3 %	Commercial real estate	$ 748,118	51.7 %
Agricultural real estate	Agricultural real estate	86,959	6.1 %	Agricultural real estate	84,328	5.8 %
Multi-family real estate	Multi-family real estate	208,109	14.6 %	Multi-family real estate	219,095	15.1 %
Construction and land development	Construction and land development	104,891	7.4 %	Construction and land development	109,041	7.5 %
C&I/Agricultural operating:	**C&I/Agricultural operating:**			**C&I/Agricultural operating:**		
Commercial and industrial	Commercial and industrial	133,248	9.4 %	Commercial and industrial	120,532	8.3 %
Agricultural operating	Agricultural operating	24,381	1.7 %	Agricultural operating	24,571	1.7 %
Residential mortgage:	**Residential mortgage:**			**Residential mortgage:**		
Residential mortgage	Residential mortgage	119,118	8.4 %	Residential mortgage	125,348	8.7 %
Purchased HELOC loans	Purchased HELOC loans	3,216	0.2 %	Purchased HELOC loans	2,881	0.2 %
Consumer installment:	**Consumer installment:**			**Consumer installment:**		
Originated indirect paper	Originated indirect paper	8,189	0.6 %	Originated indirect paper	7,175	0.5 %
Other consumer	Other consumer	6,486	0.5 %	Other consumer	6,440	0.5 %
Total loans receivable	Total loans receivable	$ 1,424,988	100 %	Total loans receivable	$ 1,447,529	100 %
Less Allowance for credit losses	Less Allowance for credit losses	(23,164)		Less Allowance for credit losses	(22,973)	
Net loans receivable	Net loans receivable	$ 1,401,824		Net loans receivable	$ 1,424,556	

Loans are stated at the unpaid principal balance outstanding at December 31, 2022.

	December 31, 2022	
	Loan Principal Balance	% of Total
Commercial/Agricultural real estate:		
Commercial real estate	$ 725,971	51.5 %
Agricultural real estate	87,908	6.2 %
Multi-family real estate	208,908	14.8 %
Construction and land development	102,492	7.3 %
C&I/Agricultural operating:		
Commercial and industrial	136,013	9.6 %
Agricultural operating	28,806	2.0 %
Residential mortgage:		
Residential mortgage	105,389	7.5 %
Purchased HELOC loans	3,262	0.2 %
Consumer installment:		
Originated indirect paper	10,236	0.7 %
Other consumer	7,150	0.5 %
Gross Loans	$ 1,416,135	100.3 %
Less:		
Unearned net deferred fees and costs and loans in process	(2,585)	(0.2)%
Unamortized discount on acquired loans	(1,766)	(0.1)%

Total loans receivable	$ 1,411,784	100.0 %
Less Allowance for loan losses	(17,939)	
Net loans	$ 1,393,845	

Credit Quality/Risk Ratings:

Management utilizes a numeric risk rating system to identify and quantify the Bank's risk of loss within its loan portfolio. Ratings are initially assigned prior to funding the loan, and may be changed at any time as circumstances warrant.

Ratings range from the highest to lowest quality based on factors that include measurements of ability to pay, collateral type and value, borrower stability and management experience. The Bank's loan portfolio ratings are presented below in accordance with the risk rating framework that has been commonly adopted by the federal banking agencies. The definitions of the various risk rating categories are as follows:

1 through 4 - Pass. A "Pass" loan means that the condition of the borrower and the performance of the loan is satisfactory or better.

5 - Watch. A "Watch" loan has clearly identifiable developing weaknesses that deserve additional attention from management. Weaknesses that are not corrected or mitigated, may jeopardize the ability of the borrower to repay the loan in the future.

6 - Special Mention. A "Special Mention" loan has one or more potential weakness that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position in the future.

7 - Substandard. A "Substandard" loan is inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Assets classified as substandard must have a well-defined weakness, or weaknesses, that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

8 - Doubtful. A "Doubtful" loan has all the weaknesses inherent in a Substandard loan 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.

9 - Loss. Loans classified as "Loss" are considered uncollectible, and their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, and a partial recovery may occur in the future.

Below is a summary of the amortized cost of loans summarized by class, credit quality risk rating and year of origination as of June 30, 2023 September 30, 2023 and gross charge-offs for the six nine months ended June 30, 2023 September 30, 2023:

		Amortized Cost Basis by Origination Year										Amortized Cost Basis by Origination Year				
									Revolving							
		2023	2022	2021	2020	2019	Prior	Revolving	to Term	Total		2023	2022	2021	2020	2019
Commercial/Agricultural real estate:	**Commercial/Agricultural real estate:**										**Commercial/Agricultural real estate:**					
Commercial real estate	Commercial real estate										Commercial real estate					
Risk rating 1 to 5	Risk rating 1 to 5	$22,448	$141,385	$249,536	$93,201	$72,994	$118,947	$ 10,375	$ —	$708,886	Risk rating 1 to 5	$51,379	$141,529	$245,661	$92,071	$72,159
Risk rating 6	Risk rating 6	—	—	9,303	331	—	68	—	—	9,702	Risk rating 6	—	—	9,303	—	—
Risk rating 7	Risk rating 7	—	189	—	4,551	194	6,869	—	—	11,803	Risk rating 7	—	188	—	4,551	187
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—	Risk rating 8	—	—	—	—	—
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—	Risk rating 9	—	—	—	—	—
Total	Total	$22,448	$141,574	$258,839	$98,083	$73,188	$125,884	$ 10,375	$ —	$730,391	Total	$51,379	$141,717	$254,964	$96,622	$72,346
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ 10	$ —	$ —	$ 4	$ —	$ —	$ 14	Current period gross charge-offs	$ —	$ —	$ 10	$ —	$ —
Agricultural real estate	Agricultural real estate										Agricultural real estate					
Risk rating 1 to 5	Risk rating 1 to 5	$13,788	$ 20,893	$ 11,544	$ 7,932	$ 5,431	$ 16,081	$ 2,317	$ —	$ 77,986	Risk rating 1 to 5	$16,044	$ 19,876	$ 11,362	$ 7,838	$ 5,374
Risk rating 6	Risk rating 6	—	173	5,510	—	300	742	—	—	6,725	Risk rating 6	—	172	5,460	—	297
Risk rating 7	Risk rating 7	—	405	—	—	101	1,742	—	—	2,248	Risk rating 7	—	370	—	—	99
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—	Risk rating 8	—	—	—	—	—
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—	Risk rating 9	—	—	—	—	—
Total	Total	$13,788	$ 21,471	$ 17,054	$ 7,932	$ 5,832	$ 18,565	$ 2,317	$ —	$ 86,959	Total	$16,044	$ 20,418	$ 16,822	$ 7,838	$ 5,770
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ 32	$ —	$ —	$ —	$ —	$ 32	Current period gross charge-offs	$ —	$ —	$ —	$ 32	$ —
Multi-family real estate	Multi-family real estate										Multi-family real estate					
Risk rating 1 to 5	Risk rating 1 to 5	$ 3,016	$ 42,403	$ 87,547	$46,598	$ 8,764	$ 19,781	$ —	$ —	$208,109	Risk rating 1 to 5	$ 3,492	$ 48,439	$ 89,513	$46,238	$ 8,663
Risk rating 6	Risk rating 6	—	—	—	—	—	—	—	—	—	Risk rating 6	—	—	—	—	—
Risk rating 7	Risk rating 7	—	—	—	—	—	—	—	—	—	Risk rating 7	—	—	—	—	—

		2023	2022	2021	2020	2019	Prior	Revolving	Revolving to Term	Total
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—
Total	Total	$ 3,016	$ 42,403	$ 87,547	$46,598	$ 8,764	$ 19,781	$ —	$ —	$208,109
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction and land development	Construction and land development									
Risk rating 1 to 5	Risk rating 1 to 5	$23,344	$ 37,514	$ 31,531	$ 9,151	$ 120	$ 832	$ 2,192	$ —	$104,684
Risk rating 6	Risk rating 6	—	—	—	—	—	113	—	—	113
Risk rating 7	Risk rating 7	—	—	—	—	—	94	—	—	94
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—
Total	Total	$23,344	$ 37,514	$ 31,531	$ 9,151	$ 120	$ 1,039	$ 2,192	$ —	$104,891
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial/Agricultural operating:	**Commercial/Agricultural operating:**									
Commercial and industrial	Commercial and industrial									
Risk rating 1 to 5	Risk rating 1 to 5	$11,045	$ 34,065	$ 27,896	$13,251	$ 5,554	$ 3,227	$ 35,328	$ —	$130,366
Risk rating 6	Risk rating 6	—	—	—	—	—	—	2,870	—	2,870
Risk rating 7	Risk rating 7	—	—	—	—	8	4	—	—	12
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—
Total	Total	$11,045	$ 34,065	$ 27,896	$13,251	$ 5,562	$ 3,231	$ 38,198	$ —	$133,248
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Agricultural operating	Agricultural operating									
Risk rating 1 to 5	Risk rating 1 to 5	$ 2,778	$ 3,234	$ 986	$ 545	$ 378	$ 2,500	$ 11,171	$ —	$ 21,592
Risk rating 6	Risk rating 6	96	—	50	345	—	—	563	—	1,054
Risk rating 7	Risk rating 7	—	548	750	—	36	252	149	—	1,735
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—
Total	Total	$ 2,874	$ 3,782	$ 1,786	$ 890	$ 414	$ 2,752	$ 11,883	$ —	$ 24,381
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Risk rating 8	—	—	—	—	—
Risk rating 9	—	—	—	—	—
Total	$ 3,492	$ 48,439	$ 89,513	$46,238	$ 8,663
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —
Construction and land development					
Risk rating 1 to 5	$36,366	$ 34,514	$ 25,382	$ 7,308	$ 119
Risk rating 6	—	—	—	—	—
Risk rating 7	—	—	—	—	—
Risk rating 8	—	—	—	—	—
Risk rating 9	—	—	—	—	—
Total	$36,366	$ 34,514	$ 25,382	$ 7,308	$ 119
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —
Commercial/Agricultural operating:					
Commercial and industrial					
Risk rating 1 to 5	$13,658	$ 32,774	$ 28,294	$12,179	$ 5,276
Risk rating 6	—	—	—	—	—
Risk rating 7	—	—	—	—	—
Risk rating 8	—	—	—	—	—
Risk rating 9	—	—	—	—	—
Total	$13,658	$ 32,774	$ 28,294	$12,179	$ 5,276
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —
Agricultural operating					
Risk rating 1 to 5	$ 3,392	$ 3,201	$ 960	$ 489	$ 344
Risk rating 6	92	—	48	345	—
Risk rating 7	—	493	722	—	35
Risk rating 8	—	—	—	—	—
Risk rating 9	—	—	—	—	—
Total	$ 3,484	$ 3,694	$ 1,730	$ 834	$ 379
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —

Continued	Continued	Amortized Cost Basis by Origination Year								
		2023	2022	2021	2020	2019	Prior	Revolving	Revolving to Term	Total
Residential mortgage:	**Residential mortgage:**									
Residential mortgage	Residential mortgage									
Risk rating 1 to 5	Risk rating 1 to 5	$17,300	$ 33,892	$ 9,376	$ 2,727	$ 2,373	$ 36,053	$ 14,249	$ —	$ 115,970
Risk rating 6	Risk rating 6	—	—	—	—	—	—	—	—	—
Risk rating 7	Risk rating 7	—	—	—	—	14	3,031	50	53	3,148
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—

Continued	Amortized Cost Basis by Origination Year							
	2023	2022	2021	2020	2019	Prior	Revolving	Revolving to Term
Residential mortgage:								
Residential mortgage								
Risk rating 1 to 5	$ 23,434	$ 34,176	$ 8,872	$ 2,644	$ 2,324	$ 35,201	$ 15,670	$ — $
Risk rating 6	—	—	—	—	—	—	—	—
Risk rating 7	—	—	—	—	14	2,963	—	50
Risk rating 8	—	—	—	—	—	—	—	—

Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—	Risk rating 9	—	—	—	—	—	—	—	—	
Total	Total	$17,300	$ 33,892	$ 9,376	$ 2,727	$ 2,387	$ 39,084	$ 14,299	$ 53	$ 119,118	Total	$ 23,434	$ 34,176	$ 8,872	$ 2,644	$ 2,338	$ 38,164	$ 15,670	$ 50	$
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ 10	$ —	$ —	$ 14	$ —	$ —	$ 24	Current period gross charge-offs	$ —	$ —	$ 10	$ —	$ —	$ 68	$ —	$ —	$
Purchased HELOC loans	Purchased HELOC loans										Purchased HELOC loans									
Risk rating 1 to 5	Risk rating 1 to 5	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,216	$ —	$ 3,216	Risk rating 1 to 5	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,881	$ —	$
Risk rating 6	Risk rating 6	—	—	—	—	—	—	—	—	—	Risk rating 6	—	—	—	—	—	—	—	—	
Risk rating 7	Risk rating 7	—	—	—	—	—	—	—	—	—	Risk rating 7	—	—	—	—	—	—	—	—	
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—	Risk rating 8	—	—	—	—	—	—	—	—	
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—	Risk rating 9	—	—	—	—	—	—	—	—	
Total	Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 3,216	$ —	$ 3,216	Total	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,881	$ —	$
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
Consumer installment:	**Consumer installment:**										**Consumer installment:**									
Originated indirect paper	Originated indirect paper										Originated indirect paper									
Risk rating 1 to 5	Risk rating 1 to 5	$ —	$ —	$ —	$ —	$ —	$ 8,148	$ —	$ —	$ 8,148	Risk rating 1 to 5	$ —	$ —	$ —	$ —	$ —	$ 7,135	$ —	$ —	$
Risk rating 6	Risk rating 6	—	—	—	—	—	—	—	—	—	Risk rating 6	—	—	—	—	—	—	—	—	
Risk rating 7	Risk rating 7	—	—	—	—	—	41	—	—	41	Risk rating 7	—	—	—	—	—	40	—	—	
Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—	Risk rating 8	—	—	—	—	—	—	—	—	
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—	Risk rating 9	—	—	—	—	—	—	—	—	
Total	Total	$ —	$ —	$ —	$ —	$ —	$ 8,189	$ —	$ —	$ 8,189	Total	$ —	$ —	$ —	$ —	$ —	$ 7,175	$ —	$ —	$
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 13	$ —	$ —	$ 13	Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 13	$ —	$ —	$
Other consumer	Other consumer										Other consumer									
Risk rating 1 to 5	Risk rating 1 to 5	$ 1,083	$ 1,989	$ 1,042	$ 772	$ 584	$ 429	$ 577	$ —	$ 6,476	Risk rating 1 to 5	$ 1,763	$ 1,743	$ 872	$ 665	$ 470	$ 342	$ 557	$ —	$
Risk rating 6	Risk rating 6	—	—	—	—	—	—	—	—	—	Risk rating 6	—	—	—	—	—	—	—	—	
Risk rating 7	Risk rating 7	7	—	—	—	—	2	1	—	10	Risk rating 7	7	—	—	—	18	2	1	—	

Risk rating 8	Risk rating 8	—	—	—	—	—	—	—	—	—	Risk rating 8	—	—	—	—	—	—	—	—	
Risk rating 9	Risk rating 9	—	—	—	—	—	—	—	—	—	Risk rating 9	—	—	—	—	—	—	—	—	
Total	Total	$ 1,090	$ 1,989	$ 1,042	$ 772	$ 584	$ 431	$ 578	$ —	$ 6,486	Total	$ 1,770	$ 1,743	$ 872	$ 665	$ 488	$ 344	$ 558	$ —	$
Current period gross charge-offs	Current period gross charge-offs	$ —	$ —	$ 1	$ 10	$ —	$ 3	$ —	$ —	$ 14	Current period gross charge-offs	$ —	$ —	$ 1	$ 11	$ 2	$ 3	$ —	$ —	$
Total loans receivable	**Total loans receivable**	$94,905	$316,690	$435,071	$179,404	$96,851	$218,956	$ 83,058	$ 53	$1,424,988	**Total loans receivable**	$149,627	$317,475	$426,449	$174,328	$95,379	$210,051	$ 74,153	$ 67	$1
Total current period gross charge-offs	**Total current period gross charge-offs**	$ —	$ —	$ 21	$ 42	$ —	$ 34	$ —	$ —	$ 97	**Total current period gross charge-offs**	$ —	$ —	$ 21	$ 43	$ 2	$ 88	$ —	$ —	$

Below is a summary of the unpaid principal balance of loans summarized by class and credit quality risk rating as of December 31, 2022:

	1 to 5	6	7	8	9	TOTAL
Commercial/Agricultural real estate:						
Commercial real estate	$ 712,658	$ 5,771	$ 7,542	$ —	$ —	$ 725,971
Agricultural real estate	84,215	549	3,144	—	—	87,908
Multi-family real estate	208,908	—	—	—	—	208,908
Construction and land development	102,385	—	107	—	—	102,492
C&I/Agricultural operating:						
Commercial and industrial	129,748	5,526	739	—	—	136,013
Agricultural operating	26,418	324	2,064	—	—	28,806
Residential mortgage:						
Residential mortgage	101,730	—	3,659	—	—	105,389
Purchased HELOC loans	3,262	—	—	—	—	3,262
Consumer installment:						
Originated indirect paper	10,190	—	46	—	—	10,236
Other consumer	7,132	—	18	—	—	7,150
Gross loans	$ 1,386,646	$ 12,170	$ 17,319	$ —	$ —	$ 1,416,135
Less:						
Unearned net deferred fees and costs and loans in process						(2,585)
Unamortized discount on acquired loans						(1,766)
Allowance for loan losses						(17,939)
Loans receivable, net						$ 1,393,845

Allowance for Credit Losses - Loans- On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial instruments and transitioned to the Current Expected Credit Loss ("CECL") model to estimate losses based on the lifetime of the loan. Under the new methodology, the ACL is comprised of collectively evaluated and individually evaluated components. The allowance for credit losses ("ACL") represents the Company's best estimate of the reserve necessary to adequately account for probable losses expected over the remaining life of the assets. The provision for credit losses is the charge against current earnings that is determined by the Company as the amount needed to maintain an adequate allowance for credit losses. In determining the adequacy of the allowance for credit losses, and therefore the provision to be charged to current earnings, the Company relies predominantly on a disciplined credit review and approval process that extends to the full range of the Company's credit exposure. The review process is directed by the overall lending policy and is intended to identify, at the earliest possible stage, the borrowers who might be facing financial difficulty. Factors considered by the Company in evaluating the overall adequacy of the allowance include historical net loan losses, the level and composition of nonaccrual, past due and modifications, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates. The Company estimates the appropriate level of allowance for credit losses by evaluating loans collectively on a pooled basis when similar risk characteristics exist, and on an individual basis when management determines that a loan does not share similar risk characteristics with other loans.

The following tables present the balance and activity in the allowance for credit losses ("ACL") - loans by portfolio segment for the three and six nine months ended June 30, 2023 September 30, 2023:

		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocat
Three months ended June 30, 2023													
Three months ended September 30, 2023								**Three months ended September 30, 2023**					
Allowance for Credit Losses - Loans:	**Allowance for Credit Losses - Loans:**							**Allowance for Credit Losses - Loans:**					
ACL - Loans, at beginning of period	ACL - Loans, at beginning of period	$ 18,496	$ 1,848	$ 2,000	$ 335	$ —	$ 22,679	ACL - Loans, at beginning of period	$ 18,933	$ 1,458	$ 2,452	$ 321	$ —
Charge-offs	Charge-offs	(14)	—	(10)	(16)	—	(40)	Charge-offs	—	—	(54)	(3)	—
Recoveries	Recoveries	27	16	36	10	—	89	Recoveries	206	10	—	2	—
Additions to ACL - Loans via provision for credit losses charged to operations		424	(406)	426	(8)	—	436						
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations								(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(284)	(279)	235	(24)	—
ACL - Loans, at end of period	ACL - Loans, at end of period	$ 18,933	$ 1,458	$ 2,452	$ 321	$ —	$ 23,164	ACL - Loans, at end of period	$ 18,855	$ 1,189	$ 2,633	$ 296	$ —

		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocate
Six months ended June 30, 2023													
Nine months ended September 30, 2023								**Nine months ended September 30, 2023**					
Allowance for Credit Losses - Loans:	**Allowance for Credit Losses - Loans:**							**Allowance for Credit Losses - Loans:**					
ACL - Loans, at beginning of period	ACL - Loans, at beginning of period	$ 14,085	$ 2,318	$ 599	$ 129	$ 808	$ 17,939	ACL - Loans, at beginning of period	$ 14,085	$ 2,318	$ 599	$ 129	$ 808
Cumulative effect of ASU 2016-13 adoption	Cumulative effect of ASU 2016-13 adoption	4,510	(331)	1,119	216	(808)	4,706	Cumulative effect of ASU 2016-13 adoption	4,510	(331)	1,119	216	(808)
Charge-offs	Charge-offs	(46)	—	(24)	(27)	—	(97)	Charge-offs	(46)	—	(78)	(30)	—
Recoveries	Recoveries	30	31	40	22	—	123	Recoveries	236	41	40	24	—
Additions to ACL - Loans via provision for credit losses charged to operations		354	(560)	718	(19)	—	493						
Additions/(reversals) to ACL - Loans via provision for credit losses charged to operations								Additions/(reversals) to ACL - Loans via provision for credit losses charged to operations	70	(839)	953	(43)	—
ACL - Loans, at end of period	ACL - Loans, at end of period	$ 18,933	$ 1,458	$ 2,452	$ 321	$ —	$ 23,164	ACL - Loans, at end of period	$ 18,855	$ 1,189	$ 2,633	$ 296	$ —

Allowance for Credit Losses - Unfunded Commitments - In addition to the ACL - Loans, the Company has established an ACL - Unfunded Commitments of $1,544 $1,571 at June 30, 2023 September 30, 2023 and $0 at December 31, 2022, classified in other liabilities on the consolidated balance sheets. The following table presents the balance and activity in the ACL - Unfunded Commitments for the three and six nine months ended June 30, 2023 September 30, 2023.

	June 30, 2023 and Three Months Ended		June 30, 2023 and Six Months Ended	
ACL - Unfunded commitments - beginning of period	$	1,530	$	—
Cumulative effect of ASU 2016-13 adoption		—		1,537
Additions to ACL - Unfunded commitments via provision for credit losses charged to operations		14		7
ACL - Unfunded commitments - End of period	$	1,544	$	1,544

	September 30, 2023 and Three Months Ended		September 30, 2023 and Nine Months Ended	
ACL - Unfunded Commitments - beginning of period	$	1,544	$	—
Cumulative effect of ASU 2016-13 adoption		—		1,537
Additions to ACL - Unfunded Commitments via provision for credit losses charged to operations		27		34
ACL - Unfunded Commitments - End of period	$	1,571	$	1,571

Provision for credit losses - The provision for credit losses is determined by the Company as the amount to be added to the ACL loss accounts for various types of financial instruments (including loans and off-balance sheet credit exposures) after net charge-offs have been deducted to bring the ACL to a level that, in managements judgement, is necessary to absorb expected credit losses over the lives of the respective financial instruments. The following table presents the components of the provision for credit losses.

		June 30, 2023 and Three Months Ended	June 30, 2023 and Six Months Ended		September 30, 2023 and Three Months Ended	September 30, 2023 and Nine Months Ended
Provision for credit losses on:	Provision for credit losses on:			Provision for credit losses on:		
Loans	Loans	$ 436	$ 493	Loans	$ (352)	$ 141
Unfunded commitments		14	7			
Unfunded Commitments				Unfunded Commitments	27	34
Total provision for credit losses	Total provision for credit losses	$ 450	$ 500	Total provision for credit losses	$ (325)	$ 175

Allowance for Loan Losses - Prior to the adoption of ASU 2016-13, the Allowance for Loan Losses ("ALL") represented management's estimate of probable and inherent credit losses in the Bank's loan portfolio. Estimating the amount of the ALL required the exercise of significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of other qualitative factors such as current economic trends and conditions, all of which may have been susceptible to significant change.

There were many factors affecting the ALL; some were quantitative, while others required qualitative judgment. The process for determining the ALL (which management believed adequately considered potential factors which resulted in probable credit losses), included subjective elements and, therefore, may have been susceptible to significant change. To the extent actual outcomes differed from management estimates, additional provision for loan losses could have been required that could have adversely affected the Company's earnings or financial position in future periods. Allocations of the ALL may have been made for specific loans but the entire ALL was available for any loan that, in management's judgment, should have been charged-off or for which an actual loss was realized.

As an integral part of their examination process, various regulatory agencies also reviewed the Bank's ALL. Such agencies may have required that changes in the ALL be recognized when such regulators' credit evaluations differed from those of our management based on information available to the regulators at the time of their examinations.

Changes in the ALL by loan type for the periods presented below were as follows:

Three months ended June 30, 2022	Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total
Allowance for Loan Losses:						
Beginning balance, April 1, 2022	$ 12,394	$ 2,104	$ 460	$ 160	$ 782	$ 15,900

Three months ended September 30, 2022	Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total
Allowance for Loan Losses:						

Beginning balance, July 1, 2022								Beginning balance, July 1, 2022	$ 12,702	$ 1,910	$ 472	$ 143	$ 826	$ 16,053
Charge-offs	Charge-offs	(122)	(247)	(35)	(14)	—	(418)	Charge-offs	—	—	—	(9)	—	(9)
Recoveries	Recoveries	3	9	—	11	—	23	Recoveries	35	8	1	27	—	71
Provision	Provision	427	44	47	(14)	44	548	Provision	380	7	10	(38)	217	576
Total allowance on originated loans	Total allowance on originated loans	12,702	1,910	472	143	826	16,053	Total allowance on originated loans	13,117	1,925	483	123	1,043	16,691
Purchased credit impaired loans	Purchased credit impaired loans	—	—	—	—	—	—	Purchased credit impaired loans	—	—	—	—	—	—
Other acquired loans:	Other acquired loans:							Other acquired loans:						
Beginning balance, April 1, 2022		789	58	62	9	—	918							
Beginning balance, July 1, 2022								Beginning balance, July 1, 2022	664	51	48	9	—	772
Charge-offs	Charge-offs	—	—	(21)	(2)	—	(23)	Charge-offs	(48)	—	—	—	—	(48)
Recoveries	Recoveries	—	—	25	—	—	25	Recoveries	—	—	2	1	—	3
Provision	Provision	(125)	(7)	(18)	2	—	(148)	Provision	49	(2)	(21)	(1)	(226)	(201)
Total allowance on other acquired loans	Total allowance on other acquired loans	664	51	48	9	—	772	Total allowance on other acquired loans	665	49	29	9	(226)	526
Total allowance on acquired loans	Total allowance on acquired loans	664	51	48	9	—	772	Total allowance on acquired loans	665	49	29	9	(226)	526
Ending balance, June 30, 2022		$ 13,366	$ 1,961	$ 520	$ 152	$ 826	$ 16,825							
Ending balance, September 30, 2022								Ending balance, September 30, 2022	$ 13,782	$ 1,974	$ 512	$ 132	$ 817	$ 17,217

		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total
Six months ended June 30, 2022														
Nine months ended September 30, 2022								**Nine months ended September 30, 2022**						
Allowance for Loan Losses:	**Allowance for Loan Losses:**							**Allowance for Loan Losses:**						
Beginning balance, January 1, 2022	Beginning balance, January 1, 2022	$ 12,354	$ 1,959	$ 518	$ 225	$ 774	$ 15,830	Beginning balance, January 1, 2022	$ 12,354	$ 1,959	$ 518	$ 225	$ 774	$ 15,83
Charge-offs	Charge-offs	(157)	(310)	(35)	(23)	—	(525)	Charge-offs	(157)	(310)	(35)	(32)	—	(53
Recoveries	Recoveries	6	19	1	21	—	47	Recoveries	41	27	2	48	—	11
Provision	Provision	499	242	(12)	(80)	52	701	Provision	879	249	(2)	(118)	269	1,27

Total allowance on originated loans	Total allowance on originated loans	$ 12,702	$ 1,910	$ 472	$ 143	$ 826	$ 16,053	Total allowance on originated loans	$ 13,117	$ 1,925	$ 483	$ 123	$ 1,043	$ 16,69
Purchased credit impaired loans	Purchased credit impaired loans	—	—	—	—	—	—	Purchased credit impaired loans	—	—	—	—	—	-
Other acquired loans	Other acquired loans							Other acquired loans						
Beginning balance, January 1, 2022	Beginning balance, January 1, 2022	856	69	130	28	—	1,083	Beginning balance, January 1, 2022	856	69	130	28	—	1,08
Charge-offs	Charge-offs	—	—	(33)	(2)	—	(35)	Charge-offs	(48)	—	(33)	(2)	—	(8
Recoveries	Recoveries	—	—	25	—	—	25	Recoveries	—	—	27	1	—	2
Provision	Provision	(192)	(18)	(74)	(17)	—	(301)	Provision	(143)	(20)	(95)	(18)	(226)	(50
Total allowance on other acquired loans	Total allowance on other acquired loans	664	51	48	9	—	772	Total allowance on other acquired loans	665	49	29	9	(226)	52
Total allowance on acquired loans	Total allowance on acquired loans	664	51	48	9	—	772	Total allowance on acquired loans	665	49	29	9	(226)	52
Ending balance, June 30, 2022		$ 13,366	$ 1,961	$ 520	$ 152	$ 826	$ 16,825							
Allowance for Loan Losses at June 30, 2022:														
Ending balance, September 30, 2022								Ending balance, September 30, 2022	$ 13,782	$ 1,974	$ 512	$ 132	$ 817	$ 17,21
Allowance for Loan Losses at September 30, 2022:								**Allowance for Loan Losses at September 30, 2022:**						
Amount of allowance for loan losses arising from loans individually evaluated for impairment	Amount of allowance for loan losses arising from loans individually evaluated for impairment	$ 809	$ —	$ 34	$ —	$ —	$ 843	Amount of allowance for loan losses arising from loans individually evaluated for impairment	$ 699	$ —	$ —	$ —	$ —	$ 69
Amount of allowance for loan losses arising from loans collectively evaluated for impairment	Amount of allowance for loan losses arising from loans collectively evaluated for impairment	$ 12,557	$ 1,961	$ 486	$ 152	$ 826	$ 15,982	Amount of allowance for loan losses arising from loans collectively evaluated for impairment	$ 13,083	$ 1,974	$ 512	$ 132	$ 817	$ 16,51
Loans Receivable as of June 30, 2022														
Loans Receivable as of September 30, 2022								**Loans Receivable as of September 30, 2022**						
Ending balance of originated loans	Ending balance of originated loans	$ 943,305	$ 144,400	$ 69,126	$ 20,208	$ —	$ 1,177,039	Ending balance of originated loans	$ 982,555	$ 145,197	$ 80,664	$ 18,250	$ —	$ 1,226,66

Ending balance of purchased credit-impaired loans	Ending balance of purchased credit-impaired loans	6,848	652	985	—	—	8,485	Ending balance of purchased credit-impaired loans	5,785	578	908	—	—	7,27
Ending balance of other acquired loans	Ending balance of other acquired loans	125,688	18,419	21,883	313	—	166,303	Ending balance of other acquired loans	110,577	15,073	20,518	294	—	146,46
Ending balance of loans	Ending balance of loans	$ 1,075,841	$ 163,471	$ 91,994	$ 20,521	$ —	$ 1,351,827	Ending balance of loans	$ 1,098,917	$ 160,848	$ 102,090	$ 18,544	$ —	$ 1,380,39
Ending balance: individually evaluated for impairment	Ending balance: individually evaluated for impairment	$ 19,305	$ 4,375	$ 5,955	$ 161	$ —	$ 29,796	Ending balance: individually evaluated for impairment	$ 18,698	$ 4,829	$ 6,290	$ 113	$ —	$ 29,93
Ending balance: collectively evaluated for impairment	Ending balance: collectively evaluated for impairment	$ 1,056,536	$ 159,096	$ 86,039	$ 20,360	$ —	$ 1,322,031	Ending balance: collectively evaluated for impairment	$ 1,080,219	$ 156,019	$ 95,800	$ 18,431	$ —	$ 1,350,46

	Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total
Allowance for Loan Losses at December 31, 2022:						
Amount of allowance for loan losses arising from loans individually evaluated for impairment	$ 519	$ 249	$ 48	$ 10	$ —	$ 826
Amount of allowance for loan losses arising from loans collectively evaluated for impairment	$ 13,566	$ 2,069	$ 551	$ 119	$ 808	$ 17,113
Loans Receivable as of December 31, 2022:						
Ending balance of originated loans	$ 1,017,529	$ 150,239	$ 88,045	$ 17,130	$ —	$ 1,272,943
Ending balance of purchased credit-impaired loans	5,748	362	890	—	—	7,000
Ending balance of other acquired loans	102,002	14,218	19,716	256	—	136,192
Ending balance of loans	$ 1,125,279	$ 164,819	$ 108,651	$ 17,386	$ —	$ 1,416,135
Ending balance: individually evaluated for impairment	$ 16,874	$ 3,292	$ 5,998	$ 755	$ —	$ 26,919
Ending balance: collectively evaluated for impairment	$ 1,108,405	$ 161,527	$ 102,653	$ 16,631	$ —	$ 1,389,216

An aging analysis of the Company's commercial/agricultural real estate, C&I, agricultural operating, residential mortgage, consumer installment and purchased third party loans as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively, was as follows:

(Loan balances at amortized cost)	(Loan balances at amortized cost)	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 89 Days Past Due and Accruing	Total Past Due and Accruing	Nonaccrual Loans	Total Past Due Accruing and Nonaccrual Loans	Current	Total Loans	(Loan balances at amortized cost)	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 89 Days Past Due and Accruing	To Past ar Accr
June 30, 2023														
September 30, 2023										**September 30, 2023**				
Commercial/Agricultural real estate:	**Commercial/Agricultural real estate:**									**Commercial/Agricultural real estate:**				
Commercial real estate	Commercial real estate	$ 127	$ —	$ —	$ 127	$ 11,359	$ 11,486	$ 718,905	$ 730,391	Commercial real estate	$ 523	$ —	$ —	$
Agricultural real estate	Agricultural real estate	—	—	—	—	1,712	1,712	85,247	86,959	Agricultural real estate	36	—	—	
Multi-family real estate	Multi-family real estate	—	—	—	—	—	—	208,109	208,109	Multi-family real estate	—	—	—	
Construction and land development	Construction and land development	—	—	—	—	94	94	104,797	104,891	Construction and land development	—	—	—	
C&I/Agricultural operating:	**C&I/Agricultural operating:**									**C&I/Agricultural operating:**				

(Loan balances at unpaid principal balance)	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 89 Days Past Due and Accruing	Total Past Due and Accruing	Nonaccrual Loans	Total Past Due and Nonaccrual Loans	Current	Total Loans	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 89 Days Past Due and Accruing	Tot Past ar Accr
Commercial and industrial	—	—	—	—	4	4	133,244	133,248	—	150	—	
Agricultural operating	15	—	—	15	1,436	1,451	22,930	24,381	—	—	—	
Residential mortgage:												
Residential mortgage	973	757	492	2,222	1,029	3,251	115,867	119,118	1,049	221	952	2,
Purchased HELOC loans	456	—	—	456	—	456	2,760	3,216	117	—	—	
Consumer installment:												
Originated indirect paper	17	—	—	17	27	44	8,145	8,189	70	—	—	
Other consumer	20	6	—	26	2	28	6,458	6,486	36	4	19	
Total	$ 1,608	$ 763	$ 492	$ 2,863	$ 15,663	$ 18,526	$1,406,462	$1,424,988	$ 1,831	$ 375	$ 971	$ 3,

(Loan balances at unpaid principal balance)	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 89 Days Past Due and Accruing	Total Past Due and Accruing	Nonaccrual Loans	Total Past Due and Nonaccrual Loans	Current	Total Loans	30-59 Days Past Due and Accruing	60-89 Days Past Due and Accruing	Greater Than 89 Days Past Due and Accruing	Tot Past ar Accr
December 31, 2022												
Commercial/Agricultural real estate:												
Commercial real estate	$ 202	$ 88	$ —	$ 290	$ 5,736	$ 6,026	$ 719,945	$ 725,971	$ 202	$ 88	$ —	$
Agricultural real estate	4,992	—	—	4,992	2,742	7,734	80,174	87,908	4,992	—	—	4,
Multi-family real estate	—	—	—	—	—	—	208,908	208,908	—	—	—	
Construction and land development	3,975	—	—	3,975	—	3,975	98,517	102,492	3,975	—	—	3,
C&I/Agricultural operating:												
Commercial and industrial	—	26	—	26	552	578	135,435	136,013	—	26	—	
Agricultural operating	826	—	—	826	890	1,716	27,090	28,806	826	—	—	
Residential mortgage:												
Residential mortgage	767	479	236	1,482	1,253	2,735	102,654	105,389	767	479	236	1,
Purchased HELOC loans	—	—	—	—	—	—	3,262	3,262	—	—	—	
Consumer installment:												
Originated indirect paper	15	—	—	15	27	42	10,194	10,236	15	—	—	
Other consumer	39	2	10	51	4	55	7,095	7,150	39	2	10	
Total	$10,816	$ 595	$ 246	$11,657	$ 11,204	$ 22,861	$1,393,274	$1,416,135	$10,816	$ 595	$ 246	$11,

Nonaccrual Loans - The following table presents the amortized cost basis of loans on nonaccrual status and of nonaccrual loans individually evaluated at June 30, 2023 September 30, 2023 with no allowance for credit losses and interest income that would have been recorded under the original terms of such nonaccrual loans:

June 30, 2023	Total Nonaccrual Loans	Nonaccrual with no Allowance for Credit Losses	Interest Income Not Recorded for Nonaccrual loans
Commercial/Agricultural real estate:			
Commercial real estate	$ 11,359	$ 11,342	$ 512

September 30, 2023	Total Nonaccrual Loans	Nonaccrual with no Allowance for Credit Losses	Interest Income Not Recorded for Nonaccrual loans
Commercial/Agricultural real estate:			
Commercial real estate	$ 10,570	$ 10,556	$ 723

Agricultural real estate	1,712	1,712	90	469	469	70
Multi-family real estate	—	—	—	—	—	—
Construction and land development	94	94	1	94	94	1
C&I/Agricultural operating:						
Commercial and industrial	4	4	—	—	—	—
Agricultural operating	1,436	1,436	42	1,373	1,373	108
Residential mortgage:						
Residential mortgage	1,029	787	27	923	685	44
Purchased HELOC loans	—	—	—	—	—	—
Consumer installment:						
Originated indirect paper	27	27	1	26	26	1
Other consumer	2	2	—	1	1	—
Total	$ 15,663	$ 15,404	$ 673	$ 13,456	$ 13,204	$ 947

The Company's policy is to discontinue the accrual of interest income on all loans for which principal or interest is past due according to the following schedules:

- Commercial/agricultural real estate loans, past due 90 days or more;
- Commercial and industrial/agricultural operating loans past due 90 days or more;
- Closed ended consumer installment loans past due 120 days or more; and
- Residential mortgage and open ended consumer installment loans past due 180 days or more.

The accrual of interest is discontinued earlier when, in the opinion of management, there is reasonable doubt as to the timely collection of interest or principal. Once interest accruals are discontinued, accrued but uncollected interest is charged against current year income. Subsequent receipts on non-accrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Interest on loans determined to be modified is recognized on an accrual basis in accordance with the restructured terms if the loan is in compliance with the modified terms. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Company requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

The amount of interest income recognized by the Company for the three and six nine months ended June 30, 2023 September 30, 2023, due to nonaccrual loan payoffs was $75 $420 and $85, $505, respectively.

Collateral Dependent Loans - A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The following table presents the amortized cost basis of collateral dependent loans by portfolio segment and collateral type that were individually evaluated to determine expected credit losses and the related allowance for credit losses as of June 30, 2023 September 30, 2023.

	Collateral Type						Collateral Type				
June 30, 2023 / **September 30, 2023**	Real Estate	Other Assets	Total	Without an Allowance	With an Allowance	Allowance Allocation	Real Estate	Other Assets	Total	Without an Allowance	With an Allowance
Commercial/Agricultural real estate:											
Commercial real estate	$ 12,373	$ —	$ 12,373	$ 12,356	$ 17	$ 13	$ 11,604	$ —	$ 11,604	$ 11,590	$ 14
Agricultural real estate	8,828	—	8,828	8,828	—	—	6,900	—	6,900	6,900	—
Multi-family real estate	—	—	—	—	—	—	—	—	—	—	—
Construction and land development	207	—	207	207	—	—	206	—	206	206	—
C&I/Agricultural operating:											
Commercial and industrial	—	2,862	2,862	2,862	—	—	—	2,970	2,970	2,970	—
Agricultural operating	—	1,735	1,735	1,735	—	—	—	1,373	1,373	1,373	—

Residential mortgage:						
Residential mortgage	3,252	—	3,252	2,877	375	80
Purchased HELOC loans	—	—	—	—	—	—
Consumer installment:						
Originated indirect paper	—	41	41	41	—	—
Other consumer	—	10	10	10	—	—
Total	$ 24,660	$ 4,648	$ 29,308	$ 28,916	$ 392	$ 93

Residential mortgage:					
Residential mortgage	3,094	—	3,094	2,722	372
Purchased HELOC loans	—	—	—	—	—
Consumer installment:					
Originated indirect paper	—	40	40	40	—
Other consumer	—	27	27	27	—
Total	$ 21,804	$ 4,410	$ 26,214	$ 25,828	$ 386

There were no outstanding commitments to borrowers experiencing financial difficulty as of June 30, 2023 September 30, 2023. There were unused lines of credit totaling $64 $37 on loans with borrowers experiencing financial difficulties as of June 30, 2023 September 30, 2023.

At December 31, 2022, the Company individually evaluated loans for impairment with a recorded investment of $26,823, consisting of (1) $7,000 PCI loans, with a carrying amount of $6,904; (2) $7,018 TDR loans, net of TDR PCI loans; and (3) $12,901 of substandard non-TDR, non-PCI loans. The $26,823 recorded investment of loans individually evaluated for impairment includes $5,171 of performing TDR loans. A loan is identified as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Performing TDRs consist of loans that have been modified and are performing in accordance with the modified terms for a sufficient length of time, generally six months, or loans that were modified on a proactive basis.

A summary of the Company's loans individually evaluated for impairment as of December 31, 2022 and June 30, 2022 September 30, 2022 was as follows:

				Twelve Months Ended	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2022					
With No Related Allowance Recorded:					
Commercial/Agricultural real estate	$ 9,741	$ 9,766	$ —	$ 13,657	$ 549
C&I/Agricultural operating	2,744	2,754	—	4,467	200
Residential mortgage	5,846	5,907	—	6,304	276
Consumer installment	745	745	—	307	5
Total	$ 19,076	$ 19,172	$ —	$ 24,735	$ 1,030
With An Allowance Recorded:					
Commercial/Agricultural real estate	$ 7,108	$ 7,108	$ 519	$ 6,028	$ 273
C&I/Agricultural operating	538	538	249	273	48
Residential mortgage	91	91	48	298	65
Consumer installment	10	10	10	2	2
Total	$ 7,747	$ 7,747	$ 826	$ 6,601	$ 388
December 31, 2022 Totals					
Commercial/Agricultural real estate	$ 16,849	$ 16,874	$ 519	$ 19,685	$ 822
C&I/Agricultural operating	3,282	3,292	249	4,740	248
Residential mortgage	5,937	5,998	48	6,602	341
Consumer installment	755	755	10	309	7
Total	$ 26,823	$ 26,919	$ 826	$ 31,336	$ 1,418

June 30, 2022

September 30, 2022

				Three Months Ended		Six Months Ended	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With No Related Allowance Recorded:							
Commercial/Agricultural real estate	$ 13,290	$ 13,502	$ —	$ 13,565	$ 169	$ 15,514	$ 305

				Th
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Ave Rec Inves
September 30, 2022				
With No Related Allowance Recorded:				
Commercial/Agricultural real estate	$ 12,002	$12,038	$ —	$ 12

C&I/Agricultural operating	C&I/Agricultural operating	4,246	4,375	—	5,131	32	4,961	82	C&I/Agricultural operating	4,710	4,829	—	4
Residential mortgage	Residential mortgage	5,684	5,754	—	6,066	62	6,482	133	Residential mortgage	6,229	6,290	—	5
Consumer installment	Consumer installment	162	161	—	186	2	226	4	Consumer installment	113	113	—	
Total	Total	$ 23,382	$23,792	$ —	$ 24,948	$ 265	$ 27,183	$ 524	Total	$ 23,054	$23,270	$ —	$ 23
With An Allowance Recorded:	**With An Allowance Recorded:**								**With An Allowance Recorded:**				
Commercial/Agricultural real estate	Commercial/Agricultural real estate	$ 5,803	$ 5,803	$ 809	$ 6,142	$ 3	$ 5,458	$ 14	Commercial/Agricultural real estate	$ 6,660	$ 6,660	$ 699	$ 6
C&I/Agricultural operating	C&I/Agricultural operating	—	—	—	219	—	276	10	C&I/Agricultural operating	—	—	—	
Residential mortgage	Residential mortgage	201	201	34	256	1	467	2	Residential mortgage	—	—	—	
Consumer installment	Consumer installment	—	—	—	—	—	1	—	Consumer installment	—	—	—	
Total	Total	$ 6,004	$ 6,004	$ 843	$ 6,617	$ 4	$ 6,202	$ 26	Total	$ 6,660	$ 6,660	$ 699	$ 6
<u>**June 30, 2022**</u>													
<u>**September 30, 2022**</u>									<u>**September 30, 2022**</u>				
Commercial/Agricultural real estate	Commercial/Agricultural real estate	$ 19,093	$19,305	$ 809	$ 19,707	$ 172	$ 20,972	$ 319	Commercial/Agricultural real estate	$ 18,662	$18,698	$ 699	$ 18
C&I/Agricultural operating	C&I/Agricultural operating	4,246	4,375	—	5,350	32	5,237	92	C&I/Agricultural operating	4,710	4,829	—	4
Residential mortgage	Residential mortgage	5,885	5,955	34	6,322	63	6,949	135	Residential mortgage	6,229	6,290	—	6
Consumer installment	Consumer installment	162	161	—	186	2	227	4	Consumer installment	113	113	—	
Total	Total	$ 29,386	$29,796	$ 843	$ 31,565	$ 269	$ 33,385	$ 550	Total	$ 29,714	$29,930	$ 699	$ 29

The tables below detail Loan Modifications Made to Borrowers Experiencing Financial Difficulty during the three months ended June 30, 2023 September 30, 2023:

	Term Extension	
Loan Class	Amortized Cost Basis at June 30, 2023	% of Total Class of Financing Receivables
Commercial and industrial	$ 8	0.01 %
Agricultural operating	$ 179	0.73 %

	Other-Than-Insignificant Payment Delay	
Loan Class	Amortized Cost Basis at June 30, 2023	% of Total Class of Financing Receivables
Residential mortgage	$ 69	0.06 %

	Term Extension	
Loan Class	Amortized Cost Basis at September 30, 2023	% of Total Class of Financing Receivables
Commercial real estate	$ 4,826	0.65 %

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2023 September 30, 2023:

	Term Extension
Loan Class	Financial Effect
Commercial and industrial real estate	A weighted average of 3 months was added to the term of the loans
Agricultural operating	A weighted average of 3 20 months was added to the term of the loans

The tables below detail Loan Modifications Made to Borrowers Experiencing Financial Difficulty during the six nine months ended June 30, 2023 September 30, 2023:

		Term Extension			Term Extension	
Loan Class	Loan Class	Amortized Cost Basis at June 30, 2023	% of Total Class of Financing Receivables	Loan Class	Amortized Cost Basis at September 30, 2023	% of Total Class of Financing Receivables
Commercial real estate	Commercial real estate	$ 5,337	0.73 %	Commercial real estate	$ 4,826	0.65 %
Commercial and industrial		$ 8	0.01 %			
Agricultural operating	Agricultural operating	$ 179	0.73 %	Agricultural operating	$ 179	0.73 %
Residential mortgage	Residential mortgage	$ 37	0.03 %	Residential mortgage	$ 36	0.03 %

		Other-Than-Insignificant Payment Delay			Other-Than-Insignificant Payment Delay	
Loan Class	Loan Class	Amortized Cost Basis at June 30, 2023	% of Total Class of Financing Receivables	Loan Class	Amortized Cost Basis at September 30, 2023	% of Total Class of Financing Receivables
Residential mortgage	Residential mortgage	$ 69	0.06 %	Residential mortgage	$ 69	0.06 %
Other consumer	Other consumer	$ 22	0.34 %	Other consumer	$ 20	0.31 %

The following tables describe the financial effect of the modifications made to borrowers experiencing financial difficulty during the six nine months ended June 30, 2023 September 30, 2023:

	Term Extension
Loan Class	Financial Effect
Commercial real estate	A weighted average of 6 20 months was added to the term of the loans
Agricultural operating	A weighted average of 3 months was added to the term of the loans
Residential mortgage	A weighted average of 17 months was added to the term of the loans

	Other-Than-Insignificant Payment Delay
Loan Class	Financial Effect
Residential mortgage	Payments were deferred a weighted average of 6 months
Other consumer	Payments were deferred a weighted average of 3 months

The Company closely monitors the performance of loans that have been modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. No loan modified during the three and six nine months ended June 30, 2023 September 30, 2023 has subsequently defaulted. The following table shows the performance of such loans that have been modified during the six nine months ended June 30, 2023 September 30, 2023.

	Current	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due
Commercial real estate	$ 5,337 4,826	$ —	$ —	$ —
8	—			
Agricultural operating	179			
Residential mortgage	106 105	—	—	—
Other consumer	22 20	—	—	—
Total	$ 5,652 5,130	$ —	$ —	$ —

Troubled Debt Restructuring – A TDR includes a loan modification where a borrower is experiencing financial difficulty, and the Bank grants a concession to that borrower that the Bank would not otherwise consider, except for the borrower's financial difficulties. Concessions may include: extension of the loan's term, renewals of existing balloon loans, reductions in interest rates and consolidating existing Bank loans at modified terms. A TDR may be either on accrual or nonaccrual status based upon the performance of the borrower and management's assessment of collectability. If a TDR is placed on nonaccrual status, it remains there until a sufficient period of performance under the restructured terms has occurred at which time it is returned to accrual status. There was one accruing, delinquent TDR loan greater than 60 days past due, with a recorded investment of $15 at December 31, 2022.

Following is a summary of TDR loans by accrual status as of December 31, 2022.

	December 31, 2022
Troubled debt restructure loans:	
Accrual status	$ 5,171
Non-accrual status	2,617
Total	$ 7,788

There was one TDR commitment totaling $26 meeting our TDR criteria as of December 31, 2022. There were unused lines of credit totaling $484 meeting our TDR criteria as of December 31, 2022.

The following provides detail, including specific reserve and reasons for modification, related to loans identified as TDRs during the three and six nine months ended June 30, 2022 September 30, 2022:

	Number of Contracts	Maturity Extension	Modified Payment	Modified Under-writing	Other	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserve
Three months ended June 30, 2022								
TDRs:								
Commercial/Agricultural real estate	1	$ —	$ —	$ 425	$ —	$ 425	$ 425	$ —
C&I/Agricultural operating	2	—	—	446	—	446	446	—
Residential mortgage	2	32	—	—	—	32	32	—
Consumer installment	—	—	—	—	—	—	—	—
Totals	5	$ 32	$ —	$ 871	$ —	$ 903	$ 903	$ —

	Number of Contracts	Maturity Extension	Modified Payment	Modifi Under writin
Three months ended September 30, 2022				
TDRs:				
Commercial/Agricultural real estate	2	$ —	$ —	$ 1,53
C&I/Agricultural operating	2	1,424	—	14
Residential mortgage	3	7	147	—
Consumer installment	—	—	—	—
Totals	7	$ 1,431	$ 147	$ 1,67

	Number of Contracts	Maturity Extension	Modified Payment	Modified Under-writing	Other	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Specific Reserve
Six months ended June 30, 2022								
TDRs:								
Commercial/Agricultural real estate	5	$ 1,241	$ —	$ 425	$ —	$ 1,666	$ 1,666	$ —
C&I/Agricultural operating	3	—	—	596	—	596	596	—
Residential mortgage	6	63	—	507	—	570	570	—
Consumer installment	—	—	—	—	—	—	—	—
Totals	14	$ 1,304	$ —	$ 1,528	$ —	$ 2,832	$ 2,832	$ —

	Number of Contracts	Maturity Extension	Modified Payment	Modifi Under writin
Nine months ended September 30, 2022				
TDRs:				
Commercial/Agricultural real estate	7	$ 1,241	$ —	$ 1,96
C&I/Agricultural operating	5	1,424	—	73
Residential mortgage	9	70	147	50
Consumer installment	—	—	—	—
Totals	21	$ 2,735	$ 147	$ 3,20

There were no loans modified in a TDR during the previous twelve months which subsequently defaulted during the three and six nine months ended June 30, 2022 September 30, 2022.

NOTE 4 – MORTGAGE SERVICING RIGHTS

Mortgage servicing rights--Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid balances of these loans as of June 30, 2023 September 30, 2023 and December 31, 2022 were $503,022 $499,482 and $523,736, respectively, and consisted of one to four family residential real estate loans. These loans are serviced primarily for the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank and the Federal National Mortgage Association. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in deposits were $4,753 $6,526 and $2,649 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

Mortgage servicing rights activity for the six three and nine month periods ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022 were as follows:

		As of and for the Three Months Ended June 30, 2023	As of and for the Three Months Ended June 30, 2022	As of and for the Six Months Ended June 30, 2023	As of and for the Six Months Ended June 30, 2022
Mortgage servicing rights:	Mortgage servicing rights:				
Mortgage servicing rights, beginning of period	Mortgage servicing rights, beginning of period	$ 4,120	$ 4,614	$ 4,262	$ 4,727
Increase in mortgage servicing rights resulting from transfers of financial assets	Increase in mortgage servicing rights resulting from transfers of financial assets	36	101	52	227
Amortization during the period	Amortization during the period	(148)	(195)	(306)	(434)
Mortgage servicing rights, end of period	Mortgage servicing rights, end of period	4,008	4,520	4,008	4,520
Valuation allowance:	Valuation allowance:				
Valuation allowance, beginning of period	Valuation allowance, beginning of period	—	—	—	(566)
Additions	Additions	—	—	—	—
Recoveries	Recoveries	—	—	—	566
Valuation allowance, end of period	Valuation allowance, end of period	—	—	—	—
Mortgage servicing rights, net	Mortgage servicing rights, net	$ 4,008	$ 4,520	$ 4,008	$ 4,520
Fair value of mortgage servicing rights; end of period	Fair value of mortgage servicing rights; end of period	$ 5,705	$ 5,475	$ 5,705	$ 5,475

	As of and for the Three Months Ended September 30, 2023	As of and for the Three Months Ended September 30, 2022	As of and for the Nine Months Ended September 30, 2023	As of and for the Nine Months Ended September 30, 2022
Mortgage servicing rights:				
Mortgage servicing rights, beginning of period	$ 4,008	$ 4,520	$ 4,262	$ 4,727
Increase in mortgage servicing rights resulting from transfers of financial assets	86	48	138	275
Amortization during the period	(150)	(197)	(456)	(631)
Mortgage servicing rights, end of period	3,944	4,371	3,944	4,371
Valuation allowance:				
Valuation allowance, beginning of period	—	—	—	(566)
Additions	—	—	—	—
Recoveries	—	—	—	566
Valuation allowance, end of period	—	—	—	—
Mortgage servicing rights, net	$ 3,944	$ 4,371	$ 3,944	$ 4,371
Fair value of mortgage servicing rights; end of period	$ 5,701	$ 5,795	$ 5,701	$ 5,795

The current period change in valuation allowance, if applicable, is included in non-interest expense as mortgage servicing rights expense, net on the consolidated statement of operations. Servicing fees totaled $325 $321 and $352 $346 for the three months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022, respectively. Servicing fees totaled $655 $976 and $703 $1,049 for the six nine months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022, respectively. Servicing fees are included in loan servicing income on the consolidated statement of operations. Late fees and ancillary fees related to loan servicing are not material.

To estimate the fair value of the MSR asset, a valuation model is applied at the loan level to calculate the present value of the expected future cash flows. The valuation model incorporates various assumptions that would impact market participants' estimations of future servicing income. Central to the valuation model is the discount rate. Fair value at June 30, 2023 September 30, 2023, was determined using discount rates ranging from 9.5% 10.125% to 12.5% 13.125%. Fair value at June 30, 2022 September 30, 2022, was determined using discount rates ranging from 9% to 12%. Other assumptions utilized in the valuation model include, but are not limited to, prepayment speed, servicing costs, delinquencies, costs of advances, foreclosure costs, ancillary income, and income earned on float and escrow.

NOTE 5 – LEASES

We have operating leases for 1 corporate office, 4 bank branch offices, 1 former bank branch office, and 1 ATM location. Our leases have remaining lease terms ranging from approximately 1.17 0.92 to 5.00 4.75 years. Some of the leases include an option to extend, the longest of which is for two 5 year terms. As of June 30, 2023 September 30, 2023, we have no lease commitments that have not yet commenced. The Company also leases a portion of some of its facilities and receives rental income from such lease agreements, all of which are considered operating leases.

		Six Months Ended			Nine Months Ended	
		June 30, 2023	June 30, 2022		September 30, 2023	September 30, 2022
The components of total lease cost were as follows:	The components of total lease cost were as follows:			The components of total lease cost were as follows:		
Operating lease cost	Operating lease cost	$ 255	$ 279	Operating lease cost	$ 382	$ 419
Variable lease cost	Variable lease cost	38	21	Variable lease cost	59	35
Total lease cost	Total lease cost	$ 293	$ 300	Total lease cost	$ 441	$ 454
The components of total lease income were as follows:	The components of total lease income were as follows:			The components of total lease income were as follows:		
Operating lease income	Operating lease income	$ 20	$ 17	Operating lease income	$ 29	$ 26
Supplemental cash flow information related to leases was as follows:	Supplemental cash flow information related to leases was as follows:			Supplemental cash flow information related to leases was as follows:		
Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:			Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	Operating cash flows from operating leases	$ 273	$ 278	Operating cash flows from operating leases	$ 409	$ 419
Right-of-use assets obtained in exchange for lease obligations:	Right-of-use assets obtained in exchange for lease obligations:			Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	Operating leases	$ 225	$ —	Operating leases	$ 225	$ 215
		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Supplemental balance sheet information related to leases was as follows:	Supplemental balance sheet information related to leases was as follows:			Supplemental balance sheet information related to leases was as follows:		
Operating lease right-of-use assets	Operating lease right-of-use assets	$ 1,699	$ 1,700	Operating lease right-of-use assets	$ 1,588	$ 1,700
Operating lease liabilities	Operating lease liabilities	$ 1,927	$ 1,945	Operating lease liabilities	$ 1,806	$ 1,945
Weighted average remaining lease term in years; operating leases	Weighted average remaining lease term in years; operating leases	4.41	4.89	Weighted average remaining lease term in years; operating leases	4.17	4.89
Weighted average discount rate; operating leases	Weighted average discount rate; operating leases	3.17 %	2.98 %	Weighted average discount rate; operating leases	3.18 %	2.98 %

Cash obligations and receipts under lease contracts are as follows:

Fiscal years ending December 31,	Fiscal years ending December 31,	Payments	Receipts	Fiscal years ending December 31,	Payments	Receipts
2023	2023	$ 273	$ 21	2023	$ 136	$ 11
2024	2024	549	31	2024	549	32
2025	2025	534	15	2025	534	15
2026	2026	464	7	2026	464	7
2027	2027	401	—	2027	401	—
Thereafter	Thereafter	141	—	Thereafter	141	—
Total	Total	2,362	$ 74	Total	2,225	$ 65
Less: effects of discounting	Less: effects of discounting	(435)		Less: effects of discounting	(419)	
Lease liability recognized	Lease liability recognized	$ 1,927		Lease liability recognized	$ 1,806	

NOTE 6 – DEPOSITS

The following is a summary of deposits by type at June 30, 2023 September 30, 2023 and December 31, 2022, respectively:

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Non-interest bearing demand deposits	Non-interest bearing demand deposits	$ 261,876	$ 284,722	Non-interest bearing demand deposits	$ 275,790	$ 284,722
Interest bearing demand deposits	Interest bearing demand deposits	358,226	371,210	Interest bearing demand deposits	336,962	371,210
Savings accounts	Savings accounts	206,380	220,019	Savings accounts	183,702	220,019
Money market accounts	Money market accounts	288,934	323,435	Money market accounts	312,689	323,435
Certificate accounts	Certificate accounts	349,266	225,334	Certificate accounts	364,092	225,334
Total deposits	Total deposits	$ 1,464,682	$ 1,424,720	Total deposits	$ 1,473,235	$ 1,424,720

At June 30, 2023 September 30, 2023, the scheduled maturities of certificate accounts were as follows for the year ended, except December 31, 2023, which is the six three months ended:

December 31, 2023	$	101,540 80,547
December 31, 2024		219,975 255,639
December 31, 2025		19,169 19,146
December 31, 2026		2,206 2,371
December 31, 2027		705 677
After December 31, 2027		5,671 5,712
Total	$	349,266 364,092

Certificate accounts of $250 or more were $132,647 $128,414 and $66,827 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

Brokered deposits were $97,330 $85,173 at June 30, 2023 September 30, 2023 and consisted of $94,096 $84,163 of brokered certificate accounts and $3,234 $1,010 of brokered money market accounts. Brokered Deposits were $39,841 at December 31, 2022 and consisted of $39,839 of brokered certificate accounts and $2 of brokered money market accounts.

At June 30, 2023 September 30, 2023, the scheduled maturities of brokered certificate accounts were as follows for the year ended, except December 31, 2023, which is the six three months ended:

December 31, 2023	$	35,639 25,706
December 31, 2024		44,334
December 31, 2025 (1)		8,634
December 31, 2028 (1)		5,489
Total	$	94,096 84,163

(1) The Company can call the brokered certificate accounts maturing in the years ended December 31, 2025 and 2028, monthly beginning in March 2024.

NOTE 7 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER BORROWINGS

A summary of Federal Home Loan Bank advances and other borrowings at June 30, 2023 September 30, 2023 and December 31, 2022 is as follows:

		June 30, 2023			December 31, 2022				September 30, 2023			December 31, 2022		
		Stated Maturity	Amount	Range of Stated Rates	Stated Maturity	Amount	Range of Stated Rates		Stated Maturity	Amount	Range of Stated Rates	Stated Maturity	Amount	Range of Stated Rates
Federal Home Loan Bank advances (1), (2), (3) (4)	Federal Home Loan Bank advances (1), (2), (3) (4)	2023	$ 82,000	1.43 % 5.29 %	2023	$ 117,000	1.43 % 4.31 %	Federal Home Loan Bank advances (1), (2), (3) (4)	2023	$ 74,000	1.43 % 5.46 %	2023	$ 117,000	1.43 % 4.31 %
		2024	20,530	0.00 % 1.45 %	2024	20,530	0.00 % 1.45 %		2024	20,530	0.00 % 1.45 %	2024	20,530	0.00 % 1.45 %
		2025	5,000	1.45 % 1.45 %	2025	5,000	1.45 % 1.45 %		2025	5,000	1.45 % 1.45 %	2025	5,000	1.45 % 1.45 %
		2028	15,000	3.57 % 3.59 %					2028	15,000	3.57 % 3.59 %			
Federal Home Loan Bank advances	Federal Home Loan Bank advances		$ 122,530			$ 142,530		Federal Home Loan Bank advances		$ 114,530			$ 142,530	
Senior Notes (5)	Senior Notes (5)	2034	$ 18,083	6.75 % 7.50 %	2034	$ 23,250	3.00 % 6.75 %	Senior Notes (5)	2034	$ 18,083	6.75 % 7.75 %	2034	$ 23,250	3.00 % 6.75 %
Subordinated Notes (6)	Subordinated Notes (6)	2030	$ 15,000	6.00 % 6.00 %	2030	$ 15,000	6.00 % 6.00 %	Subordinated Notes (6)	2030	$ 15,000	6.00 % 6.00 %	2030	$ 15,000	6.00 % 6.00 %
		2032	35,000	4.75 % 4.75 %	2032	35,000	4.75 % 4.75 %		2032	35,000	4.75 % 4.75 %	2032	35,000	4.75 % 4.75 %
			$ 50,000			$ 50,000				$ 50,000			$ 50,000	
Unamortized debt issuance costs	Unamortized debt issuance costs		(726)			(841)		Unamortized debt issuance costs		(676)			(841)	
Total other borrowings	Total other borrowings		$ 67,357			$ 72,409		Total other borrowings		$ 67,407			$ 72,409	
Totals	Totals		$ 189,887			$ 214,939		Totals		$ 181,937			$ 214,939	

(1) The FHLB advances bear fixed rates, require interest-only monthly payments, and are collateralized by a blanket lien on pre-qualifying first mortgages, home equity lines, multi-family loans and certain other loans which had a pledged balance of $1,040,484 $1,065,913 and $984,878 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. At June 30, 2023 September 30, 2023, the Bank's available and unused portion under the FHLB borrowing arrangement was approximately $294,400 $314,521 compared to $256,773 as of December 31, 2022.

(2) Maximum month-end borrowed amounts outstanding under this borrowing agreement were $217,530 and $157,530, during the six nine months ended June 30, 2023 September 30, 2023 and the twelve months ended December 31, 2022, respectively.

(3) The weighted-average interest rate on FHLB borrowings maturing within twelve months as of June 30, 2023 September 30, 2023 and December 31, 2022 were 4.58% and 4.09%, respectively.

(4) FHLB term notes totaling $15,000, with 2028 maturity dates, are callable once by the FHLB in December of 2023.

(5) Senior notes, entered into by the Company in June 2019 consist of the following:

(a) A term note, which was subsequently refinanced in March 2022 and modified in February of 2023, requiring quarterly interest-only payments through March 2027, and quarterly principal and interest payments thereafter. Interest is variable, based on US Prime rate minus 75 basis points with a floor rate of 3.00%.

(b) A $5,000 line of credit, maturing August 1, 2023 August 1, 2024, that remains undrawn upon. This line was renewed effective August 1, 2023 and will mature August 1, 2024.

(6) Subordinated notes resulted from the following:

(a) The Company's Subordinated Note Purchase Agreement entered into with certain purchasers in August 2020, which bears a fixed interest rate of 6.00% for five years. In September 2025, the fixed interest rate will be reset quarterly to equal the three-month term Secured Overnight Financing Rate plus 591 basis points. The note is callable by the Bank when, and anytime after, the floating rate is initially set. Interest-only payments are due semi-annually each year during the fixed interest period and quarterly during the floating interest period.

(b) The Company's Subordinated Note Purchase Agreement entered into with certain purchasers in March 2022, which bears a fixed interest rate of 4.75% for five years. In April 2027, the fixed interest rate will be reset quarterly to equal the three-month term Secured Overnight Financing Rate plus 329 basis points. The note is callable by the Bank when, and anytime after, the floating rate is initially set. Interest-only payments are due semi-annually each year during the fixed interest period and quarterly during the floating interest period.

Federal Home Loan Bank Letters of Credit

The Bank has an irrevocable Standby Letter of Credit Master Reimbursement Agreement with the Federal Home Loan Bank. This irrevocable standby letter of credit ("LOC") is supported by loan collateral as an alternative to directly pledging investment securities on behalf of a municipal customer as collateral for their interest bearing deposit balances. The letters of credit balances were $197,500 $469,530 and $191,650 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

Federal Reserve Borrowings

At June 30, 223 September 30, 2023 and December 31, 2022, the Bank had the ability to borrow $23,859 $22,059 and $4,118 from the Federal Reserve Bank of Minneapolis. The ability to borrow is based on mortgage-backed securities pledged with a carrying value of $29,984 $23,210 and $5,421 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. There were no Federal Reserve borrowings outstanding as of June 30, 2023 September 30, 2023 and December 31, 2022.

In March of 2023, the Bank was approved to obtain funding from the Federal Reserve's new Bank Term Funding Program ("BTFP"). As of June 30, 2023 September 30, 2023, the Bank has not borrowed from this facility and has not pledged any collateral to this facility.

Federal Funds Purchased Lines of Credit

As of June 30, 2023 September 30, 2023, the Bank maintains two unsecured federal funds purchased lines of credit with its banking partners which total $70,000. As of December 31, 2022, the Bank maintained three unsecured federal funds purchased lines of credit with its banking partners which totaled $75,000. These lines bear interest at the lender bank's announced daily federal funds rate, mature daily and are revocable at the discretion of the lending institution. There were no borrowings outstanding on these lines of credit as of June 30, 2023 September 30, 2023 or December 31, 2022.

NOTE 8 - CAPITAL MATTERS

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Although these terms are not used to represent overall financial condition, if adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At June 30, 2023 September 30, 2023, the Bank was categorized as "Well Capitalized", under Prompt Corrective Action Provisions.

The Bank's Tier 1 (leverage) and risk-based capital ratios at June 30, 2023 September 30, 2023, and December 31, 2022, respectively, are presented below:

		Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions			Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
		Amount	Ratio	Amount	Ratio	Amount	Ratio		Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2023														
As of September 30, 2023								_As of September 30, 2023_						
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	$230,053	14.7 %	$125,304	≥ 8.0 %	$156,630	≥ 10.0 %	Total capital (to risk weighted assets)	$229,007	14.6 %	$125,736	≥ 8.0 %	$157,170	≥ 10.0 %
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)	210,459	13.5 %	93,978	≥ 6.0 %	125,304	≥ 8.0 %	Tier 1 capital (to risk weighted assets)	209,302	13.3 %	94,302	≥ 6.0 %	125,736	≥ 8.0 %
Common equity tier 1 capital (to risk weighted assets)	Common equity tier 1 capital (to risk weighted assets)	210,459	13.5 %	70,484	≥ 4.5 %	101,810	≥ 6.5 %	Common equity tier 1 capital (to risk weighted assets)	209,302	13.3 %	70,727	≥ 4.5 %	102,161	≥ 6.5 %
Tier 1 leverage ratio (to adjusted total assets)	Tier 1 leverage ratio (to adjusted total assets)	210,459	11.7 %	72,054	≥ 4.0 %	90,067	≥ 5.0 %	Tier 1 leverage ratio (to adjusted total assets)	209,302	11.6 %	72,145	≥ 4.0 %	90,181	≥ 5.0 %

As of December 31, 2022	*As of December 31, 2022*							*As of December 31, 2022*						
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	$221,361	14.2 %	$124,971	> = 8.0 %	$156,213	> = 10.0 %	Total capital (to risk weighted assets)	$221,361	14.2 %	$124,971	> = 8.0 %	$156,213	> = 10.0 %
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)	203,422	13.0 %	93,728	> = 6.0 %	124,971	> = 8.0 %	Tier 1 capital (to risk weighted assets)	203,422	13.0 %	93,728	> = 6.0 %	124,971	> = 8.0 %
Common equity tier 1 capital (to risk weighted assets)	Common equity tier 1 capital (to risk weighted assets)	203,422	13.0 %	70,296	> = 4.5 %	101,539	> = 6.5 %	Common equity tier 1 capital (to risk weighted assets)	203,422	13.0 %	70,296	> = 4.5 %	101,539	> = 6.5 %
Tier 1 leverage ratio (to adjusted total assets)	Tier 1 leverage ratio (to adjusted total assets)	203,422	11.5 %	70,610	> = 4.0 %	88,262	> = 5.0 %	Tier 1 leverage ratio (to adjusted total assets)	203,422	11.5 %	70,610	> = 4.0 %	88,262	> = 5.0 %

The Company's Tier 1 (leverage) and risk-based capital ratios at June 30, 2023 September 30, 2023 and December 31, 2022, respectively, are presented below:

		Actual		For Capital Adequacy Purposes			Actual		For Capital Adequacy Purposes	
		Amount	Ratio	Amount	Ratio		Amount	Ratio	Amount	Ratio
As of June 30, 2023										
As of September 30, 2023									*As of September 30, 2023*	
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	$223,802	14.3 %	$125,304	> = 8.0 %	Total capital (to risk weighted assets)	$226,800	14.4 %	$ 125,736	> = 8.0 %
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)	154,208	9.9 %	93,978	> = 6.0 %	Tier 1 capital (to risk weighted assets)	157,095	10.0 %	94,302	> = 6.0 %
Common equity tier 1 capital (to risk weighted assets)	Common equity tier 1 capital (to risk weighted assets)	154,208	9.9 %	70,484	> = 4.5 %	Common equity tier 1 capital (to risk weighted assets)	157,095	10.0 %	70,727	> = 4.5 %
Tier 1 leverage ratio (to adjusted total assets)	Tier 1 leverage ratio (to adjusted total assets)	154,208	8.6 %	72,054	> = 4.0 %	Tier 1 leverage ratio (to adjusted total assets)	157,095	8.7 %	72,145	> = 4.0 %
As of December 31, 2022	*As of December 31, 2022*					*As of December 31, 2022*				
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	$218,737	14.0 %	$124,971	> = 8.0 %	Total capital (to risk weighted assets)	$218,737	14.0 %	$ 124,971	> = 8.0 %
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)	150,798	9.7 %	93,728	> = 6.0 %	Tier 1 capital (to risk weighted assets)	150,798	9.7 %	93,728	> = 6.0 %
Common equity tier 1 capital (to risk weighted assets)	Common equity tier 1 capital (to risk weighted assets)	150,798	9.7 %	70,296	> = 4.5 %	Common equity tier 1 capital (to risk weighted assets)	150,798	9.7 %	70,296	> = 4.5 %
Tier 1 leverage ratio (to adjusted total assets)	Tier 1 leverage ratio (to adjusted total assets)	150,798	8.5 %	70,610	> = 4.0 %	Tier 1 leverage ratio (to adjusted total assets)	150,798	8.5 %	70,610	> = 4.0 %

NOTE 9 – STOCK-BASED COMPENSATION

On March 27, 2018, the stockholders of Citizens Community Bancorp, Inc. approved the 2018 Equity Incentive Plan. The aggregate number of shares of common stock initially reserved and available for issuance under the 2018 Equity Incentive Plan was 350,000 shares. As of June 30, 2023 September 30, 2023, 290,187 restricted shares had been granted under this plan. This amount includes 11,834 shares of performance based restricted stock granted in 2019 and issued in January 2022 upon achievement of the performance criteria and completion of the three year performance period beginning in January 2019 and ending December 31, 2021. The amount also includes 18,551 shares of performance based restricted stock granted in 2020 and issued in January 2023 upon achievement of the performance criteria and completion of the three year performance period beginning in January 2020 and ending December 31, 2022. In addition, it includes 1,119 shares of performance based restricted stock granted in 2020 and 638 shares of performance based restricted stock granted in 2021 issued in August of 2022. Both of these issuances were approved by the Compensation Committee in accordance with plan documents and were to a former employee. As of June 30, 2023 September 30, 2023, no stock options had been granted under this plan.

In February 2008, the Company's stockholders approved the Company's 2008 Equity Incentive Plan for a term of 10 years. Due to the plan's expiration, no new awards can be granted under this plan. As of June 30, 2023 September 30, 2023, there are no awarded unvested restricted shares and 54,000 awarded unexercised options remaining from the plan. Options granted to date under this plan vest pro rata over a five-year period from the grant date. Unexercised incentive stock options expire within 10 years of the grant date.

Net compensation expense related to restricted stock awards from these plans was $166 $208 and $382 $590 for the three and six nine months ended June 30, 2023 September 30, 2023, compared to $197 $255 and $392 $647 for the three and six nine months ended June 30, 2022 September 30, 2022.

Restricted Common Stock Award

		June 30, 2023		December 31, 2022			September 30, 2023		December 31, 2022	
		Number of Shares	Weighted Average Grant Price	Number of Shares	Weighted Average Grant Price		Number of Shares	Weighted Average Grant Price	Number of Shares	Weighted Average Grant Price
Restricted Shares	Restricted Shares					Restricted Shares				
Unvested and outstanding at beginning of year	Unvested and outstanding at beginning of year	75,626	$ 12.30	75,630	$ 11.20	Unvested and outstanding at beginning of year	75,626	$ 12.30	75,630	$ 11.20
Granted	Granted	50,606	12.36	43,465	13.99	Granted	50,606	12.36	43,465	13.99
Vested	Vested	(31,803)	12.19	(40,843)	12.12	Vested	(31,803)	12.19	(40,843)	12.12
Forfeited	Forfeited	(2,668)	11.37	(2,626)	11.04	Forfeited	(4,752)	11.78	(2,626)	11.04
Unvested and outstanding at end of period	Unvested and outstanding at end of period	91,761	$ 12.40	75,626	$ 12.30	Unvested and outstanding at end of period	89,677	$ 12.40	75,626	$ 12.30

The Company accounts for stock option-based employee compensation related to the Company's 2008 Equity Incentive Plan using the fair-value-based method. Accordingly, management records compensation expense based on the value of the award as measured on the grant date and then the Company recognizes that cost over the vesting period for the award. The compensation cost recognized for stock option-based employee compensation related to the 2008 plan for the three and six nine month periods ended June 30, 2023 September 30, 2023 was $0 as all options have vested. The compensation cost recognized for stock option-based employee compensation related to these plans for the three and six nine month period ended June 30, 2022 September 30, 2022 was $1 and $2, $3, respectively.

Common Stock Option Awards

		Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value		Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
June 30, 2023										
September 30, 2023						September 30, 2023				
Outstanding at beginning of year	Outstanding at beginning of year	58,000	$11.51			Outstanding at beginning of year	58,000	$11.51		
Exercised	Exercised	(3,000)	9.21			Exercised	(3,000)	9.21		
Forfeited or expired	Forfeited or expired	(1,000)	13.76			Forfeited or expired	(1,000)	13.76		
Outstanding at end of period	Outstanding at end of period	54,000	$11.59	3.34	$ —	Outstanding at end of period	54,000	$11.59	3.09	$ 2
Exercisable at end of period	Exercisable at end of period	54,000	$11.59	3.34	$ —	Exercisable at end of period	54,000	$11.59	3.09	$ 2
December 31, 2022	December 31, 2022					December 31, 2022				
Outstanding at beginning of year	Outstanding at beginning of year	65,900	$11.20			Outstanding at beginning of year	65,900	$11.20		
Exercised	Exercised	(7,900)	8.95			Exercised	(7,900)	8.95		
Forfeited or expired	Forfeited or expired	—	—			Forfeited or expired	—	—		
Outstanding at end of year	Outstanding at end of year	58,000	$11.51	3.73	$ 65	Outstanding at end of year	58,000	$11.51	3.73	$ 65
Exercisable at end of year	Exercisable at end of year	58,000	$11.51	3.73	$ 65	Exercisable at end of year	58,000	$11.51	3.73	$ 65

Information related to the 2008 Equity Incentive Plan for the respective periods follows:

		Six months ended June 30, 2023	Twelve months ended December 31, 2022		Nine months ended September 30, 2023	Twelve months ended December 31, 2022
Intrinsic value of options exercised	Intrinsic value of options exercised	$ 2	$ 38	Intrinsic value of options exercised	$ 2	$ 38
Cash received from options exercised	Cash received from options exercised	$ 28	$ 71	Cash received from options exercised	$ 28	$ 71

Tax benefit realized from options exercised	Tax benefit realized from options exercised	$ —	$ —	Tax benefit realized from options exercised	$ —	$ —

NOTE 10 – FAIR VALUE ACCOUNTING

ASC Topic 820-10, "*Fair Value Measurements and Disclosures*" establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The topic describes three levels of inputs that may be used to measure fair value:

Level 1- Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company has the ability to access as of the measurement date.

Level 2- Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3- Significant unobservable inputs that reflect the Company's assumptions about the factors that market participants would use in pricing an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input within the valuation hierarchy that is significant to the fair value measurement.

The fair value of securities available for sale is determined by obtaining market price quotes from independent third parties wherever such quotes are available (Level 1 inputs); or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). Where such quotes are not available, we utilize independent third party valuation analysis to support our own estimates and judgments in determining fair value (Level 3 inputs).

Assets Measured on a Recurring Basis

The following tables present the financial instruments measured at fair value on a recurring basis as of June 30, 2023 September 30, 2023 and December 31, 2022:

		Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Fair Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023										
September 30, 2023						September 30, 2023				
Investment securities:	Investment securities:					Investment securities:				
U.S. government agency obligations	U.S. government agency obligations	$ 18,703	$ —	$ 18,703	$ —	U.S. government agency obligations	$ 17,318	$ —	$ 17,318	$ —
Mortgage-backed securities	Mortgage-backed securities	75,976	—	75,976	—	Mortgage-backed securities	69,731	—	69,731	—
Corporate debt securities	Corporate debt securities	40,253	—	40,253	—	Corporate debt securities	40,889	—	40,889	—
Corporate asset-backed securities	Corporate asset-backed securities	26,203	—	26,203	—	Corporate asset-backed securities	25,476	—	25,476	—
Total investment securities	Total investment securities	161,135	—	161,135	—	Total investment securities	153,414	—	153,414	—
Equity Investments:	Equity Investments:					Equity Investments:				
Equity Investments	Equity Investments	423	423	—	—	Equity Investments	450	450	—	—
Equity investments measured at NAV(1)	Equity investments measured at NAV(1)	1,876	—	—	—	Equity investments measured at NAV(1)	1,983	—	—	—

Total equity investments	Total equity investments	2,299	423	—	—	Total equity investments	2,433	450	—	—
Total	Total	$ 163,434	$ 423	$ 161,135	$ —	Total	$ 155,847	$ 450	$ 153,414	$ —
December 31, 2022	December 31, 2022					December 31, 2022				
Investment securities:	Investment securities:					Investment securities:				
U.S. government agency obligations	U.S. government agency obligations	$ 18,313	$ —	$ 18,313	$ —	U.S. government agency obligations	$ 18,313	$ —	$ 18,313	$ —
Mortgage-backed securities	Mortgage-backed securities	78,610	—	78,610	—	Mortgage-backed securities	78,610	—	78,610	—
Corporate debt securities	Corporate debt securities	40,251	—	40,251	—	Corporate debt securities	40,251	—	40,251	—
Corporate asset backed securities	Corporate asset backed securities	28,817	—	28,817	—	Corporate asset backed securities	28,817	—	28,817	—
Total investment securities	Total investment securities	165,991	—	165,991	—	Total investment securities	165,991	—	165,991	—
Equity Investments:	Equity Investments:					Equity Investments:				
Equity Investments	Equity Investments	338	338	—	—	Equity Investments	338	338	—	—
Equity investments measured at NAV(1)	Equity investments measured at NAV(1)	1,456	—	—	—	Equity investments measured at NAV(1)	1,456	—	—	—
Total equity investments	Total equity investments	1,794	338	—	—	Total equity investments	1,794	338	—	—
Total	Total	$ 167,785	$ 338	$ 165,991	$ —	Total	$ 167,785	$ 338	$ 165,991	$ —

(1) Investments valued at NAV are excluded from being reported under the fair value hierarchy but are presented to permit reconciliation with the balance sheet in accordance with ASC 820-10-35-54B.

Assets Measured on Nonrecurring Basis

The following tables present the financial instruments measured at fair value on a nonrecurring basis as of June 30, 2023 September 30, 2023 and December 31, 2022:

		Carrying Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Carrying Value	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023										
September 30, 2023						September 30, 2023				
Foreclosed and repossessed assets, net	Foreclosed and repossessed assets, net	$ 1,199	$ —	$ —	$ 1,199	Foreclosed and repossessed assets, net	$ 1,046	$ —	$ —	$ 1,046
Collateral dependent loans with allowances	Collateral dependent loans with allowances	299	—	—	299	Collateral dependent loans with allowances	293	—	—	293

Mortgage servicing rights	Mortgage servicing rights	4,008	—	—	5,705	Mortgage servicing rights	3,944	—	—	5,701
Total	Total	$ 5,506	$ —	$ —	$ 7,203	Total	$ 5,283	$ —	$ —	$ 7,040
December 31, 2022	December 31, 2022					December 31, 2022				
Foreclosed and repossessed assets, net	Foreclosed and repossessed assets, net	$ 1,271	$ —	$ —	$ 1,271	Foreclosed and repossessed assets, net	$ 1,271	$ —	$ —	$ 1,271
Impaired loans with allocated allowances	Impaired loans with allocated allowances	6,920	—	—	6,920	Impaired loans with allocated allowances	6,920	—	—	6,920
Mortgage servicing rights	Mortgage servicing rights	4,262	—	—	5,665	Mortgage servicing rights	4,262	—	—	5,665
Total	Total	$ 12,453	$ —	$ —	$ 13,856	Total	$ 12,453	$ —	$ —	$ 13,856

The fair value of collateral dependent loans with allowances, and impaired loans prior to the adoption of ASU 2016-13 on January 1, 2023, referenced above, was determined by obtaining independent third party appraisals and/or internally developed collateral valuations to support the Company's estimates and judgments in determining the fair value of the underlying collateral supporting impaired loans.

The fair value of foreclosed and repossessed assets was determined by obtaining market price valuations from independent third parties wherever such quotes were available for other collateral owned. The Company utilized independent third party appraisals to support the Company's estimates and judgments in determining fair value for other real estate owned.

The fair value of mortgage servicing rights was estimated using discounted cash flows based on current market rates and other factors.

The following table represents additional quantitative information about assets measured at fair value on a recurring and nonrecurring basis and for which we have utilized Level 3 inputs to determine their fair value at
June September 30, 2023.

	Fair Value	Valuation Techniques (1)	Significant Unobservable Inputs (2)	Range
June September 30, 2023				
Foreclosed and repossessed assets, net	$ 1,199 1,046	Appraisal value	Estimated costs to sell	10% - 15%
Collateral dependent loans with allowances	$ 299 293	Appraisal value	Estimated costs to sell	10% - 15%
Mortgage servicing rights	$ 5,705 5,701	Discounted cash flows	Discounted rates	9.5% 10.125% - 12.5% 13.125%
December 31, 2022				
Foreclosed and repossessed assets, net	$ 1,271	Appraisal value	Estimated costs to sell	10% - 15%
Impaired loans with allocated allowances	$ 6,920	Appraisal value	Estimated costs to sell	10% - 15%
Mortgage servicing rights	$ 5,665	Discounted cash flows	Discounted rates	9.5% - 12.5%

(1) Fair value is generally determined through independent third-party appraisals of the underlying collateral, which generally includes various level 3 inputs which are not observable.

(2) The fair value basis of collateral depended loans, impaired loans prior to the adoption of ASU 2016-12, and real estate owned may be adjusted to reflect management estimates of disposal costs including, but not limited to, real estate brokerage commissions, legal fees, and delinquent property taxes.

The table below represents what we would receive to sell an asset or what we would have to pay to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount and estimated fair value of the Company's financial instruments as of the dates indicated below were as follows:

			June 30, 2023		December 31, 2022				September 30, 2023		December 31, 2022	
		Valuation Method Used	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value		Valuation Method Used	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:	Financial assets:						Financial assets:					

Cash and cash equivalents	Cash and cash equivalents	(Level I)	$ 42,969	$ 42,969	$ 35,363	$ 35,363	Cash and cash equivalents	(Level I)	$ 32,532	$ 32,532	$ 35,363	$ 35,363
Other interest-bearing deposits	Other interest-bearing deposits	(Level II)	—	—	249	250	Other interest-bearing deposits	(Level II)	—	—	249	250
Securities available for sale “AFS”	Securities available for sale “AFS”	(Level II)	161,135	161,135	165,991	165,991	Securities available for sale “AFS”	(Level II)	153,414	153,414	165,991	165,991
Securities held to maturity “HTM”	Securities held to maturity “HTM”	(Level II)	93,800	74,681	96,379	76,779	Securities held to maturity “HTM”	(Level II)	92,336	68,752	96,379	76,779
Equity investments	Equity investments	(Level I)	423	423	338	338	Equity investments	(Level I)	450	450	338	338
Equity investments valued at NAV(1)	Equity investments valued at NAV(1)	N/A	1,876	1,876	1,456	1,456	Equity investments valued at NAV(1)	N/A	1,983	1,983	1,456	1,456
Other investments	Other investments	(Level II)	16,347	16,347	15,834	15,834	Other investments	(Level II)	15,109	15,109	15,834	15,834
Loans receivable, net	Loans receivable, net	(Level III)	1,401,824	1,343,772	1,393,845	1,342,838	Loans receivable, net	(Level III)	1,424,556	1,357,089	1,393,845	1,342,838
Loans held for sale - Residential mortgage	Loans held for sale - Residential mortgage	(Level I)	1,523	1,550	—	—	Loans held for sale - Residential mortgage	(Level I)	904	914	—	—
Loans held for sale - SBA		(Level II)	871	945	—	—						
Loans held for sale - SBA /FSA							Loans held for sale - SBA /FSA	(Level II)	1,833	1,833	—	—
Mortgage servicing rights	Mortgage servicing rights	(Level III)	4,008	5,705	4,262	5,665	Mortgage servicing rights	(Level III)	3,944	5,701	4,262	5,665
Accrued interest receivable	Accrued interest receivable	(Level I)	5,702	5,702	5,285	5,285	Accrued interest receivable	(Level I)	5,936	5,936	5,285	5,285
Financial liabilities:	Financial liabilities:						Financial liabilities:					
Deposits	Deposits	(Level III)	$ 1,464,682	$ 1,460,716	$ 1,424,720	$ 1,420,871	Deposits	(Level III)	$ 1,473,235	$ 1,470,098	$ 1,424,720	$ 1,420,871
FHLB advances	FHLB advances	(Level II)	122,530	121,373	142,530	141,060	FHLB advances	(Level II)	114,530	113,571	142,530	141,060
Other borrowings	Other borrowings	(Level I)	67,357	67,357	72,409	72,409	Other borrowings	(Level II)	67,407	59,450	72,409	72,409
Accrued interest payable	Accrued interest payable	(Level I)	1,486	1,486	968	968	Accrued interest payable	(Level I)	1,623	1,623	968	968

(1) Investments valued at NAV are excluded from being reported under the fair value hierarchy but are presented to permit reconciliation with the balance sheet in accordance with ASC 820-10-35-54B.

NOTE 11—EARNINGS PER SHARE

Earnings per share is based on the weighted average number of shares outstanding for the period. A reconciliation of the basic and diluted earnings per share is as follows:

		Three Months Ended		Six Months Ended			Three Months Ended		Nine Months Ended	
(Share count in thousands)	(Share count in thousands)	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	(Share count in thousands)	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Basic	Basic					Basic				
Net income attributable to common stockholders	Net income attributable to common stockholders	$ 3,206	$ 4,366	$ 6,868	$ 9,072	Net income attributable to common stockholders	$ 2,498	$ 3,993	$ 9,366	$ 13,065
Weighted average common shares outstanding	Weighted average common shares outstanding	10,478	10,530	10,475	10,528	Weighted average common shares outstanding	10,470	10,510	10,473	10,522
Basic earnings per share	Basic earnings per share	$ 0.31	$ 0.41	$ 0.66	$ 0.86	Basic earnings per share	$ 0.24	$ 0.38	$ 0.89	$ 1.24
Diluted	Diluted					Diluted				
Net income attributable to common stockholders	Net income attributable to common stockholders	$ 3,206	$ 4,366	$ 6,868	$ 9,072	Net income attributable to common stockholders	$ 2,498	$ 3,993	$ 9,366	$ 13,065
Weighted average common shares outstanding	Weighted average common shares outstanding	10,478	10,530	10,475	10,528	Weighted average common shares outstanding	10,470	10,510	10,473	10,522
Add: Dilutive stock options outstanding	Add: Dilutive stock options outstanding	—	12	2	13	Add: Dilutive stock options outstanding	—	9	2	11
Average shares and dilutive potential common shares	Average shares and dilutive potential common shares	10,478	10,542	10,477	10,541	Average shares and dilutive potential common shares	10,470	10,519	10,475	10,533
Diluted earnings per share	Diluted earnings per share	$ 0.31	$ 0.41	$ 0.66	$ 0.86	Diluted earnings per share	$ 0.24	$ 0.38	$ 0.89	$ 1.24
Additional common stock option shares that have not been included due to their antidilutive effect	Additional common stock option shares that have not been included due to their antidilutive effect	40	—	40	—	Additional common stock option shares that have not been included due to their antidilutive effect	40	21	40	—

NOTE 12 – OTHER COMPREHENSIVE INCOME (LOSS)

The following tables show the tax effects allocated to each component of other comprehensive income (loss) for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

		Three Months Ended							Three Months Ended					
		June 30, 2023			June 30, 2022				September 30, 2023			September 30, 2022		
		Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount		Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Net-of Amo
Unrealized gain (losses) on securities:														
Unrealized (losses) gains on securities:								Unrealized (losses) gains on securities:						
Net unrealized losses arising during the period	Net unrealized losses arising during the period	$(3,140)	$ 863	$(2,277)	$(7,331)	$ 2,016	$(5,315)	Net unrealized losses arising during the period	$(3,701)	$ 839	$(2,862)	$(6,868)	$ 1,888	$(4,9

Reclassification adjustment for gains included in net income	(12)	3	(9)	—	—	—
Other comprehensive loss	$(3,152)	$ 866	$(2,286)	$(7,331)	$ 2,016	$(5,315)

Other comprehensive loss	$(3,701)	$ 839	$(2,862)	$(6,868)	$ 1,888	$(4,9

	Six Months Ended					
	June 30, 2023			June 30, 2022		
	Before-Tax Amount	Tax Expense	Net-of-Tax Amount	Before-Tax Amount	Tax Expense	Net-of-Tax Amount
Unrealized (losses) gains on securities:						
Net unrealized losses arising during the period	$(1,672)	$ 460	$(1,212)	$(17,156)	$4,718	$(12,438)
Reclassification adjustment for gains included in net income	(12)	3	(9)	—	—	—
Other comprehensive loss	$(1,684)	$ 463	$(1,221)	$(17,156)	$4,718	$(12,438)

	Nine Months Ended					
	September 30, 2023			September 30, 202		
	Before-Tax Amount	Tax Benefit (Expense)	Net-of-Tax Amount	Before-Tax Amount	Tax Benefit (Expense)	Ne A
Unrealized (losses) gains on securities:						
Net unrealized losses arising during the period	$(5,373)	$ 1,299	$(4,074)	$(24,024)	$ 6,606	$(1
Reclassification adjustment for gains included in net income	(12)	3	(9)	—	—	
Other comprehensive loss	$(5,385)	$ 1,302	$(4,083)	$(24,024)	$ 6,606	$(1

The changes in the accumulated balances for each component of other comprehensive income (loss), net of tax for the twelve months ended December 31, 2022 and the six nine months ended June 30, 2023 September 30, 2023 were as follows:

	Unrealized Gains (Losses) on AFS Securities	Other Accumulated Comprehensive Income (Loss), net of tax
Beginning Balance, January 1, 2022	$ 222	$ 161
Current year-to-date other comprehensive loss	(24,575)	(17,817)
Ending balance, December 31, 2022	$ (24,353)	$ (17,656)
Current year-to-date other comprehensive loss	(1,684)	(1,221)
Ending balance, June 30, 2023	$ (26,037)	$ (18,877)

	Unrealized Gains (Losses) on AFS Securities	Other Accumulated Comprehensive Income (Loss), net of tax
Beginning Balance, January 1, 2022	$ 222	$ 161
Current year-to-date other comprehensive loss	(24,575)	(17,817)
Ending balance, December 31, 2022	$ (24,353)	$ (17,656)
Current year-to-date other comprehensive loss	(5,385)	(4,083)
Ending balance, September 30, 2023	$ (29,738)	$ (21,739)

Reclassifications out of accumulated other comprehensive income (loss) for the three and six nine month periods ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022 were as follows:

	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)		
Details about Accumulated Other Comprehensive Income (Loss) Components	**Three months ended June 30, 2023**	**Six months ended June 30, 2023 (1)**	**Affected Line Item on the Statement of Operations**
Unrealized gains and losses			

Sale of securities	$	12	$	12	Net gains (losses) on investment securities
Tax effect		(3)		(3)	Provision for income taxes
Total reclassifications for the period	$	9	$	9	Net income attributable to common stockholders

	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)					
Details about Accumulated Other Comprehensive Income (Loss) Components	Three months ended September 30, 2023		Nine months ended September 30, 2023		(1)	Affected Line Item on the Statement of Operations
Unrealized gains and losses						
Sale of securities	$	—	$	12		Net gains (losses) on investment securities
Tax effect		—		(3)		Provision for income taxes
Total reclassifications for the period	$	—	$	9		Net income attributable to common stockholders

	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)					
Details about Accumulated Other Comprehensive Income (Loss) Components	Three months ended June 30, 2022 September 30, 2022		Six Nine months ended June 30, 2022 September 30, 2022		(1)	Affected Line Item on the Statement of Operations
Unrealized gains and losses						
Sale of securities	$	—	$	—		Net gains (losses) on investment securities
Tax effect		—		—		Provision for income taxes
Total reclassifications for the period	$	—	$	—		Net income attributable to common stockholders

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and the Company intends that these forward-looking statements be covered by the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These statements may be identified by the use of forward-looking words or phrases such as "anticipate," "believe," "could," "expect," "estimates," "intend," "may," "preliminary," "planned," "potential," "should," "will," "would," or the negative of those terms or other words of similar meaning. Similarly, statements that describe the Company's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are inherently subject to many uncertainties in the Company's operations and business environment.

Factors that could affect actual results or outcomes include the matters described under the caption "Risk Factors" in Item 1A of our annual report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 7, 2023 ("2022 10-K"), the matters described in "Risk Factors" in Item 1A for the quarter quarters ended March 31, 2023 and June 30, 2023 and in Item 1A of this Form 10-Q, and the following:

- conditions in the financial markets and economic conditions generally;
- reputational risk, new legislation, regulations, or policy changes as a result of recent volatility in the banking sector;
- adverse impacts to the Company or Bank arising from the COVID-19 pandemic;
- acts of terrorism and political or military actions by the United States or other governments;
- the possibility of a deterioration in the residential real estate markets;
- interest rate risk;
- lending risk;
- higher lending risks associated with our commercial and agricultural banking activities;
- the sufficiency of the allowance for credit losses;

- changes in the fair value or ratings downgrades of our securities;
- competitive pressures among depository and other financial institutions;
- disintermediation risk;
- our ability to maintain our reputation;
- our ability to maintain or increase our market share;
- our ability to realize the benefits of net deferred tax assets;
- our inability to obtain needed liquidity;
- our ability to raise capital needed to fund growth or meet regulatory requirements;
- our ability to attract and retain key personnel;
- our ability to keep pace with technological change;
- prevalence of fraud and other financial crimes;
- cybersecurity risks;
- the possibility that our internal controls and procedures could fail or be circumvented;
- our ability to successfully execute our acquisition growth strategy;
- risks posed by acquisitions and other expansion opportunities, including difficulties and delays in integrating the acquired business operations or fully realizing the cost savings and other benefits;
- restrictions on our ability to pay dividends;
- the potential volatility of our stock price;
- accounting standards for credit losses;
- legislative or regulatory changes or actions, or significant litigation, adversely affecting the Company or Bank;
- public company reporting obligations;
- changes in federal or state tax laws; and
- changes in accounting principles, policies or guidelines and their impact on financial performance.

Stockholders, potential investors, and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this filing and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances occurring after the date of this report.

GENERAL

The following discussion sets forth management's discussion and analysis of our consolidated financial condition as of June 30, 2023 September 30, 2023, and our consolidated results of operations for the three and six nine months ended June 30, 2023 September 30, 2023, compared to the same periods in the prior fiscal year for the three and six nine months ended June 30, 2022 September 30, 2022. This discussion should be read in conjunction with the interim consolidated financial statements and the condensed notes thereto included with this report and with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes related thereto included in our 2022 10-K. Unless otherwise stated, all monetary amounts in this Management's Discussion and Analysis of Financial Condition and Results of Operations, other than share, per share and capital ratio amounts, are stated in thousands.

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amount of assets, liabilities, revenue, expenses, and their related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends, and other factors that our management believes to be relevant at the time our consolidated financial statements are prepared. Some of these estimates are more critical than others. In addition to the policies included in Note 1, "Nature of Business and Summary of Significant Accounting Policies," to the Consolidated Financial Statements included as an exhibit in our annual report on our 2022 10-K, our critical accounting estimates are as follows:

Allowance for Credit Losses

We adopted ASU 2016-13, Financial Instruments-Credit Losses (Topic 326), "Measurement of Credit Losses on Financial Instruments" through a cumulative-effect adjustment on January 1, 2023. We have selected a loss estimation methodology, utilizing a third-party model. See also Notes 1 and 3 to the unaudited consolidated financial statements for further discussion of our adoption of ASU 2016-13.

Allowance for Credit Losses – Held-to-Maturity Securities. Currently, all of the Company's held-to-maturity securities are backed by governments or government agencies, for which the risk of credit loss is minimal. Accordingly, the Company does not record an allowance for credit losses on held-to-maturity securities.

Allowance for Credit Losses - Loans - We maintain an allowance for credit losses to absorb probable and inherent losses in our loan portfolio. The allowance is based on ongoing, quarterly assessments of the estimated lifetime losses in our loan portfolio. In evaluating the level of the allowance for loan loss, credit losses, we consider the types of loans and the amount of loans in our loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, prevailing economic conditions and other relevant factors determined by management. We follow all applicable regulatory guidance, including the "Interagency Policy Statement on Allowances for Credit losses," issued by the Office of the Comptroller of the Currency, Department of the Treasury, Federal Deposit Insurance Corporation, and National Credit Union Administration. We believe that the Bank's Allowance for Credit Losses Policy conforms to all applicable regulatory requirements. However, based on periodic examinations by regulators, the amount of the allowance for credit losses recorded during a particular period may be adjusted.

Our determination of the allowance for credit losses - loans is based on (1) an individual allowance for specifically identified and evaluated loans that management has determined have unique risk characteristics. For these loans, the estimated loss is based on likelihood of default, payment history, and net realizable value of underlying collateral.

Specific allocations for collateral dependent loans are based on the fair value of the underlying collateral relative to the amortized cost of the loans. For loans that are not collateral dependent, the specific allocation is based on the present value of expected future cash flows discounted at the loan's original effective interest rate through the repayment period; and (2) a collective allowance for loans not specifically identified in (1) above. The allowance for these loans is estimated by pooling loans with a similar risk profile and calculating a collective loss rate using the pool's risk drivers, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. This collectively estimated loss is adjusted for qualitative factors.

Assessing the allowance for credit losses - loans is inherently subjective as it requires making material estimates, including the amount, and timing of future cash flows expected to be received on impaired loans, any of which estimates may be susceptible to significant change. In our opinion, the allowance, when taken as a whole, reflects estimated probable loan losses in our loan portfolio.

Allowance for Credit Losses – Unfunded Commitments. The Company estimates expected credit losses over the contractual period for which the Company is exposed to credit risk, via a contractual obligation to extend credit, unless the

obligation is unconditionally cancellable by the Company. The allowance for credit losses - unfunded commitments on off-balance sheet exposures is included in other liabilities on the consolidated balance sheet.

Goodwill.

We account for goodwill and other intangible assets in accordance with ASC Topic 350, "Intangibles - Goodwill and Other." The Company records the excess of the cost of acquired entities over the fair value of identifiable tangible and intangible assets acquired, less liabilities assumed, as goodwill. The Company amortizes acquired intangible assets with definite useful economic lives over their useful economic lives utilizing the straight-line method. On a periodic basis, management assesses whether events or changes in circumstances indicate that the carrying amounts of the intangible assets may be impaired. The Company does not amortize goodwill, but reviews goodwill for impairment at a reporting unit level on an annual basis, or when events or changes in circumstances indicate that the carrying amounts may be impaired. A reporting unit is defined as any distinct, separately identifiable component of the Company's one operating segment for which complete, discrete financial information is available and reviewed regularly by the segment's management. The Company has one reporting unit as of June 30, 2023 September 30, 2023, which is related to its banking activities. The Company performed the required goodwill impairment test and determined that goodwill was not impaired as of December 31, 2022. The Company has monitored events and conditions since December 31, 2022, and has determined that no triggering event has occurred that would require goodwill to be tested for impairment.

Fair Value Measurements and Valuation Methodologies.

We apply various valuation methodologies to assets and liabilities which often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular items being valued. Quoted market prices are referred to when estimating fair values for certain assets, such as most investment securities. However, for those items for which an observable liquid market does not exist, management utilizes significant estimates and assumptions to value such items. Examples of these items include loans, deposits, borrowings, goodwill, core deposit intangible assets, other assets and liabilities obtained or assumed in business combinations, and certain other financial instruments. These valuations require the use of various assumptions, including, among others, discount rates, rates of return on assets, repayment rates, cash flows, default rates, and liquidation values. The use of different assumptions could produce significantly different results, which could have material positive or negative effects on the Company's results of operations, financial condition, or disclosures of fair value information.

In addition to valuation, the Company must assess whether there are any declines in value below the carrying value of assets that should be considered other than temporary or otherwise require an adjustment in carrying value and recognition of a loss in the consolidated statement of operations. Examples include but are not limited to: loans, investment securities, goodwill, core deposit intangible assets and deferred tax assets, among others. Specific assumptions, estimates and judgments utilized by management are discussed in detail herein in management's discussion and analysis of the Company's balance sheet and statement of operations and in notes 1, 2, 3, 4 and 10 of Condensed Notes to Consolidated Financial Statements.

Income Taxes.

Amounts provided for income tax expenses are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. The amounts provided for income taxes are also impacted by the Company's investment in a New Markets Tax Credit. With the adoption of ASU 2023-02 on January 1, 2023, amortization of the investment will now be recognized in the period of and proportional to recognition of the related tax credit and included in provision for income taxes. Deferred income tax assets and liabilities, which arise principally from temporary differences between the amounts reported in the financial statements and the tax basis of certain assets and liabilities, are included in the amounts provided for income taxes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and tax planning strategies which will create taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and if necessary, tax planning strategies in making this assessment.

The assessment of tax assets and liabilities involves the use of estimates, assumptions, interpretations, and judgments concerning certain accounting pronouncements and application of specific provisions of federal and state tax codes. There can be no assurance that future events, such as court decisions or positions of federal and state taxing authorities, will not differ from management's current assessment, the impact of which could be material to our consolidated results of operations and reported earnings. We believe that the deferred tax assets and liabilities are adequate and properly recorded in the accompanying consolidated financial statements. As of June 30, 2023 The Wisconsin state budget, signed July 5, 2023, management does not believe a valuation allowance related and effective January 1, 2023, made originated loans in Wisconsin for business purposes up to $5 million non-taxable. This change resulted in the realizability of Company reducing its estimated future effective tax rate at which it will likely recognize its deferred tax assets is necessary. asset arising from unrealized losses on AFS securities. As a result, the Company recorded a $1.8 million valuation allowance against this deferred tax asset in the quarter ended September 30, 2023.

STATEMENT OF OPERATIONS ANALYSIS

Net Interest Income. Net interest income represents the difference between the dollar amount of interest earned on interest-bearing assets and the dollar amount of interest paid on interest-bearing liabilities. The interest income and expense of financial institutions (including those of the Bank) are significantly affected by general economic conditions, competition, policies of regulatory authorities and other factors.

Interest rate spread and net interest margin are used to measure and explain changes in net interest income. Interest rate spread is the difference between the yield on interest earning assets and the rate paid for interest-bearing liabilities that fund those assets. Net interest margin is expressed as the percentage of net interest income to average interest earning assets. Net interest margin currently exceeds interest rate spread because non-interest-bearing sources of funds ("net free funds"), principally demand deposits and stockholders' equity, also support interest earning assets. The narrative below discusses net interest income, interest rate spread, and net interest margin for the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, and June 30, 2022 September 30, 2022, respectively.

Net interest income was $11.7 million $12.1 million and $24.5 million $36.6 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to $14.3 million $14.5 million and $27.4 million $41.9 million for the three and six nine months ended June 30, 2022 September 30, 2022, respectively. Net interest income for the three months ended June 30, 2023 September 30, 2023, decreased from the same period one year ago due to: 1) higher deposit and borrowing balances and costs and 2) a $0.5 million $0.3 million reduction in the accretion on purchased loans. This was partially offset by: 1) positive loan volume variance due to growth in loans outstanding and 2) increases in loan and investment yields due to both contractual repricing and higher coupons on new loans and investments in excess of portfolio yield. yield and 3) the realization of $0.4 million of interest income due to a nonaccrual loan payoff.

The net interest margin for the three-month period ended June 30, 2023 September 30, 2023, was 2.72% 2.79%, compared to 3.46% 3.43% for the three-month period ended June 30, 2022 September 30, 2022. The net interest margin decrease was due to: 1) higher deposit costs due to strategic increases in deposit rates to maintain a strong deposit base and customers moving from lower cost savings and money market accounts to higher yielding certificate accounts; accounts, 2) the impact of higher short-term interest rates which increased FHLB advance and other borrowing costs; costs, and 3) a 13-basis six-basis point decrease in accretion on purchased loans. This was partially offset by by: 1) increases in loan and investment yields due to contractual repricing, and 2) rates on new loans and investments exceeding the portfolio as a whole. whole, and 3) a ten-basis point increase in yield due to income realized on the payoff of a nonaccrual loan.

Net interest income for the six nine months ended June 30, 2023 September 30, 2023, decreased from the same period one year ago due to: 1) higher deposit and borrowing balances and related costs; costs, 2) $0.8 million $1.0 million reduction in the accretion on purchased loans; loans, and 3) $0.3 million of lower SBA PPP accretion, as the last SBA PPP loan was repaid in second quarter 2022. This was partially offset by: 1) positive loan volume variance due to growth in loans outstanding and 2) increases in loan and investment yields due to both contractual repricing and higher coupons on new loans and investments in excess of portfolio yield.

The net interest margin for the six-month nine-month period ended June 30, 2023 September 30, 2023, was 2.88% 2.85%, compared to 3.35% 3.38% for the six-month nine-month period ended June 30, 2022 September 30, 2022. The net interest margin decrease was due to: 1) higher deposit and FHLB borrowing costs; costs, 2) an 8- basis a seven-basis point decrease in accretion on purchased loans; loans, 3) a 3-basis two-basis point decrease on SBA PPP accretion; accretion, and 4) the impact of additional interest expense of the subordinated debt issued in March 2022. These decreases were partially offset by increases in loan and investment yields, due to both contractual repricing and higher coupons on new loans and investments in excess of portfolio yield.

Average Balances, Net Interest Income, Yields Earned and Rates Paid. The following net interest income analysis table presents interest income from average interest earning assets, expressed in dollars and yields, and interest expense on average interest-bearing liabilities, expressed in dollars and rates on a tax equivalent basis. Shown below is the weighted average tax equivalent yield on interest earning assets, rates paid on interest-bearing liabilities and the resultant spread at or during the three-month and six-month nine-month periods ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022. Non-accruing loans have been included in the table as loans carrying a zero yield.

NET INTEREST INCOME ANALYSIS ON A TAX EQUIVALENT BASIS

(Dollar amounts in thousands)

Three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022:

		Three months ended June 30, 2023			Three months ended June 30, 2022				Three months ended September 30, 2023			Three months ended September 30, 2022		
		Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)		Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)
Average interest earning assets:	**Average interest earning assets:**							**Average interest earning assets:**						
Cash and cash equivalents	Cash and cash equivalents	$ 24,779	$ 327	5.29 %	$ 25,195	$ 43	0.68 %	Cash and cash equivalents	$ 21,298	$ 302	5.63 %	$ 11,043	$ 60	2.16 %
Loans	Loans	1,414,925	17,960	5.09 %	1,328,661	14,893	4.50 %	Loans	1,435,284	19,083	5.27 %	1,370,897	15,937	4.61 %
Interest-bearing deposits	Interest-bearing deposits	5	—	— %	1,509	8	2.13 %	Interest-bearing deposits	—	—	— %	1,079	7	2.57 %
Investment securities (1)	Investment securities (1)	264,579	2,210	3.34 %	285,332	1,593	2.23 %	Investment securities (1)	252,226	2,119	3.33 %	274,868	1,768	2.57 %
Other investments	Other investments	17,491	280	6.42 %	14,969	166	4.45 %	Other investments	15,511	268	6.85 %	14,910	187	4.98 %

Total interest earning assets (1)	Total interest earning assets (1)	$ 1,721,779	$ 20,777	4.84 %	$ 1,655,666	$ 16,703	4.05 %	Total interest earning assets (1)	$ 1,724,319	$ 21,772	5.01 %	$ 1,672,797	$ 17,959	4.26 %
Average interest-bearing liabilities:	**Average interest-bearing liabilities:**							**Average interest-bearing liabilities:**						
Savings accounts	Savings accounts	$ 209,277	$ 393	0.75 %	$ 241,245	$ 131	0.22 %	Savings accounts	$ 199,279	$ 328	0.65 %	$ 238,095	$ 211	0.35 %
Demand deposits	Demand deposits	366,037	1,752	1.92 %	410,468	257	0.25 %	Demand deposits	354,073	1,863	2.09 %	413,033	575	0.55 %
Money market	Money market	299,201	1,774	2.38 %	323,907	277	0.34 %	Money market	298,098	1,889	2.51 %	331,469	519	0.62 %
CD's	CD's	293,262	2,243	3.07 %	159,578	320	0.80 %	CD's	358,238	3,308	3.66 %	160,960	376	0.93 %
Total deposits	Total deposits	$ 1,167,777	$ 6,162	2.12 %	$ 1,135,198	$ 985	0.35 %	Total deposits	$ 1,209,688	$ 7,388	2.42 %	$ 1,143,557	$ 1,681	0.58 %
FHLB Advances and other borrowings	FHLB Advances and other borrowings	238,776	2,929	4.92 %	186,050	1,451	3.13 %	FHLB Advances and other borrowings	182,967	2,263	4.91 %	192,338	1,821	3.76 %
Total interest-bearing liabilities	Total interest-bearing liabilities	$ 1,406,553	$ 9,091	2.59 %	$ 1,321,248	$ 2,436	0.74 %	Total interest-bearing liabilities	$ 1,392,655	$ 9,651	2.75 %	$ 1,335,895	$ 3,502	1.04 %
Net interest income	Net interest income		$ 11,686			$ 14,267		Net interest income		$ 12,121			$ 14,457	
Interest rate spread	Interest rate spread			2.25 %			3.31 %	Interest rate spread			2.26 %			3.22 %
Net interest margin (1)	Net interest margin (1)			2.72 %			3.46 %	Net interest margin (1)			2.79 %			3.43 %
Average interest earning assets to average interest-bearing liabilities	Average interest earning assets to average interest-bearing liabilities			1.22			1.25	Average interest earning assets to average interest-bearing liabilities			1.24			1.25

(1) Fully taxable equivalent (FTE). The average yield on tax exempt securities is computed on a tax equivalent basis using a tax rate of 21.0% for the quarters ended June 30, 2023 September 30, 2023, and June 30, 2022 September 30, 2022. The FTE adjustment to net interest income included in the rate calculations totaled $0 and $0 thousand for the three months ended June 30, 2023 September 30, 2023, and June 30, 2022 September 30, 2022, respectively.

NET INTEREST INCOME ANALYSIS ON A TAX EQUIVALENT BASIS

(Dollar amounts in thousands)

Six Nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022:

		Six months ended June 30, 2023			Six months ended June 30, 2022				Nine months ended September 30, 2023			Nine months ended September 30, 2022		
		Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)		Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)	Average Balance	Interest Income/ Expense	Average Yield/ Rate (1)
Average interest earning assets:	**Average interest earning assets:**							**Average interest earning assets:**						

Cash and cash equivalents	Cash and cash equivalents	$ 17,931	$ 467	5.25 %	$ 30,174	$ 56	0.37 %	Cash and cash equivalents	$ 19,066	$ 768	5.39 %	$ 23,727	$ 116	0.65 %
Loans	Loans	1,412,870	35,086	5.01 %	1,316,469	28,660	4.39 %	Loans	1,420,423	54,169	5.10 %	1,334,811	44,597	4.47 %
Interest-bearing deposits	Interest-bearing deposits	126	1	1.6 %	1,510	15	2.00 %	Interest-bearing deposits	84	1	1.59 %	1,365	22	2.15 %
Investment securities (1)	Investment securities (1)	266,224	4,385	3.32 %	286,789	3,009	2.10 %	Investment securities (1)	261,507	6,505	3.33 %	282,771	4,777	3.38 %
Other investments	Other investments	16,923	511	6.09 %	15,112	339	4.52 %	Other investments	16,447	779	6.33 %	15,044	526	4.67 %
Total interest earning assets (1)	Total interest earning assets (1)	$ 1,714,074	$ 40,450	4.76 %	$ 1,650,054	$ 32,079	3.92 %	Total interest earning assets (1)	$ 1,717,527	$ 62,222	4.84 %	$ 1,657,718	$ 50,038	4.04 %
Average interest bearing liabilities:	**Average interest bearing liabilities:**							**Average interest bearing liabilities:**						
Savings accounts	Savings accounts	$ 213,106	$ 776	0.73 %	$ 237,464	$ 231	0.20 %	Savings accounts	$ 208,446	$ 1,103	0.71 %	$ 237,677	$ 442	0.25 %
Demand deposits	Demand deposits	378,450	3,183	1.7 %	410,678	470	0.23 %	Demand deposits	370,235	5,047	1.82 %	411,471	1,045	0.34 %
Money market	Money market	299,393	2,870	1.93 %	311,524	492	0.32 %	Money market	298,957	4,759	2.13 %	318,246	1,011	0.42 %
CD's	CD's	270,819	3,681	2.74 %	174,300	860	0.99 %	CD's	300,279	6,989	3.11 %	169,804	1,236	0.97 %
Total deposits	Total deposits	$ 1,161,768	$ 10,510	1.82 %	$ 1,133,966	$ 2,053	0.37 %	Total deposits	$ 1,177,917	$ 17,898	2.03 %	$ 1,137,198	$ 3,734	0.44 %
FHLB Advances and other borrowings	FHLB Advances and other borrowings	229,825	5,459	4.79 %	176,139	2,592	2.97 %	FHLB Advances and other borrowings	214,034	7,722	4.82 %	181,598	4,413	3.25 %
Total interest bearing liabilities	Total interest bearing liabilities	$ 1,391,593	$ 15,969	2.31 %	$ 1,310,105	$ 4,645	0.71 %	Total interest bearing liabilities	$ 1,391,951	$ 25,620	2.46 %	$ 1,318,796	$ 8,147	0.83 %
Net interest income	Net interest income		$ 24,481			$ 27,434		Net interest income		$ 36,602			$ 41,891	
Interest rate spread	Interest rate spread			2.45 %			3.21 %	Interest rate spread			2.38 %			3.21 %
Net interest margin (1)	Net interest margin (1)			2.88 %			3.35 %	Net interest margin (1)			2.85 %			3.38 %
Average interest earning assets to average interest bearing liabilities	Average interest earning assets to average interest bearing liabilities			1.23			1.26	Average interest earning assets to average interest bearing liabilities			1.23			1.26

(1) Fully taxable equivalent (FTE). The average yield on tax exempt securities is computed on a tax equivalent basis using a tax rate of 21.0% for the six nine months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022. The FTE adjustment to net interest income included in the rate calculations totaled $0 and $1 thousand for the six-month nine-month periods ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022, respectively.

Rate/Volume Analysis. The following tables present the dollar amount of changes in interest income and interest expense for the components of interest earning assets and interest-bearing liabilities that are presented in the preceding table. For each category of interest earning assets and interest-bearing liabilities, information is provided on changes attributable to: 1) changes in volume, which are changes in the average outstanding balances multiplied by the prior period rate (i.e., holding the initial rate constant) and 2) changes in rate, which are changes in average interest rates multiplied by the prior period volume (i.e., holding the initial balance constant). Rate changes have been discussed previously in the net interest income section above. For the three and six nine months ended June 30, 2023 September 30, 2023, compared to the same period in 2022, the loan volume increased due to strong organic growth. The increase in certificate volumes is due to CD growth, with some of this growth moving from money market accounts. non-maturity deposits and to a lesser extent, brokered CD growth. Investment securities volume decreases for the three and six nine months ended June 30, 2023 September 30, 2023, compared to the three and six nine months ended June 30, 2022 September 30, 2022, are primarily due to: 1) principal repayments and sales, net of purchases and 2) unrealized losses in the available for sale securities portfolio. portfolio, partially offset by modest floating-rate purchases in the first quarter of 2023.

RATE / VOLUME ANALYSIS

(Dollar amounts in thousands)

Three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022.

		Increase (decrease) due to				Increase (decrease) due to		
		Volume	Rate	Net		Volume	Rate	Net
Interest income:	**Interest income:**				**Interest income:**			
Cash and cash equivalents	Cash and cash equivalents	$ (1)	$ 285	$ 284	Cash and cash equivalents	$ 76	$ 166	$ 242
Loans	Loans	1,007	2,060	3,067	Loans	774	2,372	3,146
Interest-bearing deposits	Interest-bearing deposits	(8)	—	(8)	Interest-bearing deposits	(7)	—	(7)
Investment securities	Investment securities	(123)	740	617	Investment securities	(157)	508	351
Other investments	Other investments	31	83	114	Other investments	8	73	81
Total interest earning assets	Total interest earning assets	906	3,168	4,074	Total interest earning assets	694	3,119	3,813
Interest expense:	**Interest expense:**				**Interest expense:**			
Savings accounts	Savings accounts	(20)	282	262	Savings accounts	(40)	157	117
Demand deposits	Demand deposits	(31)	1,526	1,495	Demand deposits	(95)	1,383	1,288
Money market accounts	Money market accounts	(23)	1,520	1,497	Money market accounts	(58)	1,428	1,370
CD's	CD's	373	1,550	1,923	CD's	675	2,257	2,932
Total deposits	Total deposits	299	4,878	5,177	Total deposits	482	5,225	5,707
FHLB Advances and other borrowings	FHLB Advances and other borrowings	477	1,001	1,478	FHLB Advances and other borrowings	(93)	535	442
Total interest bearing liabilities	Total interest bearing liabilities	776	5,879	6,655	Total interest bearing liabilities	389	5,760	6,149
Net interest income	Net interest income	$ 130	$ (2,711)	$ (2,581)	Net interest income	$ 305	$ (2,641)	$ (2,336)

Six Nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022.

		Increase (decrease) due to				Increase (decrease) due to		
		Volume	Rate	Net		Volume	Rate	Net
Interest income:	**Interest income:**				**Interest income:**			
Cash and cash equivalents	Cash and cash equivalents	$ (37)	$ 448	$ 411	Cash and cash equivalents	$ (28)	$ 680	$ 652
Loans	Loans	2,195	4,231	6,426	Loans	2,981	6,591	9,572

Interest-bearing deposits	Interest-bearing deposits	(11)	(3)	(14)	Interest-bearing deposits	(15)	(6)	(21)
Investment securities	Investment securities	(229)	1,605	1,376	Investment securities	(530)	2,258	1,728
Other investments	Other investments	44	128	172	Other investments	52	201	253
Total interest earning assets	Total interest earning assets	1,962	6,409	8,371	Total interest earning assets	2,460	9,724	12,184
Interest expense:	**Interest expense:**				**Interest expense:**			
Savings accounts	Savings accounts	(26)	571	545	Savings accounts	(61)	722	661
Demand deposits	Demand deposits	(40)	2,753	2,713	Demand deposits	(116)	4,118	4,002
Money market accounts	Money market accounts	(20)	2,398	2,378	Money market accounts	(65)	3,813	3,748
CD's	CD's	617	2,204	2,821	CD's	1,294	4,459	5,753
Total deposits	Total deposits	531	7,926	8,457	Total deposits	1,052	13,112	14,164
FHLB Advances and other borrowings	FHLB Advances and other borrowings	924	1,943	2,867	FHLB Advances and other borrowings	879	2,430	3,309
Total interest bearing liabilities	Total interest bearing liabilities	1,455	9,869	11,324	Total interest bearing liabilities	1,931	15,542	17,473
Net interest income	Net interest income	$ 507	$ (3,460)	$ (2,953)	Net interest income	$ 529	$ (5,818)	$ (5,289)

Provision for Credit Losses. We determine our provision for credit losses ("provision") based on our desire to provide an adequate Allowance for Credit Losses ("ACL") - Loans to reflect estimated lifetime losses in our loan portfolio and ACL - Unfunded commitments Commitments to reflect estimated losses on our unfunded commitments to lend. We use a third-party model to collectively evaluate and estimate the ACL on loans and unfunded commitments on a pooled basis. The model pools loans and commitments with similar characteristics and calculates an estimated loss rate for the pool based on identified risk drivers. These risk drivers vary with loan type. Projections about future economic conditions and the effect they could have on future losses are inherent in the model. Loans with uniquely identified circumstances and risks are individually evaluated. Lifetime losses on these loans are estimated based on the loans' individual characteristics.

Total benefit, i.e. negative provision, for credit losses for the three months ended June 30, 2023 September 30, 2023, was $0.45 million $0.325 million, compared to $0.40 million provision of $0.375 million for the three months ended June 30, 2022 September 30, 2022. The decrease in provision for credit losses was primarily due to net recoveries from the payoff of a nonaccrual agricultural loan and the impact of the payoff of two larger loans. The total provision for credit losses for the 6-month nine-month period ending June 30, 2023 September 30, 2023 was $0.5 million $0.175 million, compared to $0.4 million $0.775 million for the same period in the prior year. The current year's provision is primarily the result of growth in the loan portfolio, which partially offset by minimal the combined positive impact of net recoveries of $0.03 million and $0.187 million, reductions in reserves on individually evaluated loans.

Based on loan growth and changes in economic conditions, the provision would have been $1.4 million in the second quarter of 2023. This was offset by a reduction in specific reserves of $0.95 million with reduction approximately evenly split between payoffs of nonaccrual loans and improvement in the collateral position on substandard and nonaccruals. third quarter loan payoffs.

Continued improving economic conditions in our markets, as evidenced by unemployment rates below the national average in our two largest population centers, have resulted in improving overall economic trends for businesses, with the impact of higher interest rates and the impact of an inverted yield forecast in our third-party model of economic condition conditions to result in economic slowdown.

Note that in discussing ACL allocations, the entire ACL balance is available for any loan that, in management's judgment, should be charged off.

Management believes that the provision recorded for the current year's three and six-month nine-month periods is adequate in view of the present condition of our loan portfolio and the sufficiency of collateral supporting our non-performing loans. We continually monitor non-performing loan relationships and will adjust our provision, as necessary, if changing facts and circumstances require a change in the ACL. In addition, a decline in the quality of our loan portfolio as a result of general economic conditions, factors affecting particular borrowers or our market areas, or otherwise, could all affect the adequacy of our ACL. If there are significant charge-offs against the ACL, or we otherwise determine that the ACL is inadequate, we will need to record an additional provision in the future.

Non-interest Income. The following table reflects the various components of non-interest income for the three and six- nine- month periods ended June 30, 2023 September 30, 2023 and 2022, respectively.

		Three months ended June 30,			Six months ended June 30,				Three months ended September 30,			Nine months ended September 30,		
		2023	2022	% Change	2023	2022	% Change		2023	2022	% Change	2023	2022	% Change
Non-interest Income:	Non-interest Income:							Non-interest Income:						
Service charges on deposit accounts	Service charges on deposit accounts	$ 488	$ 482	1.24 %	$ 973	$ 970	0.31 %	Service charges on deposit accounts	$ 491	$ 535	(8.22) %	$ 1,464	$ 1,505	(2.72) %
Interchange income	Interchange income	591	614	(3.75) %	1,142	1,163	(1.81) %	Interchange income	601	597	0.67 %	1,743	1,760	(0.97) %
Loan servicing income	Loan servicing income	499	600	(16.83) %	1,068	1,301	(17.91) %	Loan servicing income	611	611	— %	1,679	1,912	(12.19) %
Gain on sale of loans	Gain on sale of loans	904	414	118.36 %	1,202	1,136	5.81 %	Gain on sale of loans	299	194	54.12 %	1,501	1,330	12.86 %
Loan fees and service charges	Loan fees and service charges	88	141	(37.59) %	168	233	(27.90) %	Loan fees and service charges	140	267	(47.57) %	308	500	(38.40) %
Net gains (losses) on investment securities	Net gains (losses) on investment securities	10	(75)	N/M	66	(112)	N/M	Net gains (losses) on investment securities	116	(55)	N/M	182	(167)	N/M
Other	Other	333	196	69.90 %	586	394	48.73 %	Other	307	323	(4.95) %	893	717	24.55 %
Total non-interest income	Total non-interest income	$ 2,913	$ 2,372	22.81 %	$ 5,205	$ 5,085	2.36 %	Total non-interest income	$ 2,565	$ 2,472	3.76 %	$ 7,770	$ 7,557	2.82 %

Loan servicing income decreased due to reduced capitalization of mortgage servicing rights resulting from lower mortgage loan origination volume in both for the three and six-month periods nine-month period ended June 30, 2023 September 30, 2023, compared to the same prior year periods, period, along with lower mortgage servicing income due to servicing a smaller portfolio. For the three-month period ended September 30, 2023, compared to the same prior year period, lower loan servicing income was offset by higher capitalization of mortgage servicing rights.

Gain on sale of loans increased in the current three-month period ended June 30, 2023 September 30, 2023, compared to the three months ended June 30, 2022 September 30, 2022, due to increased modestly higher SBA gains modestly offset by lower and higher mortgage gains. For the six nine months ended June 30, 2023 September 30, 2023, compared June 30, 2022 to the nine months ended September 30, 2022, increased SBA gains more that than offset lower mortgage gains.

Loan fees and services charges are lower for the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, compared to the same periods in 2022 due to lower customer activity. activity.

The change in net gains (losses) on investment securities between the three and six nine months ended June 30, 2023 September 30, 2023, and the three and six nine months ended June 30, 2022 September 30, 2022, is primarily due to the change in valuations of equity securities and a small gain on the sale of available for sale securities in the second quarter of 2023. 2023.

Non-interest Expense. The following table reflects the various components of non-interest expense for the three and six-month nine-month periods ended June 30, 2023 September 30, 2023 and 2022, respectively.

		Three months ended June 30,			Six months ended June 30,				Three months ended September 30,			Nine months Septemb	
		2023	2022	% Change	2023	2022	% Change		2023	2022	% Change	2023	
Non-interest Expense:	Non-interest Expense:							Non-interest Expense:					
Compensation and related benefits	Compensation and related benefits	$5,336	$ 5,589	(4.53)%	$10,674	$10,987	(2.85)%	Compensation and related benefits	$5,293	$ 5,900	(10.29)%	$15,967	$
Occupancy	Occupancy	1,359	1,343	1.19 %	2,782	2,708	2.73 %	Occupancy	1,335	1,429	(6.58)%	4,117	

Data processing	Data processing	1,444	1,415	2.05 %	2,904	2,716	6.92 %	Data processing	1,536	1,382	11.14 %	4,440	
Amortization of intangible assets	Amortization of intangible assets	193	399	(51.63)%	397	798	(50.25)%	Amortization of intangible assets	179	399	(55.14)%	576	
Mortgage servicing rights expense, net	Mortgage servicing rights expense, net	148	195	(24.10)%	306	(132)	(331.82)%	Mortgage servicing rights expense, net	150	197	(23.86)%	456	
Advertising, marketing and public relations	Advertising, marketing and public relations	151	250	(39.60)%	287	462	(37.88)%	Advertising, marketing and public relations	185	300	(38.33)%	472	
FDIC premium assessment	FDIC premium assessment	203	118	72.03 %	404	233	73.39 %	FDIC premium assessment	204	119	71.43 %	608	
Professional services	Professional services	306	368	(16.85)%	811	770	5.32 %	Professional services	342	382	(10.47)%	1,153	
Gains on repossessed assets, net	Gains on repossessed assets, net	(9)	(2)	(350.00)%	(38)	(9)	(322.22)%	Gains on repossessed assets, net	100	(8)	1350.00 %	62	
New market tax credit depletion	New market tax credit depletion	—	162	N/M	—	325	N/M	New market tax credit depletion	—	163	N/M	—	
Other	Other	715	625	14.40 %	1,440	1,272	13.21 %	Other	645	1,014	(36.39)%	2,085	
Total non-interest expense	Total non-interest expense	$9,846	$10,462	(5.89)%	$19,967	$20,130	(0.81)%	Total non-interest expense	$9,969	$11,277	(11.60)%	$29,936	$
Non-interest expense (annualized) / Average assets	Non-interest expense (annualized) / Average assets	2.14 %	2.38 %	(9.96)%	2.20 %	2.31 %	(5.98)%	Non-interest expense (annualized) / Average assets	2.15 %	2.51 %	(14.34)%	2.18 %	

Compensation expense for the three and nine months ended September 30, 2023, decrease from the prior year period is largely due to lower incentive compensation due to lower production volumes and lower net income.

Amortization of intangible assets for three and six nine months ended June 30, 2023 September 30, 2023, decreased from the same prior year periods, as intangible assets related to certain acquisitions have been fully amortized. amortized.

Mortgage servicing rights expense, net decreased for the three months ended June 30, 2023 September 30, 2023, compared to the comparable prior year period due to lower forecasted prepayments and the impact of a lower balance of loans serviced for others. Amortization expense increased for the six-month nine-month period ended June 30, 2023 September 30, 2023, due to the impact of a $566 thousand of impairment reversal recorded in the comparable prior year period, partially offset by lower amortization due to lower forecasted prepayments and the impact of a lower balance of loans serviced for others.

Advertising, marketing and public relations expense decreased for the three and six nine months ended June 30, 2023 September 30, 2023, compared to the prior year periods, as the timing of related spending is expected due to be more heavily weighted more toward the last half of 2023 such that 2023 and 2022 yearly expenses are expected management's intentional decision to be approximately equal. limit expenditures.

The FDIC insurance premium increased for the three and six-month period nine-month periods ended June 30, 2023 September 30, 2023, from the comparable prior year period periods due to an increase in the FDIC assessment rate. This was partially offset by the favorable impact of increased bank capital ratios, largely due to both a $15 million capital injection following the Company's subordinated debt issuance in March of 2022, and the impact of growth in the Bank's retained earnings.

Professional services costs decreased during the three months ended June 30, 2023, from the comparable prior year period due to a decrease in the use of outside professionals as projects needing outside professionals decreased. For the six-month period ended June 30, 2023, professional services costs increased due to slightly higher professional services costs in the first quarter of 2023 compared to first quarter 2022, partially offset by the second quarter decrease in 2023. earnings.

In the first quarter of 2022, the Bank invested $4.1 million in a New Market Tax Credit. Based on the applicable accounting guidance at the time of investment, the related non-tax-deductible asset depletion would have occurred over a 5-year period in lockstep with the recognition of the tax credit. In March of 2023, FASB issued ASU 2023-02, which allows for proportional amortization of tax credit investments that meet certain criteria. We determined that our New Market Tax Credit investment met the criteria of ASU 2023-02 and chose to early adopt using the modified retrospective approach as of January 1, 2023. Under ASU 2023-02, the amortization of the investment is now included in income tax expense.

The increase decrease in other expenses during the three and six nine months ended June 30, 2023 September 30, 2023, from the comparable prior year periods is largely related to branch closure costs related to expenses to support new products and product expansion. incurred in the third quarter of 2022.

Income Taxes.. Income tax expense was $1.1 expenses were $2.544 million and $2.4 million $4.895 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to $1.4 $1.284 million and $2.9 million $4.201 million for the three and six nine months ended June 30, 2022 September 30, 2022. The effective tax rate was 25.5% 50.5% and 34.3% for the three and six-month nine-month periods ended June 30, 2023 September 30, 2023, compared to 24.4% and 24.3% for both of the comparable prior year periods. The higher Wisconsin state budget, signed by Governor Evers on July 5, 2023, provides financial institutions a tax exemption on income earned on Wisconsin commercial and agricultural loans up to $5 million retroactive to January 1, 2023. This change reduces the Company's 2023 Wisconsin state income tax rate and thus, its overall effective tax rate. The third quarter ended September 30, 2023, reflects three quarters of the related 2023 tax benefit, retroactive to January 1, 2023, as a reduction of income tax expense. This positive impact was more than offset by a one-time tax expense of $1.8 million reflecting the impact of the lower 2023 Wisconsin state tax rate is due to on the future realization of existing net deferred tax assets. In addition, the impact of the New Market Tax Credit investment depletion, now being included in income tax expense, partially offset by increased the impact of income tax rate, while lower pre-tax income. income reduced current period income tax expense.

BALANCE SHEET ANALYSIS

Cash and Cash Equivalents. Our cash balances increased $7.6 million decreased $2.9 million to $43.0 million $32.5 million compared to $35.4 million at December 31, 2022, as we increased our interest-bearing cash deposits at the Federal Reserve by $12.4 million at June 30, 2023 $6.8 million and cash items in process decreased $9.7 million from December 31, 2022, compared to December 31, 2022 September 30, 2023.

Investment Securities. We manage our securities portfolio to provide liquidity and enhance income. Our investment portfolio is comprised of securities available for sale and securities held to maturity.

Securities available for sale, which represent the majority of our investment portfolio, were $161.1 million $153.4 million at June 30, 2023 September 30, 2023, compared with $166.0 million at December 31, 2022. The decrease in the available for sale portfolio is primarily due to the sale of $5.1 million of floating-rate SBA backed pass-through securities, principal repayments, and an increase in the unrealized loss of $1.7 million $5.3 million arising during the period, partially offset by the purchases of $11.0 million of primarily floating rate SBA backed pass-through securities.

Securities held to maturity decreased to $93.8 million $92.3 million at June 30, 2023 September 30, 2023, compared to $96.4 million at December 31, 2022. This decrease was due to principal repayments. The unrealized loss on the held to maturity portfolio decreased increased by $0.5 million $4.0 million in the first half three quarters of 2023, to $19.1 million $23.6 million.

The amortized cost and market values of our available for sale securities by asset categories as of the dates indicated below were as follows:

Available for sale securities	Available for sale securities	Amortized Cost	Fair Value	Available for sale securities	Amortized Cost	Fair Value
June 30, 2023						
September 30, 2023				**September 30, 2023**		
U.S. government agency obligations	U.S. government agency obligations	$ 18,820	$ 18,703	U.S. government agency obligations	$ 17,452	$ 17,318
Mortgage-backed securities	Mortgage-backed securities	94,382	75,976	Mortgage-backed securities	92,722	69,731
Corporate debt securities	Corporate debt securities	47,147	40,253	Corporate debt securities	47,153	40,889
Corporate asset-backed securities	Corporate asset-backed securities	26,823	26,203	Corporate asset-backed securities	25,825	25,476
Totals	Totals	$ 187,172	$ 161,135	Totals	$ 183,152	$ 153,414
December 31, 2022	**December 31, 2022**			**December 31, 2022**		
U.S. government agency obligations	U.S. government agency obligations	$ 18,373	$ 18,313	U.S. government agency obligations	$ 18,373	$ 18,313
Mortgage-backed securities	Mortgage-backed securities	97,458	78,610	Mortgage-backed securities	97,458	78,610
Corporate debt securities	Corporate debt securities	44,636	40,251	Corporate debt securities	44,636	40,251
Corporate asset-backed securities	Corporate asset-backed securities	29,877	28,817	Corporate asset-backed securities	29,877	28,817
Totals	Totals	$ 190,344	$ 165,991	Totals	$ 190,344	$ 165,991

The amortized cost and fair value of our held to maturity securities by asset categories as of the dates noted below were as follows:

Held to maturity securities	Held to maturity securities	Amortized Cost	Fair Value	Held to maturity securities	Amortized Cost	Fair Value
June 30, 2023						
September 30, 2023				**September 30, 2023**		

Obligations of states and political subdivisions	Obligations of states and political subdivisions	$ 600	$ 551	Obligations of states and political subdivisions	$ 600	$ 552
Mortgage-backed securities	Mortgage-backed securities	93,200	74,130	Mortgage-backed securities	91,736	68,200
Totals	Totals	$93,800	$74,681	Totals	$92,336	$68,752
December 31, 2022	**December 31, 2022**			**December 31, 2022**		
Obligations of states and political subdivisions	Obligations of states and political subdivisions	$ 600	$ 546	Obligations of states and political subdivisions	$ 600	$ 546
Mortgage-backed securities	Mortgage-backed securities	95,779	76,233	Mortgage-backed securities	95,779	76,233
Totals	Totals	$96,379	$76,779	Totals	$96,379	$76,779

The composition of our available for sale portfolios by credit rating as of the dates indicated below was as follows:

		June 30, 2023		December 31, 2022			September 30, 2023		December 31, 2022	
Available for sale securities	**Available for sale securities**	Amortized Cost	Fair Value	Amortized Cost	Fair Value	**Available for sale securities**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. government agency	U.S. government agency	$ 103,495	$ 85,056	$ 112,477	$ 93,669	U.S. government agency	$ 101,098	$ 78,071	$ 112,477	$ 93,669
AAA	AAA	10,546	10,241	8,640	8,334	AAA	10,112	9,892	8,640	8,334
AA	AA	25,984	25,585	24,591	23,737	AA	24,790	24,563	24,591	23,737
A	A	8,200	7,362	5,700	5,133	A	8,200	7,379	5,700	5,133
BBB	BBB	38,947	32,891	38,936	35,118	BBB	38,952	33,509	38,936	35,118
Non-rated	Non-rated	—	—	—	—	Non-rated	—	—	—	—
Total available for sale securities	Total available for sale securities	$ 187,172	$ 161,135	$ 190,344	$ 165,991	Total available for sale securities	$ 183,152	$ 153,414	$ 190,344	$ 165,991

The composition of our held to maturity portfolio by credit rating as of the dates indicated was as follows:

		June 30, 2023		December 31, 2022			September 30, 2023		December 31, 2022	
Held to maturity securities	**Held to maturity securities**	Amortized Cost	Fair Value	Amortized Cost	Fair Value	**Held to maturity securities**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. government agency	U.S. government agency	$ 93,200	$ 74,130	$ 95,779	$ 76,233	U.S. government agency	$ 91,736	$ 68,200	$ 95,779	$ 76,233
AAA	AAA	—	—	—	—	AAA	—	—	—	—
AA	AA	—	—	—	—	AA	—	—	—	—
A	A	600	551	600	546	A	600	552	600	546
Total	Total	$ 93,800	$ 74,681	$ 96,379	$ 76,779	Total	$ 92,336	$ 68,752	$ 96,379	$ 76,779

At June 30, 2023 September 30, 2023, the Bank has pledged mortgage-backed securities with a carrying value of $30.0 million $29.5 million as collateral against a borrowing line of credit with the Federal Reserve Bank with no borrowings outstanding on this line of credit. As of June 30, 2023 September 30, 2023, the Bank has pledged U.S. Government Agency securities with a carrying value of $2.0 million $0.5 million and mortgage-backed securities with a carrying value of $2.2 million $1.9 million as collateral against specific municipal deposits. As of June 30, 2023 September 30, 2023, the Bank also has mortgage-backed securities with a carrying value of $0.2 million $0.7 million pledged as collateral to the Federal Home Loan Bank of Des Moines.

At December 31, 2022, the Bank had pledged certain of its mortgage-backed securities with a carrying value of $5.4 million as collateral to secure a line of credit with the Federal Reserve Bank with no borrowings outstanding on this line of credit. As of December 31, 2022, the Bank had pledged certain of its U.S. Government Agency securities with a carrying value of $2.6 million and mortgage-backed securities with a carrying value of $2.2 million as collateral against specific municipal deposits. As of December 31, 2022, the Bank also had mortgage-backed securities with a carrying value of $0.1 million pledged as collateral to the Federal Home Loan Bank of Des Moines.

Loans. Total loans outstanding, net of deferred loan fees and costs and unamortized discount on acquired loans, increased by $13.2 million $35.7 million, to $1.42 billion $1.45 billion as of June 30, 2023 September 30, 2023, from $1.41 billion at December 31, 2022. The following table reflects the composition, of our loan portfolio at June 30, 2023 September 30, 2023, and December 31, 2022:

		June 30, 2023		December 31, 2022			September 30, 2023		December 31, 2022	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Real estate loans:	**Real estate loans:**					**Real estate loans:**				

Commercial/Agricultural real estate	**Commercial/Agricultural real estate**					**Commercial/Agricultural real estate**				
Commercial real estate	Commercial real estate	$ 732,435	51.4 %	$ 725,971	51.5 %	Commercial real estate	$ 750,282	51.8 %	$ 725,971	51.5 %
Agricultural real estate	Agricultural real estate	87,198	6.1 %	87,908	6.2 %	Agricultural real estate	84,558	5.8 %	87,908	6.2 %
Multi-family real estate	Multi-family real estate	208,211	14.6 %	208,908	14.8 %	Multi-family real estate	219,193	15.1 %	208,908	14.8 %
Construction and land development	Construction and land development	105,625	7.4 %	102,492	7.3 %	Construction and land development	109,799	7.6 %	102,492	7.3 %
Residential mortgage	**Residential mortgage**					**Residential mortgage**				
Residential mortgage	Residential mortgage	119,724	8.4 %	105,389	7.5 %	Residential mortgage	125,939	8.7 %	105,389	7.5 %
Purchased HELOC loans	Purchased HELOC loans	3,216	0.2 %	3,262	0.2 %	Purchased HELOC loans	2,881	0.2 %	3,262	0.2 %
Total real estate loans	Total real estate loans	1,256,409	88.1 %	1,233,930	87.5 %	Total real estate loans	1,292,652	89.3 %	1,233,930	87.5 %
C&I/Agricultural operating and Consumer Installment Loans:	**C&I/Agricultural operating and Consumer Installment Loans:**					**C&I/Agricultural operating and Consumer Installment Loans:**				
C&I/Agricultural operating	**C&I/Agricultural operating**					**C&I/Agricultural operating**				
Commercial and industrial ("C&I")	Commercial and industrial ("C&I")	133,763	9.4 %	136,013	9.6 %	Commercial and industrial ("C&I")	121,033	8.4 %	136,013	9.6 %
Agricultural operating	Agricultural operating	24,358	1.7 %	28,806	2.0 %	Agricultural operating	24,552	1.7 %	28,806	2.0 %
Consumer installment	**Consumer installment**					**Consumer installment**				
Originated indirect paper	Originated indirect paper	8,189	0.6 %	10,236	0.7 %	Originated indirect paper	7,175	0.5 %	10,236	0.7 %
Other consumer	Other consumer	6,487	0.5 %	7,150	0.5 %	Other consumer	6,440	0.4 %	7,150	0.5 %
Total C&I/Agricultural operating and Consumer installment Loans	Total C&I/Agricultural operating and Consumer installment Loans	172,797	12.2 %	182,205	12.8 %	Total C&I/Agricultural operating and Consumer installment Loans	159,200	11.0 %	182,205	12.8 %
Gross loans	Gross loans	$ 1,429,206	100.3 %	$ 1,416,135	100.3 %	Gross loans	$ 1,451,852	100.3 %	$ 1,416,135	100.3 %
Unearned net deferred fees and costs and loans in process	Unearned net deferred fees and costs and loans in process	(2,827)	(0.2) %	(2,585)	(0.2) %	Unearned net deferred fees and costs and loans in process	(3,048)	(0.2) %	(2,585)	(0.2) %
Unamortized discount on acquired loans	Unamortized discount on acquired loans	(1,391)	(0.1) %	(1,766)	(0.1) %	Unamortized discount on acquired loans	(1,275)	(0.1) %	(1,766)	(0.1) %
Total loans (net of unearned income and deferred expense)	Total loans (net of unearned income and deferred expense)	1,424,988	100.0 %	1,411,784	100.0 %	Total loans (net of unearned income and deferred expense)	1,447,529	100.0 %	1,411,784	100.0 %
Allowance for credit losses	Allowance for credit losses	(23,164)		(17,939)		Allowance for credit losses	(22,973)		(17,939)	
Total loans receivable, net	Total loans receivable, net	$ 1,401,824		$ 1,393,845		Total loans receivable, net	$ 1,424,556		$ 1,393,845	

Allowance for Credit Losses - Loans.

The Allowance for Credit Losses - Loans ("ACL") is a valuation allowance for expected future credit losses in the Company's loan portfolio as of the balance sheet date. In determining the allowance, the Company estimates credit losses over the loan's entire contractual term, adjusted for expected prepayments when appropriate. The allowance estimate considers qualitative and quantitative relevant information from internal and external sources relating to historical loss experience; known and inherent risks in our portfolio; information about specific borrowers' ability to repay; estimated collateral values; current economic conditions; reasonable and supportable forecasts for future conditions; and other relevant factors determined by management. To ensure that the ACL is maintained at an adequate level, a detailed analysis is performed on a quarterly basis and an appropriate provision is made to adjust the allowance. The entire ACL balance is available for any loan that, in management's judgment, should be charged off.

The determination of the ACL requires significant judgement to estimate credit losses. The ACL is measured collectively on a pooled basis when similar risk characteristics exist, and on an individual basis when management determines that the loan does not share similar risk characteristics with other loans. The ACL on loans collectively evaluated is measured using the loss rate model. The Company categorizes its loan portfolio into four segments based on similar risk characteristics. Loans within each segment are pooled based on individual loan characteristics. Aggregated risk drivers are then calculated at a pool level. Risk drivers are identified attributes that have proven to be predictive of loan loss rates and vary based on loan segment and type. A loss rate is calculated and applied to the pool utilizing a model that combines the pool's risk drivers, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses. The loss rate is then combined with the loan's balance and contractual maturity, adjusted for expected prepayments, to determine expected future losses. Future and supportable economic forecasts are based on national economic conditions and their reversion to the mean is implicit in the model and generally occurs over a period of two years.

Qualitative adjustments are made to the allowance calculated on collectively evaluated loans to incorporate factors not included in the model. Qualitative factors include but are not limited to: lending policies and procedures, the experience and ability of lending and other staff, the volume and severity of problem credits, quality of the loan review system, and other external factors.

Loans that exhibit different risk characteristics from the pool are individually evaluated for impairment. Loans can be identified for individual evaluation for a variety of reasons including delinquency, nonaccrual status, risk rating and loan modification. Accruing loans that exhibit different risk characteristics from their pool may also be within scope. On these loans, an allowance may be established so that the loan is reported, net, at the lower of (a) its amortized cost; (b) the present value of the loan's estimated future cash flows using the loan's existing rate; or (c) at the fair value of any loan collateral, less estimated disposal costs, if the loan is collateral dependent. Collateral dependency is determined using the practical expedient when: 1) the borrower is experiencing financial difficulty; and 2) repayment is expected to be provided substantially through the sale or operation of the collateral.

In addition, various regulatory agencies periodically review the ACL. These agencies may require the company Company to make additions to the ACL or may require that certain loan balances be charged off or downgraded into classified loan categories when the agencies's agencies' evaluation differs from management's evaluation based on their judgments of collectability from the information available to them at the time of examination.

The Allowance for Credit Losses - unfunded commitments Unfunded Commitments is a liability for expected future credit losses on the Company's commitments to lend. The Company estimates expected credit losses over the contractual period for which the Company is exposed to credit risk, via a contractual obligation to extend credit, unless the obligation is unconditionally cancellable by the Company. The Allowance for Credit Losses - unfunded commitments Unfunded Commitments on off-balance sheet exposures is included in other liabilities on the consolidated balance sheet.

On January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, Financial Instruments using the modified retrospective method. This adoption resulted in a $4.7 million increase in the ACL on loans ("ACL - Loans") and established a $1.5 million ACL on unfunded commitments ("ACL - Unfunded Commitments"). The increase in transition ACL is primarily due to the interaction of change from an incurred loss model to a lifetime loss model and the duration of our portfolio. Since transition, the ACL- Loans modestly increased $0.5 million $0.3 million to $23.2 million $23.0 million at June 30, 2023 September 30, 2023, representing 1.63% 1.59% of loans receivable. The allowance for loan losses, prior to the ASU 2016-13 transition, was $17.9 million at December 31, 2022, representing 1.27% of loans receivable. The increase in the ACL - Loans, was due to a provision of $0.5 million $0.2 million and a small amount of net recoveries. The ACL - Unfunded Commitments, established under ASU 2016-13, was $1.5 million $1.6 million at June 30, 2023 September 30, 2023. During the six nine months ended June 30, 2023 September 30, 2023, the ACL - Unfunded Commitments increased $0.01 million $0.03 million due to an increase in projected loss rates.

Allowance for Credit Losses - Loans Roll Forward
(in thousands, except ratios)

		June 30, 2023 and Three Months Ended	March 31, 2023 and Three Months Ended	December 31, 2022 and Twelve Months Ended		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended Septem 30, 202
Allowance for Credit Losses ("ACL")	Allowance for Credit Losses ("ACL")				Allowance for Credit Losses ("ACL")				
ACL - Loans, at beginning of period	ACL - Loans, at beginning of period	$ 22,679	$ 17,939	$ 16,913	ACL - Loans, at beginning of period	$ 23,164	$ 16,825	$ 17,939	$ 16,9
Cumulative effect of ASU 2016-13 adoption	Cumulative effect of ASU 2016-13 adoption	—	4,706	—	Cumulative effect of ASU 2016-13 adoption	—	—	4,706	
Loans charged off:	Loans charged off:				Loans charged off:				
Commercial/Agricultural real estate	Commercial/Agricultural real estate	(14)	(32)	(205)	Commercial/Agricultural real estate	—	(48)	(46)	(2
C&I/Agricultural operating	C&I/Agricultural operating	—	—	(346)	C&I/Agricultural operating	—	—	—	(3
Residential mortgage	Residential mortgage	(10)	(14)	(68)	Residential mortgage	(54)	—	(78)	(
Consumer installment	Consumer installment	(16)	(11)	(48)	Consumer installment	(3)	(9)	(30)	(
Total loans charged off	Total loans charged off	(40)	(57)	(667)	Total loans charged off	(57)	(57)	(154)	(6
Recoveries of loans previously charged off:	Recoveries of loans previously charged off:				Recoveries of loans previously charged off:				
Commercial/Agricultural real estate	Commercial/Agricultural real estate	27	3	102	Commercial/Agricultural real estate	206	35	236	
C&I/Agricultural operating	C&I/Agricultural operating	16	15	36	C&I/Agricultural operating	10	8	41	
Residential mortgage	Residential mortgage	36	4	29	Residential mortgage	—	3	40	
Consumer installment	Consumer installment	10	12	51	Consumer installment	2	28	24	
Total recoveries of loans previously charged off:	Total recoveries of loans previously charged off:	89	34	218	Total recoveries of loans previously charged off:	218	74	341	1

Net loan recoveries/(charge-offs) (“NCOs”)	Net loan recoveries/(charge-offs) (“NCOs”)	49	(23)	(449)	Net loan recoveries/(charge-offs) (“NCOs”)	161	17	187	(4
Additions to ACL - Loans via provision for credit losses charged to operations		436	57	1,475					
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations							(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(352)	3
ACL - Loans, at end of period	ACL - Loans, at end of period	$ 23,164	$ 22,679	$ 17,939	ACL - Loans, at end of period	$ 22,973	$ 17,217	$ 22,973	$ 17,2
Average outstanding loan balance	Average outstanding loan balance	$1,414,925	$1,421,096	$1,351,052	Average outstanding loan balance	$1,435,284	$ 1,370,897	$1,420,423	$1,334,8
Ratios:	Ratios:				Ratios:				
NCOs (annualized) to average loans	NCOs (annualized) to average loans	(0.01)%	0.01 %	0.03 %	NCOs (annualized) to average loans	(0.04)%	— %	(0.02)%	0.

Allowance for Credit Losses - Loans Activity by Segment
(in thousands, except ratios)

		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocat
Three months ended June 30, 2023													
Three months ended Septemeber 30, 2023								**Three months ended Septemeber 30, 2023**					
Allowance for Credit Losses - Loans:	**Allowance for Credit Losses - Loans:**							**Allowance for Credit Losses - Loans:**					
ACL - Loans, at beginning of period	ACL - Loans, at beginning of period	$ 18,496	$ 1,848	$ 2,000	$ 335	$ —	$ 22,679	ACL - Loans, at beginning of period	$ 18,933	$ 1,458	$ 2,452	$ 321	$ —
Charge-offs	Charge-offs	(14)	—	(10)	(16)	—	(40)	Charge-offs	—	—	(54)	(3)	—
Recoveries	Recoveries	27	16	36	10	—	89	Recoveries	206	10	—	2	—
Additions to ACL - Loans via provision for credit losses charged to operations		424	(406)	426	(8)	—	436						
(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations								(Reversals)/additions to ACL - Loans via provision for credit losses charged to operations	(284)	(279)	235	(24)	—
ACL - Loans, at end of period	ACL - Loans, at end of period	$ 18,933	$ 1,458	$ 2,452	$ 321	$ —	$ 23,164	ACL - Loans, at end of period	$ 18,855	$ 1,189	$ 2,633	$ 296	$ —

		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocated	Total		Commercial/Agricultural Real Estate	C&I/Agricultural operating	Residential Mortgage	Consumer Installment	Unallocate
Six months ended June 30, 2023													
Nine months ended September 30, 2023								**Nine months ended September 30, 2023**					
Allowance for Credit Losses - Loans:	**Allowance for Credit Losses - Loans:**							**Allowance for Credit Losses - Loans:**					
ACL - Loans, at beginning of period	ACL - Loans, at beginning of period	$ 14,085	$ 2,318	$ 599	$ 129	$ 808	$ 17,939	ACL - Loans, at beginning of period	$ 14,085	$ 2,318	$ 599	$ 129	$ 808

Cumulative effect of ASU 2016-13 adoption	Cumulative effect of ASU 2016-13 adoption	4,510	(331)	1,119	216	(808)	4,706	Cumulative effect of ASU 2016-13 adoption	4,510	(331)	1,119	216	(808)
Charge-offs	Charge-offs	(46)	—	(24)	(27)	—	(97)	Charge-offs	(46)	—	(78)	(30)	—
Recoveries	Recoveries	30	31	40	22	—	123	Recoveries	236	41	40	24	—
Additions to ACL - Loans via provision for credit losses charged to operations		354	(560)	718	(19)	—	493						
Additions/(reversals) to ACL - Loans via provision for credit losses charged to operations								Additions/(reversals) to ACL - Loans via provision for credit losses charged to operations	70	(839)	953	(43)	—
ACL - Loans, at end of period	ACL - Loans, at end of period	$ 18,933	$ 1,458	$ 2,452	$ 321	$ —	$ 23,164	ACL - Loans, at end of period	$ 18,855	$ 1,189	$ 2,633	$ 296	$ —

Allowance for Credit Losses - Loans to Percentage
(in thousands, except ratios)

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Loans, end of period	Loans, end of period	$ 1,424,988	$ 1,411,784	Loans, end of period	$ 1,447,529	$ 1,411,784
ACL - Loans	ACL - Loans	$ 23,164	$ 17,939	ACL - Loans	$ 22,973	$ 17,939
ACL - Loans to loans, end of period	ACL - Loans to loans, end of period	1.63 %	1.27 %	ACL - Loans to loans, end of period	1.59 %	1.27 %

Allowance for Credit Losses - Unfunded Commitments:
(in thousands)

In addition to the ACL - Loans, the Company has established an ACL - Unfunded Commitments of $1.5 million $1.571 million at June 30, 2023 September 30, 2023 and $0 at December 31, 2022, classified in other liabilities on the consolidated balance sheets.

	June 30, 2023 and Three Months Ended	June 30, 2023 and Six Months Ended
ACL - Unfunded commitments - beginning of period	$ 1,530	$ —
Cumulative effect of ASU 2016-13 adoption	—	1,537
Increases to ACL - Unfunded commitments via provision for credit losses charged to operations	14	7
ACL - Unfunded commitments - end of period	$ 1,544	$ 1,544

	September 30, 2023 and Three Months Ended	September 30, 2023 and Nine Months Ended
ACL - Unfunded Commitments - beginning of period	$ 1,544	$ —
Cumulative effect of ASU 2016-13 adoption	—	1,537
Increases to ACL - Unfunded Commitments via provision for credit losses charged to operations	27	34
ACL - Unfunded Commitments - end of period	$ 1,571	$ 1,571

Nonperforming Loans, Potential Problem Loans and Foreclosed Properties. We practice early identification of nonaccrual and problem loans in order to minimize the Bank's risk of loss. Nonperforming loans are defined as nonaccrual loans and restructured loans that were 90 days or more past due at the time of their restructure, or when management determines that such classification is warranted. The accrual of interest income is discontinued on our loans according to the following schedule:

- Commercial/agricultural real estate loans, past due 90 days or more;
- C&I/Agricultural operating loans, past due 90 days or more;

- Closed ended consumer installment loans, past due 120 days or more; and
- Residential mortgage loans and open-ended consumer installment loans, past due 180 days or more.

When interest accruals are discontinued, interest credited to income is reversed. If collection is in doubt, cash receipts on non-accrual loans are used to reduce principal rather than being recorded as interest income. The Company adopted ASU 2022-02 on January 1, 2023, which eliminated special accounting rules for TDRs. Prior to the elimination of the special accounting rules, TDR loans were accounted for under ASC 310-40. A TDR is typically involved granting some concession to the borrower involving a loan modification, such as modifying the payment schedule or making interest rate changes. TDR loans may have involved loans that had a charge-off taken against the loan to reduce the carrying amount of the loan to fair market value as determined pursuant to ASC 310-10.

The following table identifies the various components of nonperforming assets and other balance sheet information as of the dates indicated below and changes in the ACL for the periods then ended:

		June 30, 2023 and Six Months Then Ended (1)	December 31, 2022 and Twelve Months Then Ended (2)		September 30, 2023 and Nine Months Then Ended (1)	December 31, 2022 and Twelve Months Then Ended (2)
Nonperforming assets:	Nonperforming assets:			Nonperforming assets:		
Nonaccrual loans	Nonaccrual loans			Nonaccrual loans		
Commercial real estate	Commercial real estate	$ 11,359	$ 5,736	Commercial real estate	$ 10,570	$ 5,736
Agricultural real estate	Agricultural real estate	1,712	2,742	Agricultural real estate	469	2,742
Construction and land development	Construction and land development	94	—	Construction and land development	94	—
Commercial and industrial	Commercial and industrial	4	552	Commercial and industrial	—	552
Agricultural operating	Agricultural operating	1,436	890	Agricultural operating	1,373	890
Residential mortgage	Residential mortgage	1,029	1,253	Residential mortgage	923	1,253
Consumer installment	Consumer installment	29	31	Consumer installment	27	31
Total nonaccrual loans	Total nonaccrual loans	$ 15,663	$ 11,204	Total nonaccrual loans	$ 13,456	$ 11,204
Accruing loans past due 90 days or more	Accruing loans past due 90 days or more	492	246	Accruing loans past due 90 days or more	971	246
Total nonperforming loans (“NPLs”)	Total nonperforming loans (“NPLs”)	16,155	11,450	Total nonperforming loans (“NPLs”)	14,427	11,450
Other real estate owned	Other real estate owned	1,199	1,265	Other real estate owned	1,046	1,265
Other collateral owned	Other collateral owned	—	6	Other collateral owned	—	6
Total nonperforming assets (“NPAs”)	Total nonperforming assets (“NPAs”)	$ 17,354	$ 12,721	Total nonperforming assets (“NPAs”)	$ 15,473	$ 12,721
Average outstanding loan balance	Average outstanding loan balance	$ 1,412,870	$ 1,351,052	Average outstanding loan balance	$ 1,420,423	$ 1,351,052
Loans, end of period	Loans, end of period	$ 1,424,988	$ 1,411,784	Loans, end of period	$ 1,447,529	$ 1,411,784
Total assets, end of period	Total assets, end of period	$ 1,829,837	$ 1,816,386	Total assets, end of period	$ 1,831,087	$ 1,816,386
ACL - Loans, at beginning of period	ACL - Loans, at beginning of period	$ 17,939	$ 16,913	ACL - Loans, at beginning of period	$ 17,939	$ 16,913
Cumulative effect of ASU 2016-13 adoption	Cumulative effect of ASU 2016-13 adoption	4,706	—	Cumulative effect of ASU 2016-13 adoption	4,706	—
Loans charged off:	Loans charged off:			Loans charged off:		
Commercial/Agricultural real estate	Commercial/Agricultural real estate	(46)	(205)	Commercial/Agricultural real estate	(46)	(205)
C&I/Agricultural operating	C&I/Agricultural operating	—	(346)	C&I/Agricultural operating	—	(346)
Residential mortgage	Residential mortgage	(24)	(68)	Residential mortgage	(78)	(68)
Consumer installment	Consumer installment	(27)	(48)	Consumer installment	(30)	(48)
Total loans charged off	Total loans charged off	(97)	(667)	Total loans charged off	(154)	(667)
Recoveries of loans previously charged off:	Recoveries of loans previously charged off:			Recoveries of loans previously charged off:		
Commercial/Agricultural real estate	Commercial/Agricultural real estate	30	102	Commercial/Agricultural real estate	236	102
C&I/Agricultural operating	C&I/Agricultural operating	31	36	C&I/Agricultural operating	41	36

Residential mortgage	Residential mortgage	40	29	Residential mortgage	40	29
Consumer installment	Consumer installment	22	51	Consumer installment	24	51
Total recoveries of loans previously charged off:	Total recoveries of loans previously charged off:	123	218	Total recoveries of loans previously charged off:	341	218
Net loan recoveries/(charge-offs) ("NCOs")	Net loan recoveries/(charge-offs) ("NCOs")	26	(449)	Net loan recoveries/(charge-offs) ("NCOs")	187	(449)
Additions to ACL - loans via provision for credit losses charged to operations	Additions to ACL - loans via provision for credit losses charged to operations	493	1,475	Additions to ACL - loans via provision for credit losses charged to operations	141	1,475
ACL - Loans, at end of period	ACL - Loans, at end of period	$ 23,164	$ 17,939	ACL - Loans, at end of period	$ 22,973	$ 17,939
Ratios:	Ratios:			Ratios:		
ACL-Loans to NCOs (annualized)	ACL-Loans to NCOs (annualized)	(44,180.02) %	3,995.32 %	ACL-Loans to NCOs (annualized)	(9,188.53) %	3,995.32 %
NCOs (annualized) to average loans	NCOs (annualized) to average loans	— %	0.03 %	NCOs (annualized) to average loans	0.02 %	0.03 %
ACL-Loans to total loans	ACL-Loans to total loans	1.63 %	1.27 %	ACL-Loans to total loans	1.59 %	1.27 %
ACL-Loans to nonaccrual loans	ACL-Loans to nonaccrual loans	147.89 %	160.11 %	ACL-Loans to nonaccrual loans	170.73 %	160.11 %
Nonaccrual loans to total loans	Nonaccrual loans to total loans	1.10 %	0.79 %	Nonaccrual loans to total loans	0.93 %	0.79 %
NPLs to total loans	NPLs to total loans	1.13 %	0.81 %	NPLs to total loans	1.00 %	0.81 %
NPAs to total assets	NPAs to total assets	0.95 %	0.70 %	NPAs to total assets	0.85 %	0.70 %

(1) Loan balances are stated at amortized cost.

(2) Loan balances are stated at the unpaid principal balance of the loan.

Nonaccrual Loans Roll Forward:

		Quarter Ended						Quarter Ended				
		June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022		September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Balance, beginning of period	Balance, beginning of period	$ 10,410	$ 11,204	$ 10,772	$ 10,434	$ 11,858	Balance, beginning of period	$ 15,663	$ 10,410	$ 11,204	$ 10,772	$ 10,434
Additions	Additions	7,826	154	1,039	257	1,918	Additions	33	7,826	154	1,039	257
Charge offs	Charge offs	(23)	(49)	(37)	(4)	(437)	Charge offs	—	(23)	(49)	(37)	(4)
Transfers to OREO	Transfers to OREO	(110)	(25)	—	(27)	(65)	Transfers to OREO	(53)	(110)	(25)	—	(27)
Return to accrual status	Return to accrual status	—	(252)	—	(117)	—	Return to accrual status	(190)	—	(252)	—	(117)
Repurchases of government guaranteed loans	Repurchases of government guaranteed loans	—	—	—	517	—	Repurchases of government guaranteed loans	—	—	—	—	517
Payments received	Payments received	(2,429)	(527)	(561)	(288)	(2,830)	Payments received	(1,994)	(2,429)	(527)	(561)	(288)
Other, net	Other, net	(11)	(95)	(9)	—	(10)	Other, net	(3)	(11)	(95)	(9)	—
Balance, end of period	Balance, end of period	$ 15,663	$ 10,410	$ 11,204	$ 10,772	$ 10,434	Balance, end of period	$ 13,456	$ 15,663	$ 10,410	$ 11,204	$ 10,772

Nonaccrual loans increased by $4.5 million $2.3 million at June 30, 2023 September 30, 2023, from $11.2 million at December 31, 2022, largely due to adding a $5.4 million hotel loan from special mention to substandard in the second quarter of 2023, partially offset by payments received. received, including a third quarter $1.2 million loan payoff. Nonperforming assets increased to $17.4 million $15.5 million or 0.95% 0.85% of total assets at June 30, 2023 September 30, 2023, compared to $12.7 million, or 0.70% of total assets at December 31, 2022, due to increases in nonaccrual loans.

Refer to the "Allowance for Credit Losses - Loans" and "Nonperforming Loans, Potential Problem Loans and Foreclosed Properties" sections above for more information related to nonperforming loans.

Below is a summary of loan modifications made to borrowers experiencing financial difficulty during the six nine months ended June 30, 2023 September 30, 2023.

		Term Extension			Term Extension	
Loan Class	Loan Class	Amortized Cost Basis at June 30, 2023	% of Total Class of Financing Receivables	Loan Class	Amortized Cost Basis at September 30, 2023	% of Total Class of Financing Receivables
Commercial real estate	Commercial real estate	$ 5,337	0.73 %	Commercial real estate	$ 4,826	0.65 %
Commercial and industrial		$ 8	0.01 %			
Agricultural operating		$ 179	0.73 %			
Residential mortgage	Residential mortgage	$ 37	0.03 %	Residential mortgage	$ 36	0.03 %
		Other-Than-Insignificant Payment Delay			Other-Than-Insignificant Payment Delay	
Loan Class	Loan Class	Amortized Cost Basis at June 30, 2023	% of Total Class of Financing Receivables	Loan Class	Amortized Cost Basis at September 30, 2023	% of Total Class of Financing Receivables
Residential mortgage	Residential mortgage	$ 69	0.06 %	Residential mortgage	$ 69	0.06 %
Other consumer	Other consumer	$ 22	0.34 %	Other consumer	$ 20	0.31 %

Included in the nonaccrual loans roll forward table above, for periods prior to the January 1, 2023 adoption of ASU 2022-02 are nonaccrual TDR loans. Nonaccrual TDR loans were $2.6 million at December 31, 2022.

	December 31, 2022	
	Number of Modifications	Recorded Investment
Troubled debt restructurings: Accrual Status		
Commercial/Agricultural real estate	10	$ 1,336
C&I/Agricultural operating	5	960
Residential mortgage	36	2,875
Consumer installment	—	—
Total loans	51	$ 5,171

The table below shows a summary of criticized loans, split by special mention and substandard for the past five quarters. A $5.4 million commercial real estate loan secured by Since September 30, 2022, a hotel (50% LTV at origination) was included in large special mention at March 31, 2023, credit paid off and a $5 million relationship moved to substandard with two relationships, each totaling $9 million added in the second quarter. Substandard changes largely reflect payoffs, partially offset with the addition of a $5 million relationship in the second quarter of 2023 this loan was moved to substandard. A $10.4 million fully secured working capital C&I loan was included in special mention at June 30, 2022. In the third quarter of 2022, this C&I loan balance increased by $2.4 million due to a draw on a secured line of credit. In the fourth quarter of 2022, repayments were made on this C&I loan and in the first quarter of 2023, this C&I loan was paid off. In the second quarter of 2023, a loan relationship of approximately $9 million was added to special mention. Since the issuance of our earnings press release on July 24, 2023, a separate relationship of approximately $9 million was also added to special mention. The increase in substandard loan balances in the June 2023 quarter is due to the hotel loan mentioned above moving from special mention to substandard. See Note 3, “Loans and Allowance for Credit Losses” for additional information. mention.

In addition to our discussion of criticized, special mention, and substandard loans above, the following information provides further insights about our loans to certain industries. As of June 30, 2023 September 30, 2023, hotel loans totaled $91 million $94 million with a weighted average LTV of 56% 60% and average balance of $3.4 million $3.9 million. Restaurant loans totaled $51 million $52 million, at June 30, 2023 September 30, 2023. The weighted-average LTV percentage on these restaurant loans was 51% 49% and the average loan balance was $702 $721 thousand. Approximately $37 million $39 million of restaurant loans are to franchise quick-service restaurants. At June 30, 2023 September 30, 2023, we have $45 million $41 million of office loans with a weighted average LTV of 66% 64% and average loan balance of $618 $552 thousand. 98% A large percentage of the related office properties are located outside of large cities.

		(in thousands)						(in thousands)				
(Loan balance at unpaid principal balance)	(Loan balance at unpaid principal balance)	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022	(Loan balance at unpaid principal balance)	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Special mention loan balances	Special mention loan balances	$ 20,507	$ 6,636	$ 12,170	$ 20,178	$ 17,274	Special mention loan balances	$ 20,043	$ 20,507	$ 6,636	$ 12,170	$ 20,178
Substandard loan balances	Substandard loan balances	19,203	15,439	17,319	20,227	20,680	Substandard loan balances	16,171	19,203	15,439	17,319	20,227

Criticized loans, end of period	Criticized loans, end of period	$ 39,710	$ 22,075	$ 29,489	$ 40,405	$ 37,954	Criticized loans, end of period	$ 36,214	$ 39,710	$ 22,075	$ 29,489	$ 40,405

Mortgage Servicing Rights. Mortgage servicing rights ("MSR") assets are initially measured at fair value; assessed at least quarterly for impairment; carried at the lower of the initial capitalized amount, net of accumulated amortization, or estimated fair value. MSR assets are amortized in proportion to and over the period of estimated net servicing income, with the amortization recorded in non-interest expense in the consolidated statement of operations. The valuation of MSRs and related amortization thereon are based on numerous factors, assumptions, and judgments, such as those for: changes in the mix of loans, interest rates, prepayment speeds, and default rates. Changes in these factors, assumptions and judgments may have a material effect on the valuation and amortization of MSRs. Although management believes that the assumptions used to evaluate the MSRs for impairment are reasonable, future adjustment may be necessary if future economic conditions differ substantially from the economic assumptions used to determine the value of MSRs.

The fair market value of the Company's MSR asset remained stable at was $5.7 million at both December 31, 2022 September 30, 2023, and June 30, 2023 December 31, 2022, as a higher fair value percentage offset the lower balance of loans serviced. At June 30, 2023 September 30, 2023, and December 31, 2022, the Company did not have an MSR impairment, or related valuation allowance.

The unpaid balances of one-to-four family residential real estate loans serviced for others as of June 30, 2023 September 30, 2023, and December 31, 2022, were $503.0 million $449.5 million and $523.7 million, respectively. The fair market value of the Company's MSR asset as a percentage of its servicing portfolio at June 30, 2023 September 30, 2023, and December 31, 2022, was 1.13% 1.14% and 1.08%, respectively.

Deposits. From a quarter-end perspective, deposits have grown each quarter since both December 31, 2022 and March 31, 2023. From March 7, 2023 to March 31, 2023, a period closely monitored for unusual withdrawal activity, balances remained stable. Total deposits increased $8.6 million during the quarter ended September 30, 2023, to $1.47 billion. During the current quarter: 1) commercial deposits grew $28.3 million, largely due to growth in non-interest-bearing checking; 2) retail deposits grew $4.6 million; 3)

brokered deposits decreased $12.2 million, primarily due to CD maturities not replaced due to organic deposit growth; and 4) public deposits declined $12.1 million from the previous quarter, due to seasonal outflows. Deposit composition changed during the six months ended June 30, 2023, third quarter, as both business and retail depositors sought higher yields on deposit accounts. For the six months ended June 30, 2023, retail deposits decreased slightly, with customers returning to higher yielding certificates with their money moving from money market and savings accounts to certificate accounts. In January 2023, commercial non-interest-bearing deposits fell as commercial customers decreased their cash balances to support the needs of their businesses. These commercial deposits have modestly recovered at June 30, 2023. Modest brokered deposit growth supplemented deposit growth, with $54.3 million of brokered certificate net growth and $3.2 million new growth of brokered money market accounts.

Consumer, commercial and government deposits have been stable since January 31, 2023, and since the two large coastal bank failures in early March. There are no material customer or industry deposit concentrations. A decrease in deposits during January occurred as commercial customers decreased their cash balances to support the needs of their businesses.

		June 30, 2023	March 31, 2023	December 31, 2022		September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Consumer deposits	Consumer deposits	$ 790,404	$ 786,614	$ 805,598	Consumer deposits	$ 794,970	$ 790,404	$ 786,614	$ 805,598
Commercial deposits	Commercial deposits	401,079	391,534	405,733	Commercial deposits	429,358	401,079	391,534	405,733
Public deposits	Public deposits	175,869	194,683	173,548	Public deposits	163,734	175,869	194,683	173,548
Brokered deposits	Brokered deposits	97,330	63,962	39,841	Brokered deposits	85,173	97,330	63,962	39,841
Total deposits	Total deposits	$ 1,464,682	$ 1,436,793	$ 1,424,720	Total deposits	$ 1,473,235	$ 1,464,682	$ 1,436,793	$ 1,424,720

At June 30, 2023 September 30, 2023 our deposit portfolio composition was 54% consumer, 27% 29% commercial, 12% 11% public and 7% 6% brokered deposits. At December 31, 2022 our deposit portfolio composition was 57% consumer, 28% commercial, 12% public and 3% brokered deposits.

		June 30, 2023	March 31, 2023	December 31, 2022		September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022
Non-interest bearing demand deposits	Non-interest bearing demand deposits	$ 261,876	$ 247,735	$ 284,722	Non-interest bearing demand deposits	$ 275,790	$ 261,876	$ 247,735	$ 284,722
Interest bearing demand deposits	Interest bearing demand deposits	358,226	390,730	371,210	Interest bearing demand deposits	336,962	358,226	390,730	371,210
Savings accounts	Savings accounts	206,380	214,537	220,019	Savings accounts	183,702	206,380	214,537	220,019

Money market accounts	Money market accounts	288,934	309,005	323,435	Money market accounts	312,689	288,934	309,005	323,435
Certificate accounts	Certificate accounts	349,266	274,786	225,334	Certificate accounts	364,092	349,266	274,786	225,334
Total deposits	Total deposits	$ 1,464,682	$ 1,436,793	$ 1,424,720	Total deposits	$ 1,473,235	$ 1,464,682	$ 1,436,793	$ 1,424,720

Uninsured and uncollateralized deposits were $268.1 million $277.9 million, or 18% 19% of total deposits at June 30, 2023 September 30, 2023, and $298.8 million, or 21% of total deposits, at December 31, 2022. Uninsured deposits at June 30, 2023 September 30, 2023, were $413.0 million $412.9 million, or 28% of total deposits, and $441.2 million, or 31% of total deposits at December 31, 2022, with the difference from the above sentence being fully secured government deposits.

On-balance sheet liquidity, collateralized new borrowing capacity and uncommitted federal funds borrowing availability totaled $611.1 million $604.9 million, or 228% 218% of uninsured and uncollateralized deposits at June 30, 2023 September 30, 2023. At December 31, 2022 on-balance sheet liquidity, collateralized borrowing and uncommitted federal funds availability totaled $570.0 million, or 191% of uninsured and uncollateralized deposits.

Federal Home Loan Bank (FHLB) advances and Other Borrowings. A summary of Federal Home Loan Bank (FHLB) advances and other borrowings at March 31, 2023 September 30, 2023 and December 31, 2022 is as follows:

		June 30, 2023			December 31, 2022				September 30, 2023			December 31, 2022		
		Stated Maturity	Amount	Range of Stated Rates	Stated Maturity	Amount	Range of Stated Rates		Stated Maturity	Amount	Range of Stated Rates	Stated Maturity	Amount	Range of Stated Rates
Federal Home Loan Bank advances (1), (2), (3) (4)	Federal Home Loan Bank advances (1), (2), (3) (4)	2023	$ 82,000	1.43 % 5.29 %	2023	$ 117,000	1.43 % 4.31 %	Federal Home Loan Bank advances (1), (2), (3) (4)	2023	$ 74,000	1.43 % 5.46 %	2023	$ 117,000	1.43 % 4.31 %
		2024	20,530	0.00 % 1.45 %	2024	20,530	0.00 % 1.45 %		2024	20,530	0.00 % 1.45 %	2024	20,530	0.00 % 1.45 %
		2025	5,000	1.45 % 1.45 %	2025	5,000	1.45 % 1.45 %		2025	5,000	1.45 % 1.45 %	2025	5,000	1.45 % 1.45 %
		2028	15,000	3.57 % 3.59 %					2028	15,000	3.57 % 3.59 %			
Federal Home Loan Bank advances	Federal Home Loan Bank advances		$ 122,530			$ 142,530		Federal Home Loan Bank advances		$ 114,530			$ 142,530	
Senior Notes (5)	Senior Notes (5)	2034	$ 18,083	6.75 % 7.50 %	2034	$ 23,250	3.00 % 6.75 %	Senior Notes (5)	2034	$ 18,083	6.75 % 7.75 %	2034	$ 23,250	3.00 % 6.75 %
Subordinated Notes (6)	Subordinated Notes (6)	2030	$ 15,000	6.00 % 6.00 %	2030	$ 15,000	6.00 % 6.00 %	Subordinated Notes (6)	2030	$ 15,000	6.00 % 6.00 %	2030	$ 15,000	6.00 % 6.00 %
		2032	35,000	4.75 % 4.75 %	2032	35,000	4.75 % 4.75 %		2032	35,000	4.75 % 4.75 %	2032	35,000	4.75 % 4.75 %
			$ 50,000			$ 50,000				$ 50,000			$ 50,000	
Unamortized debt issuance costs	Unamortized debt issuance costs		(726)			(841)		Unamortized debt issuance costs		(676)			(841)	
Total other borrowings	Total other borrowings		$ 67,357			$ 72,409		Total other borrowings		$ 67,407			$ 72,409	
Totals	Totals		$ 189,887			$ 214,939		Totals		$ 181,937			$ 214,939	

(1) The FHLB advances bear fixed rates, require interest-only monthly payments, and are collateralized by a blanket lien on pre-qualifying first mortgages, home equity lines, multi-family loans and certain other loans which had a pledged balance of $1,040.5 million $1,065.9 million and $984.9 million at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. At June 30, 2023 September 30, 2023, the Bank's available and unused portion under the FHLB borrowing arrangement was approximately $294.4 million $314.5 million compared to $256.8 million as of December 31, 2022.

(2) Maximum month-end borrowed amounts outstanding under this borrowing agreement were $217.5 million and $157.5 million, during the six nine months ended June 30, 2023 September 30, 2023 and the twelve months ended December 31, 2022, respectively.

(3) The weighted-average interest rate on FHLB borrowings maturing within twelve months as of June 30, 2023 September 30, 2023 and December 31, 2022 were 4.58% and 4.09%, respectively.

(4) FHLB term notes totaling $15.0 million, with 2028 maturity dates, are callable once by the FHLB in December of 2023.

(5) Senior notes, entered into by the Company in June 2019 consist of the following:

(a) A term note, which was subsequently refinanced in March 2022 and modified in February of 2023, requiring quarterly interest-only payments through March 2027, and quarterly principal and interest payments thereafter. Interest is variable, based on US Prime rate minus 75 basis points with a floor rate of 3.00%.

(b) A $5.0 million line of credit, maturing August 1, 2023, that remains undrawn upon. This line was renewed effective August 1, 2023 and will mature August 1, 2024.

(6) Subordinated notes resulted from the following:

(a) The Company's Subordinated Note Purchase Agreement entered into with certain purchasers in August 2020, which bears a fixed interest rate of 6.00% for five years. In September 2025, the fixed interest rate will be reset quarterly to equal the three-month term Secured Overnight Financing Rate plus 591 basis points. The note is callable by the Bank when, and anytime after, the floating rate is initially set. Interest-only payments are due semi-annually each year during the fixed interest period and quarterly during the floating interest period.

(b) The Company's Subordinated Note Purchase Agreement entered into with certain purchasers in March 2022, which bears a fixed interest rate of 4.75% for five years. In April 2027, the fixed interest rate will be reset quarterly to equal the three-month term Secured Overnight Financing Rate plus 329 basis points. The note is callable by the Bank when, and anytime after, the floating rate is initially set. Interest-only payments are due semi-annually each year during the fixed interest period and quarterly during the floating interest period.

FHLB advances decreased $20.0 million $28.0 million to $122.5 million $114.5 million as of June 30, 2023 September 30, 2023, compared to $142.5 million as of December 31, 2022. The decrease is a result of decreased funding needs due to increases in deposits partially offset by loan growth, as well as the Bank's desire to manage its liquidity and increase cash on hand in response to recent events. At June 30, 2023 September 30, 2023, short-term FHLB advances consisted of $47 million maturing overnight and an additional $30 million of short-term advances $54 million maturing in July October 2023. The Bank has an irrevocable Standby Letter of Credit Master Reimbursement Agreement with the Federal Home Loan Bank. This irrevocable standby letter of credit ("LOC") is supported by loan collateral as an alternative to directly pledging investment securities on behalf of a municipal customer as collateral for their interest-bearing deposit balances. The Bank's current unused borrowing capacity, supported by loan collateral as of June 30, 2023 September 30, 2023, is approximately $294.4 million $314.5 million.

At June 30, 2023 September 30, 2023, and December 31 2022, December 31, 2022, the Bank had the ability to borrow $23.9 million $22.1 million and $4.1 million from the Federal Reserve Bank of Minneapolis. The ability to borrow is based on mortgage-backed securities pledged with a carrying value of $30.0 million $23.2 million and $5.4 million as of June 30, 2023 September 30, 2023, and December 31, 2022, respectively. There were no related Federal Reserve borrowings outstanding as of June 30, 2023 September 30, 2023, or December 31, 2022. In addition, The Bank has been approved to obtain funding from the Federal Reserve's new Bank Term Funding Program ("BTFP"). As of June 30, 2023 September 30, 2023, the Bank has not borrowed from this facility and has not pledged any collateral to this facility.

The Bank maintains two unsecured federal funds purchased lines of credit with banking partners which total $70 million. These lines bear interest at the lender banks announced daily federal funds rate, mature daily, and are revocable at the discretion of the lending institution. There were no borrowings outstanding on these lines of credit as of June 30, 2023 September 30, 2023, or December 31, 2022. Additionally, we have a $5.0 million revolving line of credit which is available as needed for general liquidity purposes.

See Note 7, "Federal Home Loan Bank Advances and Other Borrowings" for more information.

At June 30, 2023 September 30, 2023, the Bank has pledged $1.04 billion $1.066 billion of loans to secure the current FHLB outstanding advances and letters of credit and to provide the unused borrowing capacity, compared to $0.98 billion of loans pledged at December 31, 2022.

Stockholders' Equity. Total stockholders' equity was $165.6 million $165.4 million at June 30, 2023 September 30, 2023, compared to $167.1 million at December 31, 2022. The decrease in stockholder's equity was attributable to: 1) the $4.4 million cumulative effect adjustment from the adoption of ASU 2016-13; 2) the payment of the annual cash dividend paid in February to common stockholders of $0.29 per share, or $3.0 million; and 3) an increase in the unrealized loss due to interest rates on available for sale securities of $1.2 million. $4.1 million, net of tax. These reductions to equity were partially offset by: by 1) net income of $6.9 million $9.4 million; and 2) the $0.1 million cumulative effect adjustment from the adoption of ASU 2023-02.

On July 23, 2021, the Board of Directors adopted a share repurchase program. Approximately There were 14 thousand shares were repurchased under this program in the second quarter of 2023. There were 2023 and no shares repurchased during the first quarter and third quarters of 2023. As of June 30, 2023 September 30, 2023, an additional 229 thousand shares remain available for repurchase.

Liquidity and Asset / Liability Management. Liquidity management refers to our ability to ensure cash is available in a timely manner to meet loan demand, depositors' needs, and meet other financial obligations as they become due without undue cost, risk, or disruption to normal operating activities. We manage and monitor our short-term and long-term liquidity positions and needs through a regular review of maturity profiles, funding sources, and loan and deposit forecasts to minimize funding risk. A key metric we monitor is our liquidity ratio, calculated as cash and unpledged securities portfolio divided by total assets. At June 30, 2023 September 30, 2023, our on-balance sheet liquidity ratio decreased to 12.2% 11.4% percent from 13.0% at December 31, 2022. This was largely due to an increase in pledges of held-to-maturity securities and reductions in the value of available-for-sale securities, partially offset by increases in interest-bearing cash. AFS and HTM investment portfolios.

Consumer, commercial and government deposits have been stable since January 31, 2023, and since the two large coastal bank failures in early March. There are no material customer customers or industry deposit concentrations. A decrease in deposits during January occurred as commercial customers decreased their cash balances to support the needs of their businesses. At June 30, 2023 September 30, 2023, our deposit portfolio composition was 54% consumer, 27% 29% commercial, 12% 11% public and 7% 6% brokered deposits. At December 31, 2022, our deposit portfolio composition was 57% consumer, 28% commercial, 12% public and 3% brokered deposits.

Uninsured and uncollateralized deposits were $268.1 million $277.9 million, or 18% 19% of total deposits, at June 30, 2023 September 30, 2023, and $298.8 million, or 21% of total deposits, at December 31, 2022. Uninsured deposits alone at June 30, 2023 September 30, 2023, were $413.0 million $412.9 million, or 28% of total deposits, and $441.2 million, or 31% of total deposits at December 31, 2022, with the difference being fully secured government deposits.

On-balance sheet liquidity, collateralized borrowing and uncommitted federal funds availability was $611.1 million $604.9 million, or 228% 218% of uninsured and uncollateralized deposits at June 30, 2023 September 30, 2023. At December 31, 2022, on-balance sheet liquidity, collateralized borrowing and uncommitted federal funds availability was $570.0 million, or 191% of uninsured and uncollateralized deposits.

Our primary sources of funds are deposits, amortization, prepayments and maturities on the investment and loan portfolios and funds provided from operations. We use our sources of funds primarily to meet ongoing commitments, to pay maturing certificates of deposit and savings withdrawals, and to fund loan commitments. While scheduled payments from the amortization of loans and maturing short-term investments are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. Although $271.2 million $307.2 million of our $349.3 million (78% $364.1 million (84%) CD portfolio will mature within the next 12 months, we have historically retained a majority of our maturing CD's. However, due to strategic pricing decisions regarding rate matching and branch closures, our retention rate decreased in 2021 and early 2022. Since June of 2022, we strategically increased deposit pricing, which resulted in modest growth in certificates. Retail non-maturity interest-bearing accounts have increased at approximately the same rate as the certificate accounts, as our customers have moved to higher-yielding certificates and spent money. Through new deposit product offerings to our branch and commercial customers, we are currently attempting to strengthen customer relationships to attract additional non-rate sensitive deposits. However, this is challenging in the current competitive environment.

We maintain access to additional sources of funds including FHLB borrowings and lines of credit with the Federal Reserve Bank, and our correspondent banks. We utilize FHLB borrowings to leverage our capital base, to provide funds for our lending and investment activities, and to manage our interest rate risk. Our borrowing arrangement with the FHLB calls for pledging certain qualified real estate, commercial and industrial loans, and borrowing up to 75% of the value of those loans, not to exceed 35% of the Bank's total assets. Currently, we have approximately $294.4 million $314.5 million available to borrow under this arrangement, supported by loan collateral as of June 30, 2023 September 30, 2023. We also had borrowing capacity of $23.9 million $22.1 million at the Federal Reserve Bank and have been approved to access the Bank Term Funding Program ("BTFP") if the need should arise. The bank maintains $70 million of uncommitted federal funds purchased lines with correspondent banks as part of our contingency funding plan. In addition, the Company has a $5.0 million revolving line of credit which is available as needed for general liquidity purposes. While the Bank does not have formal brokered certificate lines of credit with counter parties at June 30, 2023 September 30, 2023, we believe that the Bank could access this market, which provides an additional potential source of liquidity, as evidenced by access to this market during the past four quarters. See Note 7, "Federal Home Loan Bank and Other Borrowings" of "Notes to Consolidated Financial Statements" which are included in Part I, Item 1, "Financial Statements and Supplementary Data" of this Form 10-Q, for further detail.

In reviewing the adequacy of our liquidity, we review and evaluate historical financial information, including information regarding general economic conditions, current ratios, management goals and the resources available to meet our anticipated liquidity needs. Management believes that our liquidity is adequate, and to management's knowledge, there are no known events or uncertainties that will result or are likely to reasonably result in a material increase or decrease in our liquidity.

Off-Balance Sheet Liabilities. In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments, issued to meet customer financial needs. Such financial instruments are recorded in the financial statements when they become payable. These instruments include unused commitments for lines of credit, overdraft protection lines of credit and home equity lines of credit, as well as commitments to extend credit. As of June 30, 2023 September 30, 2023, the Company had approximately $278.2 million $260.7 million in unused loan commitments, compared to approximately $243.0 million in unused commitments as of December 31, 2022. In addition, there are $4.4 million $4.1 million of commitments for contributions of capital to an SBIC and an investment company at June 30, 2023 September 30, 2023. These commitments totaled $4.7 million at December 31, 2022.

Capital Resources. As of June 30, 2023 September 30, 2023, and December 31, 2022, as shown in the table below, the Bank's Tier 1 and Risk-based capital levels exceeded levels necessary to be considered "Well Capitalized" under Prompt Corrective Action provisions.

Below are the amounts and ratios for our capital levels as of the dates noted below for the Bank:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2023 (Unaudited)						
Total capital (to risk weighted assets)	$ 230,053	14.7 %	$ 125,304	≥ 8.0 %	$ 156,630	≥ 10.0 %
Tier 1 capital (to risk weighted assets)	210,459	13.5 %	93,978	≥ 6.0 %	125,304	≥ 8.0 %
Common equity tier 1 capital (to risk weighted assets)	210,459	13.5 %	70,484	≥ 4.5 %	101,810	≥ 6.5 %
As of September 30, 2023 (Unaudited)						
Total capital (to risk weighted assets)	$ 229,007	14.6 %	$ 125,736	≥ 8.0 %	$ 157,170	≥ 10.0 %
Tier 1 capital (to risk weighted assets)	209,302	13.3 %	94,302	≥ 6.0 %	125,736	≥ 8.0 %
Common equity tier 1 capital (to risk weighted assets)	209,302	13.3 %	70,727	≥ 4.5 %	102,161	≥ 6.5 %

Tier 1 leverage ratio (to adjusted total assets)	Tier 1 leverage ratio (to adjusted total assets)	210,459	11.7 %	72,054	>= 4.0 %	90,067	>= 5.0 %	Tier 1 leverage ratio (to adjusted total assets)	209,302	11.6 %	72,145	>= 4.0 %	90,181	>= 5.0 %
As of December 31, 2022 (Audited)	*As of December 31, 2022 (Audited)*							*As of December 31, 2022 (Audited)*						
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	$ 221,361	14.2 %	$ 124,971	>= 8.0 %	$ 156,213	>= 10.0 %	Total capital (to risk weighted assets)	$ 221,361	14.2 %	$ 124,971	>= 8.0 %	$ 156,213	>= 10.0 %
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)	203,422	13.0 %	93,728	>= 6.0 %	124,971	>= 8.0 %	Tier 1 capital (to risk weighted assets)	203,422	13.0 %	93,728	>= 6.0 %	124,971	>= 8.0 %
Common equity tier 1 capital (to risk weighted assets)	Common equity tier 1 capital (to risk weighted assets)	203,422	13.0 %	70,296	>= 4.5 %	101,539	>= 6.5 %	Common equity tier 1 capital (to risk weighted assets)	203,422	13.0 %	70,296	>= 4.5 %	101,539	>= 6.5 %
Tier 1 leverage ratio (to adjusted total assets)	Tier 1 leverage ratio (to adjusted total assets)	203,422	11.5 %	70,610	>= 4.0 %	88,262	>= 5.0 %	Tier 1 leverage ratio (to adjusted total assets)	203,422	11.5 %	70,610	>= 4.0 %	88,262	>= 5.0 %

At June 30, 2023 September 30, 2023, and December 31, 2022, the Bank was categorized as “Well Capitalized” under Prompt Corrective Action Provisions, as determined by the OCC, our primary regulator.

Below are the amounts and ratios for our capital levels as of the dates noted below for the Company:

		Actual		For Capital Adequacy Purposes			Actual	
		Amount	**Ratio**	**Amount**	**Ratio**		**Amount**	**Ratio**
As of June 30, 2023 (Unaudited)								
As of September 30, 2023 (Unaudited)								
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	$ 223,802	14.3 %	$ 125,304	>= 8.0 %	Total capital (to risk weighted assets)	$ 226,800	14.4 %
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)	154,208	9.9 %	93,978	>= 6.0 %	Tier 1 capital (to risk weighted assets)	157,095	10.0 %
Common equity tier 1 capital (to risk weighted assets)	Common equity tier 1 capital (to risk weighted assets)	154,208	9.9 %	70,484	>= 4.5 %	Common equity tier 1 capital (to risk weighted assets)	157,095	10.0 %

Tier 1 leverage ratio (to adjusted total assets)	Tier 1 leverage ratio (to adjusted total assets)		154,208	8.6	%		72,054	> =	4.0	%	Tier 1 leverage ratio (to adjusted total assets)		157,095	8.7	%
As of December 31, 2022 (Audited)	*As of December 31, 2022 (Audited)*										*As of December 31, 2022 (Audited)*				
Total capital (to risk weighted assets)	Total capital (to risk weighted assets)	$	218,737	14.0	%	$	124,971	> =	8.0	%	Total capital (to risk weighted assets)	$	218,737	14.0	%
Tier 1 capital (to risk weighted assets)	Tier 1 capital (to risk weighted assets)		150,798	9.7	%		93,728	> =	6.0	%	Tier 1 capital (to risk weighted assets)		150,798	9.7	%
Common equity tier 1 capital (to risk weighted assets)	Common equity tier 1 capital (to risk weighted assets)		150,798	9.7	%		70,296	> =	4.5	%	Common equity tier 1 capital (to risk weighted assets)		150,798	9.7	%
Tier 1 leverage ratio (to adjusted total assets)	Tier 1 leverage ratio (to adjusted total assets)		150,798	8.5	%		70,610	> =	4.0	%	Tier 1 leverage ratio (to adjusted total assets)		150,798	8.5	%

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally are established contractually for a period of time. Market interest rates change over time and are not predictable or controllable. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. Like other financial institutions, our interest income and interest expense are affected by general economic conditions and policies of regulatory authorities, including the monetary policies of the Federal Reserve. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is our most significant market risk.

How We Measure Our Risk of Interest Rate Changes. As part of our attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor our interest rate risk through several means including through the use of third-party reporting software. In monitoring interest rate risk, we continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities, and their sensitivity to actual or potential changes in market interest rates.

In order to manage the potential for adverse effects of material and prolonged increases in interest rates on our results of operations, we adopted asset and liability management policies to better align the maturities and re-pricing terms of our interest earning assets and interest-bearing liabilities. These policies are implemented by our Asset and Liability Management Committee (ALCO). The ALCO is comprised of members of the Bank's senior management and Board of Directors. The ALCO establishes guidelines for and monitors the volume and mix of our assets and funding sources, taking into account relative costs and spreads, interest rate sensitivity and liquidity needs. The Committee's objectives are to manage assets and funding sources to produce results that are consistent with liquidity, cash flow, capital adequacy, growth, risk, and profitability goals for the Bank. The ALCO meets on a regularly scheduled basis to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and interest rate risk exposure limits versus current projections pursuant to net present value of portfolio equity analysis. At each meeting, the Committee recommends strategy changes, as appropriate, based on this review. The Committee is responsible for reviewing and reporting on the effects of the policy implementations and strategies to the Bank's Board of Directors on a regularly scheduled basis.

In managing our assets and liabilities to achieve desired levels of interest rate risk, we have focused our strategies on:

- originating shorter-term secured commercial, agricultural and consumer loan maturities;
- originating variable rate commercial and agricultural loans;
- the sale of a vast majority of longer-term fixed-rate residential loans in the secondary market with retained servicing;
- managing our funding needs growing core deposits;
- utilize brokered certificate of deposits and borrowings as appropriate, which may have fixed rates with varying maturities;
- purchasing investment securities to modify our interest rate risk profile.

At times, depending on the level of general interest rates, the relationship between long- and short-term interest rates, market conditions and competitive factors, the ALCO may determine to increase the Bank's interest rate risk position somewhat in order to maintain or improve its net interest margin.

The following table sets forth, at June 30, 2023 September 30, 2023 and December 31, 2022 an analysis of our interest rate risk as measured by the estimated changes in Economic Value of Equity ("EVE") resulting from an immediate and permanent shift in the yield curve (up 300 basis points and down 200 basis points).

Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Percent Change in Economic Value of Equity (EVE) At June 30, 2023	Percent Change in Economic Value of Equity (EVE) At December 31, 2022	Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Percent Change in Economic Value of Equity (EVE) At September 30, 2023	Percent Change in Economic Value of Equity (EVE) At December 31, 2022
+300 bp	+300 bp	(3) %	0 %	+300 bp	(2) %	0 %
+200 bp	+200 bp	(2) %	0 %	+200 bp	(1) %	0 %
+100 bp	+100 bp	(1) %	0 %	+100 bp	0 %	0 %
-100 bp	-100 bp	1 %	(1) %	-100 bp	0 %	(1) %
-200 bp	-200 bp	1 %	(4) %	-200 bp	(2) %	(4) %

(1) Assumes an immediate and parallel shift in the yield curve at all maturities.

Our overall interest rate sensitivity is demonstrated by net interest income shock analysis, which measures the change in net interest income in the event of hypothetical changes in interest rates. This analysis assesses the risk of change in our net interest income over the next 12 months in the event of an immediate and parallel shift in the yield curve (up 300 basis points and down 200 basis points). The table below presents our projected change in net interest income for the various rate shock levels at June 30, 2023 September 30, 2023, and December 31, 2022.

Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Percent Change in Net Interest Income Over One Year Horizon At June 30, 2023	Percent Change in Net Interest Income Over One Year Horizon At December 31, 2022	Change in Interest Rates in Basis Points ("bp") Rate Shock in Rates (1)	Percent Change in Net Interest Income Over One Year Horizon At September 30, 2023	Percent Change in Net Interest Income Over One Year Horizon At December 31, 2022
+300 bp	+300 bp	(7) %	(3) %	+300 bp	(11) %	(3) %
+200 bp	+200 bp	(4) %	(2) %	+200 bp	(7) %	(2) %
+100 bp	+100 bp	(2) %	(1) %	+100 bp	(3) %	(1) %
-100 bp	-100 bp	2 %	1 %	-100 bp	3 %	1 %
-200 bp	-200 bp	3 %	2 %	-200 bp	5 %	2 %

(1) Assumes an immediate and parallel shift in the yield curve at all maturities.

Note: The table above may not be indicative of future results.

The projected changes in net interest income in the rate shock scenarios is largely due to the impact of growth in short-term certificates of deposits, which reprice faster and at a higher rate than other deposit products. The assumptions used to measure and assess interest rate risk include interest rates, loan prepayment rates, deposit decay (runoff) rates, and the market values of certain assets under differing interest rate scenarios. Actual values may differ from those projections set forth above should market conditions vary from the assumptions used in preparing the analysis. Further, the computations do not contemplate any actions we may undertake in response to changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that the information required to be disclosed in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have designed our disclosure controls and procedures to reach a level of reasonable assurance of achieving the desired control objectives. We carried out an evaluation as of June 30, 2023 September 30, 2023, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2023 September 30, 2023, at reaching a level of reasonable assurance.

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In the normal course of business, the Company and/or the Bank occasionally become involved in other various legal proceedings. In our opinion, any liability from such proceedings would not have a material adverse effect on the business or financial condition of the Company.

Item 1A. RISK FACTORS

The information in this Form 10-Q should be read in conjunction with the risk factors described in “Risk Factors” in Item 1A of our 2022 10-K and the information under “Forward-Looking Statements” in this Form 10-Q and in our 2022 10-K.

There have been no material changes from the risk factors as previously disclosed in “Risk Factors” in Item 1A of our 2022 10-K, except as described below:

Recent volatility in the banking sector may result in reputational risk, new legislation, regulations or policy changes that could subject the Company to increased government regulation and supervision.

The recent failures of Silicon Valley Bank, Signature Bank, and First Republic Bank caused general uncertainty and concern regarding the banking sector, including the adequacy of liquidity. Uncertainty may be compounded by the reach and depth of media attention and its ability to disseminate concerns about these types of events. This public uncertainty and concern could potentially affect the Bank despite its relatively high percentage of deposits (82% (81% as of June 30, 2023 September 30, 2023) that are either insured or collateralized and its on balance sheet liquidity and collateralized borrowing capacity being well in excess of the uninsured deposit balances.

These recent bank failures also prompted responses by the FDIC, the Federal Reserve and the U.S. Treasure Treasury Secretary to protect the depositors of these institutions. Congress and the federal banking agencies have begun to evaluate the events leading to the failures and have put forth varying theories, such as inadequate regulation and supervision, and a failure by the institutions to effectively manage interest rate and liquidity risks. Continued evaluation of these recent developments, or the occurrence of new bank failures, may lead to governmental initiatives intended to prevent future bank failures. The federal banking agencies may also re-evaluate applicable liquidity risk management standards. Although we cannot predict with certainty which initiatives may be pursued by legislators and regulatory agencies, or the terms and scope of any such initiatives, any of the potential changes referenced above could, among other things, subject us to additional costs, limit the types of financial services and products that the Bank may offer, and limit the future growth of the Company, any of which could materially and adversely affect the business, results of operations or financial condition of the Company.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Not applicable.

(b) Not applicable.

(c) Issuer Purchases of Equity Securities.

On July 23, 2021, the Board of Directors adopted a share repurchase program, pursuant to which Citizens Community Bancorp, Inc. is authorized to repurchase 532,962 shares of its common stock, or approximately 5% of the outstanding shares on that date. As of the beginning of the quarter ended June 30, 2023 September 30, 2023, 243,805 229,659 shares were available for purchase under the share repurchase program. During the quarter ended June 30, 2023, 14,146 September 30, 2023 no shares were repurchased under the program. As of June 30, 2023 September 30, 2023, an additional 229,659 shares remain available for repurchase under the program.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2023 - April 30, 2023	—	$ —	—	243,805
May 1, 2023 - May 31, 2023	14,146	$ 8.28	14,146	229,659
June 30, 2023 - June 30, 2023	—	$ —	—	229,659
Total	14,146	$ 8.28	14,146	

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2023 - July 31, 2023	—	$ —	—	229,659
August 1, 2023 - August 31, 2023	—	$ —	—	229,659
September 1, 2023 - September 30, 2023	—	$ —	—	229,659
Total	—	$ —	—	

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

Not applicable.

Item 6. EXHIBITS

(a) Exhibits

10.1	Business Note Renewal, Dated August 1, 2023, issued by Citizens Community Bancorp, Inc. to Chippewa Valley Bank (filed herewith).
31.1	Rule 13a-14(a) Certification of the Company's Chief Executive Officer
31.2	Rule 13a-14(a) Certification of the Company's Chief Financial Officer
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023 formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* This certification is not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

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.

CITIZENS COMMUNITY BANCORP, INC.

Date: August 3, 2023 November 3, 2023	By:	/s/ Stephen M. Bianchi
		Stephen M. Bianchi
		Chief Executive Officer
Date: August 3, 2023 November 3, 2023	By:	/s/ James S. Broucek
		James S. Broucek
		Chief Financial Officer

89

slide1

%. The daily interest rate will be calculated on the basis of a 365 day year, which means that it is calculated by dividing 365 Day Rate Calculation2) Customer understands andthe applicable stated interest rate in section 4(a), (b) or (c), above, as applicable, and in section 4(d), above, by 365. agrees that calculating the daily interest rate using a 365 day year means the actual annual interest rate in a 366 day leap year is higher than the stated interest rate in section 4(a), (b) or (c), above, as applicable, and in section 4(d), above. (d) Commitment fee in the amount of $ %. % and shall not be less than However, the stated interest rate shall not exceed percentage points. The stated interest rate shall be adjusted on the change dates provided below. date described below the stated interest rate shall be is:"RateIndexThe " minus BUSINESS CREDIT AGREEMENT (Business Purpose Loans) Boxes checked are applicable Boxes not checked are inapplicable In addition, Customer shall immediately pay any amount by which the Loans exceed the Credit Limit, any prior unpaid payments and any unpaid fees and charges. Lender is authorized to automatically charge payments due under this Agreement to any account of Customer with Lender. If payments are not automatically charged to Customer's account, payments must be made to Lender at its address shown below and are not credited until received in Lender's office. Lender is authorized to make book entries evidencing Loans and payments under this Agreement and the aggregate unpaid amount of below:Customer may obtain Loans under this Agreement only as provided Procedures.2. Loan business days' prior notice of any Loan requested under this Agreement, specifying the date andCustomer shall give Lender at least by crediting the amount of the Loan to Customer's deposit accountamount of the Loan. Lender will make the Loan available to Customer bywith Lender no. . with Lender is less thancollected balance in Customer's deposit account no. ledger Whenever the on any business day ("Trigger Amount"), for whatever reason, Customer requests Lender to automatically advance funds in increments of $ to such deposit account in an amount sufficient to increase the balance to the Trigger Amount. Agreement.or such lesser amount as may be available to Customer under this (a) (b) (c) Customer agrees to pay any fees and charges described in this Agreement as Loans under this Agreement if such fees and charges are not required by Lender to be paid in cash by Customer at the time the fee or charge is incurred under this Agreement. Furthermore, charges for credit insurance if separately requested by Customer may be charged by Lender as Loans to Customer under this Agreement. Agreement:Customer agrees to pay to Lender the following nonrefundable fees as a condition of access to Loans under this Fees. 3. payable . . (a) (b) (c) Interest shall accrue before maturity (whether by acceleration or lapse of time) at the stated interest rate(s) identified in section 4(a), (b) or4. Interest. interest rate"), as applicable, on the unpaid principal balance, calculated as provided in section 4(f) below:stated (c) below (each a " [Check (a), (b) or (c); only one shall apply.] Customer agrees to pay to Lender the unpaid principal balance of Loans outstanding under this Agreement and accrued interest5. Payment Schedule. as follows: .Dated as ofThis Agreement includes the Additional Provisions on page 2. (a) (b) (SEAL) By (SEAL) Lender)(Name of (SEAL) (SEAL) (SEAL) (SEAL) The stated interest rate is variable and will adjust to equal the Index Rate (defined below) plus . The Index Rate may or may not be the lowest rate charged by Lender. The stated interest rate shall be adjusted on the following change dates: A change in the interest rate will apply both to the unpaid principal balance of Loans outstanding under this Agreement and to new Loans. If the Index Rate ceases to be made available to Lender during the term of this Agreement, Lender may substitute a comparable index. Fixed Interest Rate. Variable Interest Rate. . % thereafter.and % until Stepped Fixed Interest Rate. If section 4(b) or 4(c) is checked, a change in the interest rate will result in an increase or decrease in the amount of each payment of interest due under this Agreement. Interest shall accrue on unpaid principal and interest after maturity (whether by acceleration or lapse of time) until paidInterest After Maturity. at the stated interest rate ofpercentage points at the stated interest rate(s) under 4(a), (b) or (c) above, as applicable, plus %, calculated as provided in section 4(f) below. [Check (1) or (2); only one shall apply.] The daily interest rate will be calculated on the basis of a 360 day year, which means that it is calculated by dividing 360 Day Rate Calculation(1) Customer understands andthe applicable stated interest rate in section 4(a), (b) or (c), above, as applicable, and in section 4(d), above, by 360. agrees that calculating the daily interest rate using a 360 day year means the actual annual interest rate in a 365 day year and in a 366 day leap year is higher than the stated interest rate in section 4(a), (b) or (c), above, as applicable, and in section 4(d), above. Page 1 of 2 (g) day after its due date, Lender may collect aIf any payment (other than the final payment) is not made on or before the Other Charges. . Customer agrees to pay a charge of $% of the unpaid amount delinquency charge of for each check or electronic debit presented for payment under this Agreement which is returned unsatisfied. a/na/na/n Compounding. Prior to maturity (whether by acceleration or lapse of time), unpaid and past due interest shall bear interest from its due date at the stated interest rate then in effect for this Agreement, calculated as provided in section 4(f) below. (e) Interest will be calculated by applying a daily interest rate for the actual number of days interest is owing, up to 365 days inInterest Calculation. a full year or 366 days in a full leap year. The daily interest rate will be calculated as follows: (f) The undersigned ("Customer", whether one or more) agrees with the undersigned lender ("Lender") as follows: 1. Loans. Customer requests that Lender lend to Customer from time to time such amounts as Customer may request in accordance with this Agreement (the "Loans"), and subject to the terms of this Agreement, Lender agrees to make such Loans up to (a) the aggregate principal amount of $_____________________ at any time outstanding (the "Credit Limit"), within which amount Customer may borrow, repay and reborrow under this Agreement (b) the aggregate principal amount of $_________________________________ (the "Credit Limit"). Lender is not obligated to but may make Loans in excess of the Credit Limit, and in any event Customer is liable for and agrees to pay to Lender at Lender's address shown below all Loans, interest and other charges made to or imposed on Customer under this Agreement. If checked here, the date final payment is due ("Maturity Date") shall thereafter automatically extend from year to year for one year periods from the original Maturity Date, unless Lender gives Customer written notice to the contrary at least _______________ days prior to the then current Maturity Date. all Loans as evidenced by those entries is presumptive evidence that those amounts are outstanding and unpaid to Lender. All payments shall be applied in such order as Lender elects to charges and amounts due under this Agreement. W. B. A. 448 BCA (4/20/20) 11238 eFIPCO © 2020 Wisconsin Bankers Association/Distributed by FIPCO® Until the first change The minimum stated interest rate shall not be applicable until the first rate change date. %. Exhibit 10.1Loan Number: 52497 5,000,000.00 X n/a n/a n/a n/a n/a n/a X Upon written request of Stephen Bianchi or James S Broucek, jointly or individually X 7,500.00 to Chippewa

Valley Bank n/a n/a X 4.000 X 0.750 n/a 7.500 The highest U.S. Prime Rate as published in the Wall Street Journal "Money Table" as and when the index rate changes and becomes effective. as and when the index rate changes and becomes effective X 5.000 n/a X 10th X 5.000 n/a 15.00 Interest payments are due beginning November 1, 2023 and on the same day(s) of each third month thereafter, plus a final payment of the unpaid principal and interest is due on August 1, 2024. n/a August 1, 2023 Chippewa Valley Bank Citizens Community Bancorp, Inc. 607 Main Street, Bruce, WI 54819 A Maryland Corporation By Rick Gerber, Chief Executive Officer Stephen Bianchi, President & CEO By James S Broucek, EVP, CFO, Treasurer & Secretary Note #52497 Port #422260 Product #10407 (Renewal of annual Line of Credit) 2174 Eastridge Center, Eau Claire, WI 54701

slide2

PROVISIONSADDITIONAL Customer consents that venue for any legal proceeding relating to enforcement of this Agreement shall be, at Lender's option, the16. Venue. Upon the occurrence of any one or more of the following events of default: (a) Customer fails to pay any amount10. Default and Acceleration. when due under this Agreement or under any other instrument evidencing any indebtedness of Customer to Lender, (b) any information provided by Customer in connection with this Agreement is or was false or fraudulent in any material respect, (c) a material adverse change occurs in Customer's orfinancial condition, (d) Customer fails to timely observe or perform any of the duties contained in this Agreement, (e) Customer, Customer's spouse ofany surety or guarantor for any of the Customer's indebtedness under this Agreement dies, ceases to exist, becomes insolvent or the subject anybankruptcy or insolvency proceedings, (f) any guaranty of Customer's obligations under this Agreement is revoked or becomes unenforceable for reason, or (g) an event of default occurs under any Security Document; then, at Lender's option, and upon written notice to Customer, Lender's obligation to make Loans under this Agreement shall terminate and the total unpaid balance shall become immediately due and payable without Loanspresentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Customer. Lender's obligation to make Customerunder this Agreement shall automatically terminate and the total unpaid balance shall automatically become due and payable in the event priorbecomes the subject of bankruptcy or other insolvency proceedings. Lender may waive any default without waiving any other subsequent or (includingdefault. Customer agrees to pay all costs of collection, before and after judgment, including, without limitation, reasonable attorneys' fees involvingthose incurred in successful defense or settlement of any counterclaim brought by Customer or incident to any action or proceeding directors,Customer brought pursuant to the United States Bankruptcy Code). Customer agrees to indemnify and hold harmless Lender, its officers, fees,employees and agents, for, from and against any and all claims, damages, judgments, penalties and expenses, including reasonable attorneys' thisarising directly or indirectly from credit extended under this Agreement or the activities of Customer. This indemnity shall survive termination of Loans.Agreement, the repayment of all Loans and the discharge and release of any collateral for the No amendment or modification of any provision of this Agreement shall in any event be effective unless it is in writing and signed17. Amendment. by Lender and Customer. Any waiver by Lender shall be in writing and is effective only in the specific instance and for the specific purposes for which given. THIS AGREEMENT AND THE SECURITY DOCUMENTS ARE INTENDED BY LENDER AND12. Entire Agreement; Use of Proceeds. CUSTOMER AS A FINAL EXPRESSION OF THIS AGREEMENT AND AS A COMPLETE AND EXCLUSIVE STATEMENT OF ITS TERMS, THERE BEING NO CONDITIONS TO THE FULL EFFECTIVENESS OF THIS AGREEMENT EXCEPT AS SET FORTH IN THIS AGREEMENT AND THE SECURITY DOCUMENTS, AND THIS AGREEMENT MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES TO THIS AGREEMENT. THERE ARE Customer represents and warrants to Lender that no part of any LoanNO ORAL AGREEMENTS AMONG THE PARTIES TO THIS AGREEMENT. will be used for personal, family or household purposes. If more than one person signs this Agreement as Customer, any Customer acting alone may request Loans under13. More Than One Customer. this Agreement, but each Customer is jointly and severally liable for all Loans and other obligations under this Agreement. Customer represents that the legal name of Customer and the address of Customer's principal residence are as set forth15. Name and Address. on page 1. Customer shall not change its legal name or address without providing at least 30 days' prior notice of the change to Lender. Each Customer acknowledges that Lender has not made any representations or warranties with respect to, and that Lender18. Interpretation. does not assume any responsibility to Customer for, the collectibility or enforceability of this Agreement or the financial condition of any Customer. Each Customer has independently determined the collectibility and enforceability of this Agreement. The validity, construction and enforcement of this Agreement are governed by the internal laws of Wisconsin except to the extent such laws are preempted by federal law. Invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions of this Agreement. provisions.)(If none stated, there are no other Provisions.20. Other This Agreement shall be binding upon and inure to the benefit of Lender and Customer and their respective heirs, personal19. Persons Bound. under this Agreement. representatives, successors and assigns, except that Customer may not assign or transfer any of Customer's rights Business Credit Agreement Page 2 of 2EWI448BCA Rev. 4/21/2020 7. Collateral Disclaimer. Lender disclaims as collateral security for this Agreement (i) any real estate mortgage or security agreement covering real property on which any building is located in a special flood hazard area, and (ii) any mobile home located in a special flood hazard area, when such collateral security arises under a mortgage or agreement between Lender and Customer and any indorser or guarantor of this Agreement or any other person 8. Financial Statement. Customer shall furnish to Lender financial statements at least annually and such other financial information respecting Customer at such times and in such form as Lender may request from time to time. 9. Security Interest. Except for collateral disclaimed as security for this Agreement under section 7 of this Agreement, this Agreement is secured by all existing and future security agreements, assignments and mortgages from any Customer to Lender, from any guarantor of this Agreement to Lender, and from any other person providing collateral security for Customer's obligations to Lender under this Agreement (each a "Security Document" and collectively the "Security Documents"), and payment of the Loans may be accelerated according to any of them. Unless a lien would be prohibited by law or would render a nontaxable account taxable, Customer also grants to Lender a security interest and lien in any deposit account Customer may at any time have with Lender. Lender may at any time after the occurrence of an event of default set-off any amount unpaid under this Agreement against any deposit balances or other money now or hereafter owed to Customer by Lender. 11. No Waiver; Remedies. No failure on the part of Lender to exercise, and no delay in exercising, any right, power or remedy under this Agreement shall operate as a waiver of such right, power or remedy; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise of the right or the exercise of any other right. All rights and remedies of Lender are cumulative and may be exercised from time to time together, separately, and in any order. 6. Termination. Lender's obligation to make Loans under this Agreement shall terminate, and Customer shall have no further right to obtain Loans under this Agreement, upon the first to occur of any of the following: (a) When full and final payment of all unpaid principal and interest is due under section 5. (b) At any time, with or without cause, upon written notice from Lender to Customer. (c) Upon written notice by Lender to Customer following an event of default under section 10, or, without notice at such time that Customer becomes the subject of bankruptcy or other insolvency proceedings. (d) At such date and time that Lender has received and is reasonably able to react to written notice of termination from Customer. Notice of termination signed by a Customer is binding on each Customer who signs this Agreement. Customer shall continue to make payments when required under section 5. (e)

____ If Section 6(b) or 6(e), above, is checked, and Lender's obligation to make Loans terminates as a result, then the total unpaid balance shall automatically become immediately due and payable in full may be paid when required under section 5. Termination of Lender's obligation to make Loans under this Agreement, for whatever reason or by whichever party, does not affect Lender's rights, powers, and privileges with regard to, nor Customer's duties and liabilities to pay, the then existing balance due, or to perform Customer's other obligations under this Agreement. 14. Notice. Except as otherwise provided in this Agreement, all notices required or provided for under this Agreement shall be in writing and mailed, sent or delivered, if to Customer, at any Customer's last known address or email address as shown on the records of Lender, and if to Lender, at its address shown on page 1, or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices shall be deemed duly given when delivered by hand or courier, or three business days after being deposited in the mail (including any private mail service), postage prepaid, provided that notice to Lender pursuant to section 6 shall not be effective until received by Lender and Lender has a reasonable opportunity to act on the notice. providing collateral security for Customer's obligations; provided, however, Lender does not disclaim any such collateral security arising under a real estate mortgage or security agreement taken contemporaneously with this Agreement or real estate mortgage(s) or security agreement(s) in favor of Lender, whenever taken, from

____, dated _________________________. A special flood hazard area is an area designated as such under the National Flood Insurance Program. county in which Lender has its principal office in this state, the county in which Customer resides in this state, or the county in this state in which this Agreement was executed by Customer, and Customer submits to the jurisdiction of any such court. X X n/a n/a n/a Secured by but not limited to the following collateral: All shares of stock issued by Citizens Community Federal National Association ("CCFNA") and held by Debtor, including without limitation 1,000,000 shares represented by stock Certificate #1 issued by CCFNA which, as of the date hereof, represents 100% of all outstanding stock of CCFNA and any re-issuance or replacement thereof as previously granted under Collateral Pledge Agreement dated August 1, 2018. This Business Credit Agreement is amended by the General Rider to Business Credit Agreement, dated as of the date hereof, executed by Customer and Lender.

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slide3

GENERAL RIDER TO BUSINESS CREDIT AGREEMENT This General Rider to Business Credit Agreement (this "Rider") is made and entered into as of August 1st, 2023 (the "Effective Date"), by and between Citizens Community Bancorp, Inc., a Maryland corporation ("Customer"), and Chippewa Valley Bank ("Lender"). WHEREAS, on the Effective Date, Customer and Lender are entering into a Business Credit Agreement (the "Credit Agreement") renewal evidencing a line of credit in an aggregate principal amount of up to $5,000,000 (the "Loan"); WHEREAS, the obligations, liabilities and indebtedness of Customer with respect to the Loan will be secured by a security interest in certain investment property of Customer pursuant to the terms of a Collateral Pledge Agreement; and WHEREAS, Customer and Lender wish to amend the terms and provisions of the Credit Agreement as set forth herein. NOW, THEREFORE, in consideration of the mutual covenants, agreements and promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by all parties, the parties do hereby agree as follows, notwithstanding any other provisions to the contrary set forth in the Credit Agreement: 1. Definitions. All capitalized terms used herein shall have the same meaning as defined in the Credit Agreement, unless otherwise defined in this Rider. 2. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows: (a) Section 8 of the Credit Agreement is amended in its entirety to read as follows: 8. Financial Statement. Customer shall furnish to Lender financial statements at least annually and such other publically available financial information respecting Customer at such times and in such form as Lender may reasonably request from time to time. Customer shall have satisfied its requirement to deliver financial statements if such statements are publically available through https://www.ccf.us/about-us/investor- relations.html. (b) The first sentence of Section 10 of the Credit Agreement is deleted in its entirety and replaced with the following language: Upon the occurrence of any one or more of the following events of default: (a) Customer fails to pay any amount within 10 days after such amount is due under this Agreement or under any other instrument evidencing any indebtedness of Customer to Lender, (b) any information provided by Customer in connection with this Agreement is or was false or fraudulent in any material respect, (c) a material adverse change occurs in Customer's financial condition, (d) Customer fails to timely observe or perform any of the duties contained in this Agreement, (e) Customer, Customer's spouse or any surety or guarantor for any of the Customer's indebtedness under this Agreement dies, ceases to exist, becomes insolvent or the subject of bankruptcy or insolvency proceedings, (f) any guaranty of Customer's obligations under this Agreement is revoked or becomes unenforceable for any reason, or (g) an event of default occurs under any Security Document; then, at Lender's option, and upon written notice to Customer, Lender's obligation to make Loans under this Agreement shall terminate and the total unpaid balance shall become immediately due and payable without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by Customer. Notwithstanding the foregoing, if an event of default occurs under Section 10(d), Customer shall have 10 days after notice thereof to

slide4

2 cure such event of default, provided that Lender, in its reasonable discretion, deems such event of default curable. (c) Section 14 of the Credit Agreement is amended to add "not to exceed 3 business days" at the end of the last sentence. (d) The following provisions are added to the end of Section 20 of the Credit Agreement: Waiver of Jury Trial. CUSTOMER AND LENDER HEREBY KNOWINGLY AND VOLUNTARILY WAIVE THE RIGHT EACH OF THEM MAY HAVE TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM BASED ON OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ANY OTHER ACTION OF ANY PARTY. 3. Inconsistency. To the extent there is any inconsistency between the Credit Agreement and this Rider, this Rider shall control. [Signature Page Follows]

slide5

3 IN WITNESS WHEREOF, the parties have executed this Rider as of the Effective Date and agree to be bound by all provisions of this Rider. CUSTOMER: CITIZENS COMMUNITY BANCORP, INC. By: ______________________________ Stephen Bianchi, President & Chief Executive Officer By: ______________________________ James S Broucek, EVP, CFO, Treasurer & Secretary LENDER: CHIPPEWA VALLEY BANK By: ______________________________ Rick Gerber, Chief Executive Officer

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EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen M. Bianchi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Citizens Community Bancorp, Inc.;

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's 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: August 3, 2023 November 3, 2023

By: /s/ Stephen M. Bianchi

Stephen M. Bianchi

President and Chief Executive Officer, Chairman of the Board (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James S. Broucek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Citizens Community Bancorp, Inc.;

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's 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: August 3, 2023 November 3, 2023

By: /s/ James S. Broucek
James S. Broucek
Executive Vice President, Chief Financial Officer, Treasurer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORT
PURSUANT TO 18 U.S.C. SECTION 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Citizens Community Bancorp, Inc. (the "Company") certifies that the Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 2023 September 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

Date: August 3, 2023 November 3, 2023	By:	/s/ Stephen M. Bianchi
		Stephen M. Bianchi
		President and Chief Executive Officer, Chairman of the Board (Principal Executive Officer)
Date: August 3, 2023 November 3, 2023	By:	/s/ James S. Broucek
		James S. Broucek
		Executive Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)

The above certifications are made solely for the purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

DISCLAIMER

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