

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

**FORM 10-Q**

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

For the quarterly period ended September 30, 2024

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 0-33203

**LANDMARK BANCORP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**43-1930755**

(I.R.S. Employer Identification Number)

**701 Poyntz Avenue, Manhattan, Kansas 66502**

(Address of principal executive offices) (Zip code)

**(785) 565-2000**

(Registrant's telephone number, including area code)

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

**Title of each class:**

Common Stock, par value \$0.01 per share

**Trading Symbol(s)**

LARK

**Name of exchange on which registered:**

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, a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: as November 12, 2024, the issuer had outstanding 5,501,221 shares of its common stock, \$0.01 par value per share.

**LANDMARK BANCORP, INC.  
Form 10-Q Quarterly Report**

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## PART I – FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

#### LANDMARK BANCORP, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)	September 30, 2024 (Unaudited)	December 31, 2023
<b>Assets</b>		
Cash and cash equivalents	\$ 21,211	\$ 27,101
Interest-bearing deposits at other banks	4,363	4,918
Investment securities available-for-sale, at fair value	411,012	452,769
Investment securities, held-to-maturity, net of allowance for credit losses of \$91 and \$91, fair value of \$3,131 and \$3,049	3,643	3,555
Bank stocks, at cost	7,894	8,123
Loans, net of allowance for credit losses of \$11,544 and \$10,608	990,242	937,619
Loans held for sale, at fair value	3,250	853
Bank owned life insurance	39,176	38,333
Premises and equipment, net	20,976	19,709
Goodwill	32,377	32,377
Other intangible assets, net	2,729	3,241
Mortgage servicing rights	3,041	3,158
Real estate owned, net	428	928
Accrued interest and other assets	23,309	28,988
Total assets	<u>\$ 1,563,651</u>	<u>\$ 1,561,672</u>
<b>Liabilities and Stockholders' Equity</b>		
Liabilities:		
Deposits:		
Non-interest-bearing demand	\$ 360,188	\$ 367,103
Money market and checking	565,629	613,613
Savings	145,825	152,381
Certificates of deposit	203,860	183,154
Total deposits	<u>1,275,502</u>	<u>1,316,251</u>
Federal Home Loan Bank and other borrowings	92,050	64,662
Subordinated debentures	21,651	21,651
Repurchase agreements	9,528	12,714
Accrued interest and other liabilities	25,229	19,480
Total liabilities	<u>1,423,960</u>	<u>1,434,758</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share, 200,000 shares authorized; none issued	-	-
Common stock, \$0.01 par value per share, 7,500,000 shares authorized; 5,522,582 and 5,481,407 shares issued at September 30, 2024 and December 31, 2023, respectively	55	55
Additional paid-in capital	89,532	89,208
Retained earnings	60,549	54,282
Treasury stock, at cost; 21,361 and 3,812 shares at September 30, 2024 and December 31, 2023, respectively	(396)	(75)
Accumulated other comprehensive loss	(10,049)	(16,556)
Total stockholders' equity	<u>139,691</u>	<u>126,914</u>
Total liabilities and stockholders' equity	<u>\$ 1,563,651</u>	<u>\$ 1,561,672</u>

See accompanying notes to consolidated financial statements.

#### LANDMARK BANCORP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

(Dollars in thousands, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
<b>Interest income:</b>				
Loans	\$ 15,933	\$ 13,531	\$ 45,445	\$ 37,530

<b>Investment securities:</b>				
Taxable	2,301	2,445	7,088	7,141
Tax-exempt	747	772	2,270	2,333
Interest-bearing deposits at banks	41	46	144	193
Total interest income	19,022	16,794	54,947	47,197
<b>Interest expense:</b>				
Deposits	5,830	4,384	16,960	10,375
Federal Home Loan Bank and other borrowings	1,100	1,251	3,149	2,845
Subordinated debentures	416	417	1,246	1,168
Repurchase agreements	72	116	267	403
Total interest expense	7,418	6,168	21,622	14,791
Net interest income	11,604	10,626	33,325	32,406
Provision for credit losses	500	-	800	299
Net interest income after provision for credit losses	11,104	10,626	32,525	32,107
<b>Non-interest income:</b>				
Fees and service charges	2,880	2,618	8,032	7,457
Gains on sales of loans, net	704	491	1,864	2,014
Increase in cash surrender value of bank owned life insurance	254	230	747	671
Other	415	313	730	834
Total non-interest income	4,253	3,652	11,373	10,976
<b>Non-interest expense:</b>				
Compensation and benefits	5,803	5,811	16,839	16,925
Occupancy and equipment	1,429	1,373	4,113	4,136
Data processing	464	458	1,437	1,478
Amortization of mortgage servicing rights and other intangibles	256	474	924	1,407
Professional fees	573	624	1,869	1,722
Other	2,034	1,989	7,023	5,753
Total non-interest expense	10,559	10,729	32,205	31,421
Earnings before income taxes	4,798	3,549	11,693	11,662
Income tax expense	867	671	1,972	2,065
Net earnings	\$ 3,931	\$ 2,878	\$ 9,721	\$ 9,597
<b>Earnings per share:</b>				
Basic (1)	\$ 0.72	\$ 0.53	\$ 1.77	\$ 1.75
Diluted (1)	\$ 0.72	\$ 0.52	\$ 1.77	\$ 1.75
Dividends per share (1)	\$ 0.21	\$ 0.20	\$ 0.63	\$ 0.60

(1) Per share amounts for the periods ended September 30, 2023 have been adjusted to give effect to the 5% stock dividend issued in December of 2023.

See accompanying notes to consolidated financial statements.

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**LANDMARK BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(U unaudited)

(Dollars in thousands)	Three months ended		Nine months ended	
	September 30,	2024	September 30,	2024
Net earnings	\$ 3,931	\$ 2,878	\$ 9,721	\$ 9,597
Other comprehensive income (loss):				
Net unrealized holding (losses) gains on available-for-sale securities	11,477	(12,810)	8,618	(9,639)
Income tax effect on net unrealized holding losses (gains)	(2,812)	3,139	(2,111)	2,362
Other comprehensive income (loss) gains	8,665	(9,671)	6,507	(7,277)
Total comprehensive income (loss)	<u>\$ 12,596</u>	<u>\$ (6,793)</u>	<u>\$ 16,228</u>	<u>\$ 2,320</u>

See accompanying notes to consolidated financial statements.

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**LANDMARK BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(U unaudited)

(Dollars in thousands, except per share amounts)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total
	52	\$ 84,475	\$ 55,498	\$ -	\$ (22,672)	\$ 117,353
Balance at July 1, 2023	\$ 52	\$ 84,475	\$ 55,498	\$ -	\$ (22,672)	\$ 117,353
Net earnings	-	-	2,878	-	-	2,878
Other comprehensive income (loss)	-	-	-	-	(9,671)	(9,671)
Dividends paid (\$0.20 per share) (1)	-	-	(1,096)	-	-	(1,096)

Issue of restricted common stock, 17,551 shares	-	-	-	-	-	-	-
Stock-based compensation	-	93	-	-	-	-	93
Balance at September 30, 2023	\$ 52	\$ 84,568	\$ 57,280	\$ -	\$ (32,343)	\$ 109,557	
Balance at July 1, 2024	\$ 55	\$ 89,469	\$ 57,774	\$ (330)	\$ (18,714)	\$ 128,254	
Net earnings	-	-	3,931	-	-	3,931	
Other comprehensive income (loss)	-	-	-	-	8,665	8,665	
Dividends paid (\$0.21 per share)	-	-	(1,156)	-	-	(1,156)	
Issuance of restricted common stock, 36,175 shares	-	-	-	-	-	-	
Stock-based compensation	-	63	-	-	-	-	63
Purchase of 3,338 shares treasury stock	-	-	-	(66)	-	-	(66)
Balance at September 30, 2024	\$ 55	\$ 89,532	\$ 60,549	\$ (396)	\$ (10,049)	\$ 139,691	

(1) Dividends per share have been adjusted to give effect to the 5% stock dividend issued in December of 2023.

(Dollars in thousands, except per share amounts)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2022	\$ 52	\$ 84,273	\$ 52,174	\$ -	\$ (25,066)	\$ 111,433
Cumulative effect of change in accounting principle from implementation of ASU 2016-3	-	-	(1,204)	-	-	(1,204)
Balance at January 1, 2023	\$ 52	\$ 84,273	\$ 50,970	\$ -	\$ (25,066)	\$ 110,229
Net earnings	-	-	9,597	-	-	9,597
Other comprehensive income (loss)	-	-	-	-	(7,277)	(7,277)
Dividends paid (\$0.60 per share) (1)	-	-	(3,287)	-	-	(3,287)
Issue of restricted common stock, 17,551 shares	-	-	-	-	-	-
Stock-based compensation	-	243	-	-	-	243
Exercise of stock options, 2,693 shares	-	52	-	-	-	52
Balance at September 30, 2023	\$ 52	\$ 84,568	\$ 57,280	\$ -	\$ (32,343)	\$ 109,557
Balance at January 1, 2024	\$ 55	\$ 89,208	\$ 54,282	\$ (75)	\$ (16,556)	\$ 126,914
Net earnings	-	-	9,721	-	-	9,721
Other comprehensive income (loss)	-	-	-	-	6,507	6,507
Dividends paid (\$0.63 per share)	-	-	(3,454)	-	-	(3,454)
Issuance of restricted common stock, 41,175 shares	-	-	-	-	-	-
Stock-based compensation	-	324	-	-	-	324
Purchase of 16,367 shares treasury stock	-	-	-	(321)	-	(321)
Balance at September 30, 2024	\$ 55	\$ 89,532	\$ 60,549	\$ (396)	\$ (10,049)	\$ 139,691

(1) Dividends per share have been adjusted to give effect to the 5% stock dividend issued in December of 2023.

See accompanying notes to consolidated financial statements.

**LANDMARK BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

(Dollars in thousands)	Nine months ended September 30,	
	2024	2023
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 9,721	\$ 9,597
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for credit losses	800	299
Valuation allowance on real estate held for sale	1,108	-
Amortization of investment security premiums, net	(18)	221
Accretion of purchase accounting adjustments	(850)	(750)
Amortization of mortgage servicing rights and other intangibles	924	1,407
Depreciation	987	936
Increase in cash surrender value of bank owned life insurance	(747)	(671)
Stock-based compensation	324	243
Deferred income taxes	(177)	7
Net loss on sales of premises and equipment and foreclosed assets	282	-
Net gains on sales of loans	(1,864)	(2,014)
Proceeds from sales of loans	64,500	69,747
Origination of loans held for sale	(65,328)	(67,472)
Changes in assets and liabilities:		
Accrued interest and other assets	(183)	(625)
Accrued expenses, taxes, and other liabilities	5,849	445
Net cash provided by operating activities	15,328	11,370
<b>Cash flows from investing activities:</b>		
Net increase in loans	(52,761)	(86,015)
Net change in interest-bearing deposits at banks	555	3,166
Maturities and prepayments of investment securities	54,193	41,250
Purchases of investment securities	(3,800)	(18,647)
Redemption of bank stocks	11,956	8,564

Purchase of bank stocks	(11,727)	(11,103)
Premiums paid on bank owned life insurance	(96)	(96)
Proceeds from sales of premises and equipment and foreclosed assets	2,998	-
Purchases of premises and equipment, net	(2,214)	(520)
Net cash used in investing activities	(896)	(63,401)
<b>Cash flows from financing activities:</b>		
Net (decrease) increase in deposits	(40,749)	7,374
Federal Home Loan Bank advance borrowings	595,463	560,546
Federal Home Loan Bank advance repayments	(567,077)	(494,179)
Proceeds from other borrowings	360	-
Repayments on other borrowings	(1,358)	(998)
Change in repurchase agreements	(3,186)	(16,812)
Proceeds from exercise of stock options	-	52
Payment of dividends	(3,454)	(3,287)
Purchase of treasury stock	(321)	-
Net cash (used in) provided by financing activities	(20,322)	52,696
Net (decrease) increase in cash and cash equivalents	(5,890)	665
Cash and cash equivalents at beginning of period	27,101	23,156
<b>Cash and cash equivalents at end of period</b>	<b>\$ 21,211</b>	<b>\$ 23,821</b>

(Continued)

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**LANDMARK BANCORP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED**  
**(Unaudited)**

<i>(Dollars in thousands)</i>	Nine months ended September 30,	
	2024	2023
<b>Supplemental disclosure of cash flow information:</b>		
Cash payments for income taxes	\$ 628	\$ -
Cash paid for interest	21,371	13,641
Cash paid for operating leases	128	118

See accompanying notes to consolidated financial statements.

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**LANDMARK BANCORP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Interim Financial Statements**

The unaudited consolidated financial statements of Landmark Bancorp, Inc. (the "Company") and its wholly owned subsidiaries, Landmark National Bank (the "Bank") and Landmark Risk Management Inc., have been prepared in accordance with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements and should be read in conjunction with the Company's most recent Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 27, 2024, containing the latest audited consolidated financial statements and notes thereto. The consolidated financial statements in this report have not been audited by an independent registered public accounting firm, but in the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of financial statements have been reflected herein. The results of the three and nine month interim period ended September 30, 2024 are not necessarily indicative of the results expected for the year ending December 31, 2024 or any other future time period. The Company has evaluated subsequent events for recognition and disclosure up to the date the financial statements were issued.

**2. Investments**

A summary of the Company's investment securities classified as available-for-sale and held-to-maturity as of September 30, 2024 and December 31, 2023 is as follows:

<i>(Dollars in thousands)</i>	As of September 30, 2024			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<b>Available-for-sale:</b>				
U. S. treasury securities	\$ 85,457	\$ 1	\$ (1,705)	\$ 83,753
Municipal obligations, tax exempt	114,184	94	(2,152)	112,126
Municipal obligations, taxable	76,753	723	(2,347)	75,129
Agency mortgage-backed securities	147,928	421	(8,345)	140,004
<b>Total available-for-sale</b>	<b>\$ 424,322</b>	<b>\$ 1,239</b>	<b>\$ (14,549)</b>	<b>\$ 411,012</b>
<b>Held-to-maturity:</b>				
Other	\$ 3,643	\$ -	\$ (512)	\$ 3,131
<b>Total held-to-maturity</b>	<b>\$ 3,643</b>	<b>\$ -</b>	<b>\$ (512)</b>	<b>\$ 3,131</b>

As of December 31, 2023			
Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value

<b>Available-for-sale:</b>						
U. S. treasury securities	\$ 99,340	\$ -	\$ (3,673)	\$ 95,667		
Municipal obligations, tax exempt	122,775	186	(2,338)	120,623		
Municipal obligations, taxable	82,926	225	(4,068)	79,083		
Agency mortgage-backed securities	169,656	247	(12,507)	157,396		
Total available-for-sale	\$ 474,697	\$ 658	\$ (22,586)	\$ 452,769		
<b>Held-to-maturity:</b>						
Other	\$ 3,555	\$ -	\$ (506)	\$ 3,049		
Total held-to-maturity	\$ 3,555	\$ -	\$ (506)	\$ 3,049		

The amortized cost of the above held-to-maturity investment securities has been further reduced by the allowance for credit losses of \$ 91,000 at both September 30, 2024 and December 31, 2023.

The tables above show that some of the securities in the Company's available-for-sale and held-to-maturity investment portfolios had unrealized losses, or were temporarily impaired, as of both September 30, 2024 and December 31, 2023. This temporary impairment represents the estimated amount of loss that would be realized if the securities were sold on the valuation date.

The following table summarizes available-for-sale securities in an unrealized loss position for which an allowance for credit losses has not been recorded at September 30, 2024 and December 31, 2023 along with the length of time each category of securities has been in a continuous loss position:

(Dollars in thousands)	No. of securities	As of September 30, 2024					
		Less than 12 months		12 months or longer		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
<b>Available-for-sale:</b>							
U.S. treasury securities	45	\$ 1,764	\$ (4)	\$ 81,295	\$ (1,701)	\$ 83,059	\$ (1,705)
Municipal obligations, tax exempt	231	13,705	(97)	82,828	(2,055)	96,533	(2,152)
Municipal obligations, taxable	76	-	-	47,358	(2,347)	47,358	(2,347)
Agency mortgage-backed securities	96	-	-	114,329	(8,345)	114,329	(8,345)
<b>Total for available-for-sale</b>	448	\$15,469	\$ (101)	\$325,810	\$ (14,448)	\$341,279	\$ (14,549)
As of December 31, 2023							
(Dollars in thousands)	No. of securities	Less than 12 months		12 months or longer		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
<b>Available-for-sale:</b>							
U.S. treasury securities	47	\$ 1,129	\$ (7)	\$ 93,833	\$ (3,666)	\$ 94,962	\$ (3,673)
Municipal obligations, tax exempt	229	31,468	(337)	64,962	(2,001)	96,430	(2,338)
Municipal obligations, taxable	110	17,278	(151)	52,212	(3,917)	69,490	(4,068)
Agency mortgage-backed securities	100	6,480	(68)	128,512	(12,439)	134,992	(12,507)
<b>Total for available-for-sale</b>	486	\$56,355	\$ (563)	\$339,519	\$ (22,023)	\$395,874	\$ (22,586)

The Company's U.S. treasury portfolio consists of securities issued by the United States Department of the Treasury ("U.S. treasury"). The receipt of principal and interest on U.S. treasury securities is guaranteed by the full faith and credit of the U.S. government. Based on these factors, along with the Company's intent to not sell the securities and its belief that it was more likely than not that the Company will not be required to sell the securities before recovery of its cost basis, the Company believed that the available-for-sale U.S. treasury securities identified in the table above were temporarily impaired as of September 30, 2024 and December 31, 2023.

The Company's portfolio of municipal obligations consists of both tax-exempt and taxable general obligations securities issued by various municipalities. As of September 30, 2024, the Company did not intend to sell and it was more likely than not that the Company would not be required to sell its municipal obligations in an unrealized loss position until the recovery of its cost basis. Due to the issuers' continued satisfaction of the securities' obligations in accordance with their contractual terms and the expectation that they will continue to do so, the evaluation of the fundamentals of the issuers' financial condition and other objective evidence, the Company believed that the municipal obligations identified in the tables above were temporarily impaired as of September 30, 2024 and December 31, 2023.

The Company's agency mortgage-backed securities portfolio consists of securities underwritten to the standards of and guaranteed by the government-sponsored agencies of Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA") and the Government National Mortgage Association. The receipt of principal, at par, and interest on agency mortgage-backed securities is guaranteed by the respective government-sponsored agency guarantor, such that the Company believed that its agency mortgage-backed securities did not expose the Company to credit-related losses. Based on these factors, along with the Company's intent to not sell the securities and the Company's belief that it was more likely than not that the Company will not be required to sell the securities before recovery of their cost basis, the Company believed that the agency mortgage-backed securities identified in the table above were temporarily impaired as of September 30, 2024 and December 31, 2023.

The Company's other investment securities portfolio consists of seven subordinated debentures issued by financial institutions. These investment securities were acquired in the Freedom Bank acquisition in 2022 and classified as held-to-maturity. The securities were issued in 2021 and 2022 with a 10 year maturity and a fixed rate for five years. The securities are callable after the end of the fixed rate term, beginning September 3, 2026. The following table provides information regarding the Company's allowance for credit losses related to held-to-maturity investment securities:

(Dollars in thousands)	Nine months ended	
	September 30,	September 30,
	2024	2023

Balance at January 1,	\$ 91	\$ -
Impact of adopting ASC 326	-	72
Provision for credit losses	-	19
Balance at September 30,	<u>\$ 91</u>	<u>\$ 91</u>

The table below sets forth the amortized cost and fair value of investment securities at September 30, 2024. The table includes scheduled principal payments and estimated prepayments, based on observable market inputs, for agency mortgage-backed securities. Actual maturities will differ from contractual maturities because borrowers have the right to prepay obligations with or without prepayment penalties.

(Dollars in thousands)	Amortized cost	Estimated fair value
<b>Available-for-sale:</b>		
Due in less than one year	\$ 49,872	\$ 49,319
Due after one year but within five years	237,634	228,782
Due after five years but within ten years	98,484	95,207
Due after ten years	38,332	37,704
Total available-for-sale	<u>\$ 424,322</u>	<u>\$ 411,012</u>
<b>Held-to-maturity:</b>		
Due after one year but within five years	3,643	3,131
Total held-to-maturity	<u>\$ 3,643</u>	<u>\$ 3,131</u>

The Company did not record any sales of available-for-sale securities during the nine months ended September 30, 2024 or 2023.

Securities with carrying values of \$343.7 million and \$380.4 million were pledged to secure public funds on deposit, repurchase agreements and as collateral for borrowings at September 30, 2024 and December 31, 2023, respectively. Except for U.S. federal agency obligations, no investment in a single issuer exceeded 10% of consolidated stockholders' equity.

### 3. Loans and Allowance for Credit Losses

Loans consisted of the following as of the dates indicated below:

(Dollars in thousands)	September 30, 2024	December 31, 2023
One-to-four family residential real estate loans	\$ 344,380	\$ 302,544
Construction and land loans	23,454	21,090
Commercial real estate loans	324,016	320,962
Commercial loans	181,652	180,942
Agriculture loans	91,986	89,680
Municipal loans	7,098	4,507
Consumer loans	29,263	28,931
Total gross loans	1,001,849	948,656
Net deferred loan fees and loans in process	(63)	(429)
Allowance for credit losses	(11,544)	(10,608)
Loans, net	<u>\$ 990,242</u>	<u>\$ 937,619</u>

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The following tables provide information on the Company's allowance for credit losses by loan class and allowance methodology:

Three and nine months and six months ended September 30, 2024									
(Dollars in thousands)	One-to-four family residential real estate loans	Construction and land loans	Commercial real estate loans	Commercial loans	Agriculture loans	Municipal loans	Consumer loans		Total
<b>Allowance for credit losses:</b>									
Balance at July 1, 2024	\$ 2,020	\$ 220	\$ 4,515	\$ 2,778	\$ 1,118	\$ 55	\$ 197	\$ 10,903	
Charge-offs	-	-	-	(22)	-	-	(131)	(153)	
Recoveries	-	45	-	8	54	-	37	144	
Provision for credit losses	(30)	(109)	38	611	50	2	88	650	
Balance at September 30, 2024	<u>\$ 1,990</u>	<u>\$ 156</u>	<u>\$ 4,553</u>	<u>\$ 3,375</u>	<u>\$ 1,222</u>	<u>\$ 57</u>	<u>\$ 191</u>	<u>\$ 11,544</u>	
<b>Allowance for credit losses:</b>									
Balance at January 1, 2024	\$ 2,035	\$ 150	\$ 4,518	\$ 2,486	\$ 1,190	\$ 15	\$ 214	\$ 10,608	
Charge-offs	-	-	-	(105)	-	-	(308)	(413)	
Recoveries	-	245	-	28	54	12	110	449	
Provision for credit losses	(45)	(239)	112	889	(22)	30	175	900	
Balance at September 30, 2024	<u>\$ 1,990</u>	<u>\$ 156</u>	<u>\$ 4,553</u>	<u>\$ 3,375</u>	<u>\$ 1,222</u>	<u>\$ 57</u>	<u>\$ 191</u>	<u>\$ 11,544</u>	

Three and nine months ended September 30, 2023

(Dollars in thousands)	One-to-four family residential real estate loans	Construction and land loans	Commercial real estate loans	Commercial loans	Agriculture loans	Municipal loans	Consumer loans	Total
<b>Allowance for credit losses:</b>								
Balance at July 1, 2023	\$ 1,852	\$ 161	\$ 4,373	\$ 2,710	\$ 1,134	\$ 16	\$ 203	\$ 10,449
Charge-offs	-	-	-	(44)	-	-	(98)	(142)
Recoveries	-	626	-	9	1	-	27	663
Provision for credit losses	38	(641)	81	469	(45)	(1)	99	-
Balance at September 30, 2023	<u>\$ 1,890</u>	<u>\$ 146</u>	<u>\$ 4,454</u>	<u>\$ 3,144</u>	<u>\$ 1,090</u>	<u>\$ 15</u>	<u>\$ 231</u>	<u>\$ 10,970</u>
<b>Allowance for credit losses:</b>								
Balance at January 1, 2023	\$ 655	\$ 117	\$ 3,158	\$ 2,753	\$ 1,966	\$ 5	\$ 137	\$ 8,791
Impact of adopting ASC 326	1,022	49	1,063	145	(824)	11	57	1,523
Charge-offs	-	-	-	(151)	-	-	(257)	(408)
Recoveries	-	626	-	28	74	-	86	814
Provision for credit losses	213	(646)	233	369	(126)	(1)	208	250
Balance at September 30, 2023	<u>\$ 1,890</u>	<u>\$ 146</u>	<u>\$ 4,454</u>	<u>\$ 3,144</u>	<u>\$ 1,090</u>	<u>\$ 15</u>	<u>\$ 231</u>	<u>\$ 10,970</u>

The Company recorded net loan charge-offs of \$ 9,000 during the third quarter of 2024, compared to net loan recoveries of \$ 521,000 during the third quarter of 2023. The Company recorded net loan recoveries of \$36,000 during the nine months ended September 30, 2024, compared to net loan recoveries of \$406,000 during the nine months ended September 30, 2023.

The following table presents information regarding non-accrual and loans past due over 89 days and still accruing as of the dates indicated:

(Dollars in thousands)	As of September 30, 2024		
	Non-accrual with no allowance for credit loss	Non-accrual with allowance for credit losses	Loans past due over 89 days still accruing
One-to-four family residential real estate loans	\$ 76	\$ -	\$ -
Commercial real estate loans	788	-	-
Commercial loans	8,623	2,843	-
Agriculture loans	1,085	-	-
<b>Total loans</b>	<b>\$ 10,572</b>	<b>\$ 2,843</b>	<b>\$ -</b>

  

(Dollars in thousands)	As of December 31, 2023		
	Non-accrual with no allowance for credit loss	Non-accrual with allowance for credit losses	Loans past due over 89 days still accruing
One-to-four family residential real estate loans	\$ 161	\$ 31	\$ -
Commercial loans	363	1,517	-
Agriculture loans	295	-	-
Consumer loans	24	-	-
<b>Total loans</b>	<b>\$ 843</b>	<b>\$ 1,548</b>	<b>\$ -</b>

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following table presents information regarding the amortized cost basis and collateral type of collateral-dependent loans as of the dates indicated:

(Dollars in thousands)	As of September 30, 2024	
	Loan balance	Collateral Type
One-to-four family residential real estate loans	\$ 76	First mortgage on residential real estate
Construction and land loans	189	First mortgage on residential or commercial real estate
Commercial real estate loans	1,972	First mortgage on commercial real estate
Commercial loans	11,626	Accounts receivable, equipment and real estate
Agriculture loans	1,517	Crops, livestock, machinery and real estate
<b>Total loans</b>	<b>\$ 15,380</b>	

(Dollars in thousands)	As of December 31, 2023	
	Loan balance	Collateral Type
One-to-four family residential real estate loans	\$ 192	First mortgage on residential real estate
Construction and land loans	192	First mortgage on residential or commercial real estate
Commercial real estate loans	1,205	First mortgage on commercial real estate
Commercial loans	2,054	Accounts receivable, equipment and real estate
Agriculture loans	682	Crops, livestock, machinery and real estate
Consumer loans	24	Personal property or second mortgages on real estate
<b>Total loans</b>	<b>\$ 4,349</b>	

The Company's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Performing loans are considered to have a lower risk of loss. Non-accrual loans are those which the Company believes have a higher risk of loss. The accrual of interest on non-performing loans is discontinued at the time the loan is 90 days delinquent, unless the credit is well secured and in process of collection. Loans are placed on non-accrual or are charged off at an earlier date if collection of principal or interest is considered doubtful. There were no loans 90 days or more delinquent and accruing interest at either September 30, 2024 or December 31, 2023.

The following tables present information regarding the Company's past due and non-accrual loans by loan class, as of the dates indicated:

(Dollars in thousands)

	As of September 30, 2024						
	30-59 days delinquent and accruing	60-89 days delinquent and accruing	90 days or more delinquent and accruing	Total past due loans accruing	Non-accrual loans	Total past due and non-accrual loans	Total loans not past due
One-to-four family residential real estate loans	\$ -	\$ 59	\$ -	\$ 59	\$ 76	\$ 135	\$344,245
Construction and land loans	-	13	-	13	-	13	23,441
Commercial real estate loans	-	-	-	-	788	788	323,228
Commercial loans	2,589	1,031	-	3,620	11,466	15,086	166,566
Agriculture loans	3,518	-	-	3,518	1,085	4,603	87,383
Municipal loans	-	-	-	-	-	-	7,098
Consumer loans	76	16	-	92	-	92	29,171
Total	\$ 6,183	\$ 1,119	\$ -	\$ 7,302	\$13,415	\$20,717	\$981,132
Percent of gross loans	0.62%	0.11%	0.00%	0.73%	1.34%	2.07%	97.93%

(Dollars in thousands)

	As of December 31, 2023						
	30-59 days delinquent and accruing	60-89 days delinquent and accruing	90 days or more delinquent and accruing	Total past due loans accruing	Non-accrual loans	Total past due and non-accrual loans	Total loans not past due
One-to-four family residential real estate loans	\$ 85	\$ 247	\$ -	\$ 332	\$ 192	\$ 524	\$302,020
Construction and land loans	-	-	-	-	-	-	21,090
Commercial real estate loans	153	-	-	153	-	153	320,809
Commercial loans	399	332	-	731	1,880	2,611	178,331
Agriculture loans	256	-	-	256	295	551	89,129
Municipal loans	-	-	-	-	-	-	4,507
Consumer loans	110	-	-	110	24	134	28,797
Total	\$ 1,003	\$ 579	\$ -	\$ 1,582	\$ 2,391	\$ 3,973	\$944,683
Percent of gross loans	0.11%	0.06%	0.00%	0.17%	0.25%	0.42%	99.58%

Under the original terms of the Company's non-accrual loans, interest earned on such loans for the nine months ended September 30, 2024 and 2023 would have increased interest income by \$244,000 and \$75,000, respectively. No interest income related to non-accrual loans was included in interest income for the three and nine months ended September 30, 2024 and 2023.

The Company also categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk. This analysis is performed on a quarterly basis. Nonclassified loans generally include those loans that are expected to be repaid in accordance with contractual loan terms. Classified loans are those that are assigned a special mention, substandard or doubtful risk rating using the following definitions:

**Special Mention:** Loans are currently protected by the current net worth and paying capacity of the obligor or of the collateral pledged but such protection is potentially weak. These loans constitute an undue and unwarranted credit risk, but not to the point of justifying a classification of substandard. The credit risk may be relatively minor, yet constitutes an unwarranted risk in light of the circumstances surrounding a specific asset.

**Substandard:** Loans are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. Loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

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

The following table presents information regarding the Company's risk category of loans by type and year of origination, as of the dates indicated:

(Dollars in thousands)

	As of September 30, 2024							Revolving loans amortized cost	Revolving loans converted to term	Total
	2024	2023	2022	2021	2020	Prior				
One-to-four family residential real estate loans										
Nonclassified	\$ 69,036	\$ 87,966	\$ 77,175	\$ 38,548	\$28,686	\$ 36,751	\$ 6,009	\$ 133	\$ 344,304	

Classified						76				76
Total	\$ 69,036	\$ 87,966	\$ 77,175	\$ 38,548	\$ 28,686	76	\$ 36,827	\$ 6,009	\$ 133	\$ 344,380
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Construction and land loans										
Nonclassified	\$ 4,264	\$ 11,468	\$ 1,951	\$ 1,722	\$ 2,594	\$ 1,353	\$ 102	\$ -	\$ -	\$ 23,454
Classified										
Total	\$ 4,264	\$ 11,468	\$ 1,951	\$ 1,722	\$ 2,594	\$ 1,353	\$ 102	\$ -	\$ -	\$ 23,454
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Commercial real estate loans										
Nonclassified	\$ 39,708	\$ 43,771	\$ 69,510	\$ 54,452	\$ 42,825	\$ 68,946	\$ 1,744	\$ 89	\$ 321,045	
Classified	879			477		1,615				2,971
Total	\$ 40,587	\$ 43,771	\$ 69,510	\$ 54,929	\$ 42,825	\$ 70,561	\$ 1,744	\$ 89	\$ 324,016	
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
Commercial loans										
Nonclassified	\$ 21,221	\$ 25,133	\$ 25,238	\$ 10,657	\$ 8,622	\$ 2,687	\$ 65,215	\$ 106	\$ 158,879	
Classified	2,884	10,609	1,932	55	3,993	34	2,003	1,263	22,773	
Total	\$ 24,105	\$ 35,742	\$ 27,170	\$ 10,712	\$ 12,615	\$ 2,721	\$ 67,218	\$ 1,369	\$ 181,652	
Gross charge-offs	\$ -	\$ -	\$ 16	\$ 86	\$ 3	\$ -	\$ -	\$ -	\$ -	105
Agriculture loans										
Nonclassified	\$ 14,372	\$ 3,839	\$ 9,061	\$ 3,887	\$ 3,427	\$ 14,533	\$ 41,549	\$ 233	\$ 90,901	
Classified		182	241	402	9	86	165			1,085
Total	\$ 14,372	\$ 4,021	\$ 9,302	\$ 4,289	\$ 3,436	\$ 14,619	\$ 41,714	\$ 233	\$ 91,986	
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal loans										
Nonclassified	\$ -	\$ 5,551	\$ 97	\$ -	\$ -	\$ 1,450	\$ -	\$ -	\$ -	7,098
Classified										
Total	\$ -	\$ 5,551	\$ 97	\$ -	\$ -	\$ 1,450	\$ -	\$ -	\$ -	7,098
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer loans										
Nonclassified	\$ 2,918	\$ 3,483	\$ 717	\$ 1,139	\$ 695	\$ 3,257	\$ 17,035	\$ 19	\$ 29,263	
Classified										
Total	\$ 2,918	\$ 3,483	\$ 717	\$ 1,139	\$ 695	\$ 3,257	\$ 17,035	\$ 19	\$ 29,263	
Gross charge-offs	\$ 275	\$ 7	\$ 1	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ -	308
Total loans										
Nonclassified	\$ 151,519	\$ 181,211	\$ 183,749	\$ 110,405	\$ 86,849	\$ 128,977	\$ 131,654	\$ 580	\$ 974,944	
Classified	3,763	10,791	2,173	934	4,002	1,811	2,168	1,263	26,905	
Total	\$ 155,282	\$ 192,002	\$ 185,922	\$ 111,339	\$ 90,851	\$ 130,788	\$ 133,822	\$ 1,843	\$ 1,001,849	
Gross charge-offs for the nine months ending September 30, 2024	\$ 275	\$ 7	\$ 17	\$ 86	\$ 3	\$ -	\$ 25	\$ -	\$ -	413

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(Dollars in thousands)

	As of December 31, 2023							Revolving loans amortized cost	Revolving loans converted to term	Total
	2023	2022	2021	2020	2019	Prior				
<b>One-to-four family residential real estate loans</b>										
Nonclassified	\$ 95,290	\$ 84,718	\$ 42,533	\$ 32,081	\$ 12,776	\$ 29,694	\$ 5,097	\$ 163	\$ 302,352	
Classified	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192	\$ -	\$ -	\$ -	\$ 192
Total	\$ 95,290	\$ 84,718	\$ 42,533	\$ 32,081	\$ 12,776	\$ 29,886	\$ 5,097	\$ 163	\$ 302,544	
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Construction and land loans</b>										
Nonclassified	\$ 6,283	\$ 5,267	\$ 5,367	\$ 2,665	\$ 916	\$ 492	\$ 100	\$ -	\$ -	\$ 21,090
Classified	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 6,283	\$ 5,267	\$ 5,367	\$ 2,665	\$ 916	\$ 492	\$ 100	\$ -	\$ -	\$ 21,090
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Commercial real estate loans</b>										
Nonclassified	\$ 41,644	\$ 77,427	\$ 58,327	\$ 50,744	\$ 30,551	\$ 57,502	\$ 3,017	\$ 92	\$ 319,304	
Classified	\$ -	\$ -	\$ 481	22	\$ 180	\$ 975	\$ -	\$ -	\$ -	\$ 1,658
Total	\$ 41,644	\$ 77,427	\$ 58,808	\$ 50,766	\$ 30,731	\$ 58,477	\$ 3,017	\$ 92	\$ 320,962	
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Commercial loans</b>										
Nonclassified	\$ 38,818	\$ 32,764	\$ 16,747	\$ 15,511	\$ 2,514	\$ 4,386	\$ 61,046	\$ 4,121	\$ 175,907	
Classified	\$ 226	\$ 2,000	\$ 158	\$ 460	\$ 57	\$ -	\$ 1,952	\$ 182	\$ 5,035	
Total	\$ 39,044	\$ 34,764	\$ 16,905	\$ 15,971	\$ 2,571	\$ 4,386	\$ 62,998	\$ 4,303	\$ 180,942	
Gross charge-offs	\$ -	\$ 28	\$ 407	\$ 44	\$ -	\$ -	\$ -	\$ -	\$ -	479
<b>Agriculture loans</b>										
Nonclassified	\$ 7,862	\$ 11,718	\$ 4,864	\$ 4,092	\$ 3,902	\$ 12,114	\$ 44,352	\$ 214	\$ 89,118	
Classified	\$ -	\$ 16	\$ 171	\$ -	\$ 131	\$ 113	\$ 131	\$ -	\$ -	\$ 562
Total	\$ 7,862	\$ 11,734	\$ 5,035	\$ 4,092	\$ 4,033	\$ 12,227	\$ 44,483	\$ 214	\$ 89,680	
Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Municipal loans</b>										
Nonclassified	\$ 2,774	\$ 128	\$ -	\$ -	\$ -	\$ 1,605	\$ -	\$ -	\$ -	4,507
Classified	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 2,774	\$ 128	\$ -	\$ -	\$ -	\$ 1,605	\$ -	\$ -	\$ -	4,507

Gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Consumer loans</b>										
Nonclassified	\$ 4,705	\$ 1,332	\$ 1,340	\$ 1,380	\$ 1	\$ 4,906	\$ 15,221	\$ 21	\$ 28,906	
Classified	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ 25	
Total	<u>\$ 4,705</u>	<u>\$ 1,332</u>	<u>\$ 1,340</u>	<u>\$ 1,380</u>	<u>\$ 1</u>	<u>\$ 4,906</u>	<u>\$ 15,246</u>	<u>\$ 21</u>	<u>\$ 28,931</u>	
Gross charge-offs	\$ -	\$ -	\$ 3	\$ -	\$ -	\$ -	\$ 368	\$ -	\$ -	\$ 371
Total loans										
Nonclassified	\$ 197,376	\$ 213,354	\$ 129,178	\$ 106,473	\$ 50,660	\$ 110,699	\$ 128,833	\$ 4,611	\$ 941,184	
Classified	\$ 226	\$ 2,016	\$ 810	\$ 482	\$ 368	\$ 1,280	\$ 2,108	\$ 182	\$ 7,472	
Total	<u>\$ 197,602</u>	<u>\$ 215,370</u>	<u>\$ 129,988</u>	<u>\$ 106,955</u>	<u>\$ 51,028</u>	<u>\$ 111,979</u>	<u>\$ 130,941</u>	<u>\$ 4,793</u>	<u>\$ 948,656</u>	
Gross charge-offs for the year ending December 31, 2023	\$ -	\$ 28	\$ 410	\$ 44	\$ -	\$ -	\$ 368	\$ -	\$ -	\$ 850

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The following table provides information regarding the Company's allowance for credit losses related to unfunded loan commitments for the periods indicated:

(dollars in thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Balance at beginning of period	\$ 300	200	\$ 250	170
Provision for credit losses	(150)	-	(100)	30
Balance at end of period	<u>\$ 150</u>	<u>\$ 200</u>	<u>\$ 150</u>	<u>\$ 200</u>

The Company did not make any loan modifications to borrowers experiencing financial difficulty during the three or nine months ended September 30, 2024. The Company did not make any loan modifications to borrowers experiencing financial difficulty during the three months ended September 30, 2023. The following table presents the amortized cost basis of loans at September 30, 2023 that were both experiencing financial difficulty and modified during the nine months ended September 30, 2023 by class, type of modification and includes the financial effect of the modification.

(Dollars in thousands)	As of September 30, 2023		
	Amortized cost basis	% of loan class total	Financial effect
Term extension: Commercial	\$ 145	0.1%	90 day payment deferral

#### 4. Goodwill and Other Intangible Assets

The Company tests goodwill for impairment annually or more frequently if circumstances warrant. The Company's annual impairment test as of December 31, 2023 concluded that its goodwill was not impaired. Based on that test and current conditions, as of September 30, 2024, the Company concluded it was more likely than not that its goodwill was not impaired.

Core deposit intangible assets are amortized over the estimated useful life of ten years on an accelerated basis. A summary of the other intangible assets that continue to be subject to amortization as of the dates indicated is presented in the following table:

(Dollars in thousands)	As of September 30, 2024		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Core deposit intangible assets	\$ 4,170	\$ (1,441)	\$ 2,729
 (Dollars in thousands)			
As of December 31, 2023			
Core deposit intangible assets	\$ 4,170	\$ (929)	\$ 3,241

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The following table sets forth estimated amortization expense for core deposit and intangible assets for the remainder of 2024 and in successive years ending December 31:

(Dollars in thousands)	Amortization expense
Remainder of 2024	\$ 151
2025	588
2026	512
2027	436
2028	360
2029	284
Thereafter	398
Total	<u>\$ 2,729</u>

#### 5. Mortgage Loan Servicing

Mortgage loans serviced for others are not reported as assets. The following table provides information on the principal balances of mortgage loans serviced for others:

(Dollars in thousands)	September 30, 2024	December 31, 2023
FHLMC	\$ 635,359	\$ 659,488

FHLB	27,915	28,621
Total	\$ 663,274	\$ 688,109

Custodial escrow balances maintained in connection with serviced loans were \$ 10.0 million and \$ 5.0 million at September 30, 2024 and December 31, 2023, respectively. Custodial escrow balances are included in the deposit balances on the balance sheet. Gross service fee income related to such loans was \$425,000 and \$450,000 for the three months ended September 30, 2024 and 2023, respectively, and is included in fees and service charges in the consolidated statements of earnings. Gross service fee income related to such loans was \$1.3 million for both the nine months ended September 30, 2024 and 2023, and is included in fees and service charges in the consolidated statements of earnings.

Activity for mortgage servicing rights for the periods indicated was as follows:

(Dollars in thousands)	Three months ended		Nine months ended	
	September 30, 2024	2023	September 30, 2024	2023
<b>Mortgage servicing rights:</b>				
Balance at beginning of period	\$ 2,997	\$ 3,514	\$ 3,158	\$ 3,813
Additions	129	130	295	370
Amortization	(85)	(276)	(412)	(815)
Balance at end of period	\$ 3,041	\$ 3,368	\$ 3,041	\$ 3,368

The fair value of mortgage servicing rights was \$ 8.8 million and \$9.5 million at September 30, 2024 and December 31, 2023, respectively. Fair value at September 30, 2024 was determined using discount rate of 10.0%; prepayment speeds ranging from 6.00% to 31.67%, depending on the stratification of the specific mortgage servicing right; and a weighted average default rate of 1.82%. Fair value at December 31, 2023 was determined using discount rates at 10.0%; prepayment speeds ranging from 6.00% to 26.87%, depending on the stratification of the specific mortgage servicing right; and a weighted average default rate of 1.65%.

The Company had a mortgage repurchase reserve of \$ 140,000 at September 30, 2024 and \$ 159,000 at December 31, 2023, which represented the Company's best estimate at those dates of probable losses that the Company will incur related to the repurchase of one-to-four family residential real estate loans previously sold or to reimburse investors for credit losses incurred on loans previously sold where a breach of the contractual representations and warranties occurred. The Company charged \$17,000 of losses against the reserve during the three months ended September 30, 2024 and \$19,000 of losses against the reserve during nine months ended September 30, 2024. The Company charged \$ 84,000 of losses against the reserve during the three months ended September 30, 2023 and \$105,000 of losses against the reserve during the nine months ended September 30, 2023. As of September 30, 2024, the Company had no outstanding mortgage repurchase requests.

## 6. Earnings per Share

Basic earnings per share have been computed based upon the weighted average number of common shares outstanding during each period. Diluted earnings per share included the effect of all potential common shares outstanding during each period. The diluted earnings per share computation for both the three and nine months ended September 30, 2024, excluded 197,858 of unexercised stock options, because their inclusion would have been anti-dilutive during such periods. The diluted earnings per share computation for both the three and nine months ended September 30, 2023, excluded 136,930 of unexercised stock options because their inclusion would have been anti-dilutive during such periods. The Company's Board of Directors declared a cash dividend of \$0.21 per share to be paid November 27, 2024, to common stockholders of record as of the close of business on November 13, 2024. The Board of Directors also declared a 5% stock dividend issuable December 16, 2024 to common stockholders of record as of the close of business on December 2, 2024. The shares used in the calculation of basic and diluted earnings per share for the periods indicated are shown below:

(Dollars in thousands, except per share amounts)	Three months ended		Nine months ended	
	September 30, 2024	2023	September 30, 2024	2023
Net earnings	\$ 3,931	\$ 2,878	\$ 9,721	\$ 9,597
Weighted average common shares outstanding - basic (1)	5,490,808	5,479,909	5,477,453	5,476,703
Assumed exercise of stock options (1)	4,920	2,724	4,003	4,567
Weighted average common shares outstanding - diluted (1)	5,495,728	5,482,633	5,481,456	5,481,270
<b>Earnings per share (1):</b>				
Basic	\$ 0.72	\$ 0.53	\$ 1.77	\$ 1.75
Diluted	\$ 0.72	\$ 0.52	\$ 1.77	\$ 1.75

(1) Share and per share values for the periods ended September 30, 2023 have been adjusted to give effect to the 5% stock dividend paid during December 2023.

## 7. Federal Home Loan Bank Borrowings and Other Borrowings

The Bank has a line of credit, renewable annually each September, with the Federal Home Loan Bank ("FHLB") under which there were \$ 86.4 million of borrowings at September 30, 2024 and \$58.0 million at December 31, 2023. Interest on any outstanding balance on the line of credit accrues at the federal funds rate plus 0.15% (5.04% at September 30, 2024). The Company had no letters of credit issued through the FHLB at September 30, 2024 compared to \$20.0 million letters of credit December 31, 2023 to secure municipal deposits. The Company did not have any term advances from FHLB at September 30, 2024 or December 31, 2023.

Although no loans are specifically pledged, the FHLB requires the Bank to maintain eligible collateral (qualifying loans and investment securities) that has a lending value at least equal to its required collateral. At September 30, 2024 and December 31, 2023, there were blanket pledges of loans and securities to the FHLB totaling \$391.2 million and \$328.7 million, respectively. At September 30, 2024 and December 31, 2023, the Bank's total borrowing capacity with the FHLB was approximately \$272.2 million and \$232.3 million, respectively. At September 30, 2024 and December 31, 2023, the Bank's available borrowing capacity was \$184.5 million and \$153.1 million, respectively. The difference between the Bank's total borrowing capacity and available borrowing capacity is related to the amount of borrowings outstanding and letters of credit. The available borrowing capacity with the FHLB is collateral based, and the Bank's ability to borrow is subject to maintaining collateral that meets the eligibility requirements. The borrowing capacity is not committed and is subject to FHLB credit requirements and policies. In addition, the Bank must maintain a restricted investment in FHLB stock to maintain access to borrowings.

At September 30, 2024, the Bank had no borrowings through the Federal Reserve discount window, while its borrowing capacity with the Federal Reserve was \$54.0 million.

The Company has a \$5.0 million line of credit from an unrelated financial institution maturing on November 1, 2025, with an interest rate that adjusts daily based on the prime rate less 0.50%. This line of credit has covenants specific to capital and other financial ratios, which the Company was in compliance with at September 30, 2024 and December 31, 2023. As of September 30, 2024 and December 31, 2023, the Company did not have an outstanding balance on the line of credit.

On September 29, 2022, the Company borrowed \$10.0 million from the same unrelated financial institution at a fixed rate of 6.15%. This borrowing has covenants specific to capital and other financial ratios, which the Company was in compliance with at September 30, 2024 and December 31, 2023. This borrowing matures on September 1, 2027 and requires quarterly principal and interest payments. Early principal payments are allowed and the balance was \$5.7 million and \$6.6 million at September 30, 2024 and December 31, 2023, respectively.

## 8. Repurchase Agreements

The Company has overnight repurchase agreements with certain deposit customers whereby the Company uses investment securities as collateral for non-insured funds. These balances are accounted for as collateralized financing and included in other borrowings on the balance sheet.

Repurchase agreements are comprised of non-insured customer funds, totaling \$9.5 million at September 30, 2024 and \$12.7 million at December 31, 2023, which were secured by \$13.9 million and \$23.7 million of the Company's investment portfolio at the same dates, respectively.

The following is a summary of the balances and collateral of the Company's repurchase agreements as of the dates indicated:

(dollars in thousands)	As of September 30, 2024				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
<b>Repurchase agreements:</b>					
U.S. treasury securities	\$ 9,528	\$ -	\$ -	\$ -	\$ 9,528
<b>Total</b>	<b>\$ 9,528</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,528</b>

  

(dollars in thousands)	As of December 31, 2023				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
<b>Repurchase agreements:</b>					
U.S. treasury securities	\$ 12,714	\$ -	\$ -	\$ -	\$ 12,714
<b>Total</b>	<b>\$ 12,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,714</b>

The investment securities are held by a third party financial institution in the customer's custodial account. The Company is required to maintain adequate collateral for each repurchase agreement. Changes in the fair value of the investment securities impact the amount of collateral required. If the Company were to default, the investment securities would be used to settle the repurchase agreement with the deposit customer.

## 9. Revenue from Contracts with Customers

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within non-interest income. Items outside the scope of ASC 606 are noted as such.

(Dollars in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Non-interest income:</b>				
Service charges on deposit accounts				
Overdraft fees	\$ 1,066	\$ 1,021	\$ 3,019	\$ 2,850
Other	526	318	1,233	792
Interchange income	765	756	2,226	2,298
Loan servicing fees (1)	425	450	1,293	1,344
Office lease income (1)	20	147	108	365
Gains on sales of loans (1)	704	491	1,864	2,014
Bank owned life insurance income (1)	254	230	747	671
Gains (losses) on sales of premises and equipment and foreclosed assets	273	-	264	-
Other	220	239	619	642
<b>Total non-interest income</b>	<b>\$ 4,253</b>	<b>\$ 3,652</b>	<b>\$ 11,373</b>	<b>\$ 10,976</b>

(1) Not within the scope of ASC 606.

A description of the Company's revenue streams under ASC 606 follows:

### Service Charges on Deposit Accounts

The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM usage fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period during which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

### Interchange Income

The Company earns interchange fees from debit cardholder transactions conducted through the interchange payment network. Interchange fees

from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

#### **Gains (Losses) on Sales of Real Estate Owned**

The Company records a gain or loss from the sale of real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of real estate owned to the 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 real estate owned asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present. There were no sales of real estate owned that were financed by the Company during the first nine months of 2024 or 2023.

#### **10. Fair Value of Financial Instruments and Fair Value Measurements**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity 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 a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value estimates of the Company's financial instruments as of September 30, 2024 and December 31, 2023, including methods and assumptions utilized, are set forth below:

	As of September 30, 2024				
	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 21,211	\$ 21,211	\$ -	\$ -	\$ 21,211
Interest-bearing deposits at other banks	4,363	-	4,363	-	4,363
Investment securities available-for-sale	411,012	83,753	327,259	-	411,012
Investment securities held-to-maturity	3,643	-	3,131	-	3,131
Bank stocks, at cost	7,894	n/a	n/a	n/a	n/a
Loans, net	990,242	-	-	981,755	981,755
Loans held for sale	3,250	-	3,250	-	3,250
Mortgage servicing rights	3,041	-	8,799	-	8,799
Accrued interest receivable	6,953	219	1,888	4,846	6,953
Derivative financial instruments	318	-	318	-	318
<b>Financial liabilities:</b>					
Non-maturity deposits	\$ (1,071,642)	\$ (1,071,642)	\$ -	\$ -	\$ (1,071,642)
Certificates of deposit	(203,860)	-	(203,299)	-	(203,299)
FHLB and other borrowings	(92,050)	-	(91,872)	-	(91,872)
Subordinated debentures	(21,651)	-	(18,564)	-	(18,564)
Repurchase agreements	(9,528)	-	(9,528)	-	(9,528)
Accrued interest payable	(2,231)	-	(2,231)	-	(2,231)
Derivative financial instruments	(45)	-	(45)	-	(45)

	As of December 31, 2023				
	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
Cash and cash equivalents	\$ 27,101	\$ 27,101	\$ -	\$ -	\$ 27,101
Interest-bearing deposits at other banks	4,918	-	4,918	-	4,918
Investment securities available-for-sale	452,769	95,667	357,102	-	452,769
Investment securities held-to-maturity	3,555	-	3,049	-	3,049
Bank stocks, at cost	8,123	n/a	n/a	n/a	n/a
Loans, net	937,619	-	-	920,984	920,984
Loans held for sale	853	-	853	-	853
Mortgage servicing rights	3,158	-	9,498	-	9,498
Accrued interest receivable	7,341	327	2,280	4,734	7,341
Derivative financial instruments	114	-	114	-	114
<b>Financial liabilities:</b>					
Non-maturity deposits	\$ (1,133,097)	\$ (1,133,097)	\$ -	\$ -	\$ (1,133,097)
Certificates of deposit	(183,154)	-	(181,655)	-	(181,655)
FHLB and other borrowings	(64,662)	-	(65,478)	-	(65,478)
Subordinated debentures	(21,651)	-	(18,906)	-	(18,906)
Repurchase agreements	(12,714)	-	(12,714)	-	(12,714)
Accrued interest payable	(1,979)	-	(1,979)	-	(1,979)
Derivative financial instruments	(14)	-	(14)	-	(14)

## Transfers

The Company did not transfer any assets or liabilities among levels during the nine months ended September 30, 2024 or during the year ended December 31, 2023.

### Valuation Methods for Instruments Measured at Fair Value on a Recurring Basis

The following tables represent the Company's financial instruments that are measured at fair value on a recurring basis as of September 30, 2024 and December 31, 2023, allocated to the appropriate fair value hierarchy:

(Dollars in thousands)	As of September 30, 2024			
	Total	Fair value hierarchy		
		Level 1	Level 2	Level 3
<b>Assets:</b>				
Available-for-sale investment securities:				
U. S. treasury securities	\$ 83,753	\$ 83,753	\$ -	\$ -
Municipal obligations, tax exempt	112,126	-	112,126	-
Municipal obligations, taxable	75,129	-	75,129	-
Agency mortgage-backed securities	140,004	-	140,004	-
Loans held for sale	3,250	-	3,250	-
Derivative financial instruments	318	-	318	-
<b>Liability:</b>				
Derivative financial instruments	(45)	-	(45)	-
As of December 31, 2023				
(Dollars in thousands)	Fair value hierarchy			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Available-for-sale investment securities:				
U. S. treasury securities	\$ 95,667	\$ 95,667	\$ -	\$ -
Municipal obligations, tax exempt	120,623	-	120,623	-
Municipal obligations, taxable	79,083	-	79,083	-
Agency mortgage-backed securities	157,396	-	157,396	-
Loans held for sale	853	-	853	-
Derivative financial instruments	114	-	114	-
<b>Liability:</b>				
Derivative financial instruments	(14)	-	(14)	-

The Company's investment securities classified as available-for-sale include U.S. treasury securities, municipal obligations, and agency mortgage-backed securities. Quoted exchange prices are available for the Company's U.S. treasury securities, which are classified as Level 1. U.S. federal agency mortgage-backed securities are priced utilizing industry-standard models that consider various assumptions, including time value, yield curves, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. These measurements are classified as Level 2. Municipal obligations are valued using a type of matrix, or grid, pricing in which securities are benchmarked against U.S. treasury rates based on credit rating. These model and matrix measurements are classified as Level 2 in the fair value hierarchy.

Changes in the fair value of available-for-sale securities are included in other comprehensive income to the extent the changes are not considered to be credit related which would instead result in a credit loss reserve. The Company evaluates any potential credit losses on available-for-sale securities on a quarterly basis and credit losses identified on individual securities result in a write-down of the relevant security's cost basis.

Mortgage loans originated and intended for sale in the secondary market are carried at fair value. The mortgage loan valuations are based on quoted secondary market prices for similar loans and are classified as Level 2. Changes in the fair value of mortgage loans originated and intended for sale in the secondary market and derivative financial instruments are included in gains on sales of loans.

The aggregate fair value, contractual balance (including accrued interest), and gains on loans held for sale as of September 30, 2024 and December 31, 2023 were as follows:

(Dollars in thousands)	As of September 30, 2024		As of December 31, 2023	
Aggregate fair value	\$ 3,250	\$ 853		
Contractual balance	3,204	848		
Gain	\$ 46	\$ 5		

The Company's derivative financial instruments consist of interest rate lock commitments and corresponding forward sales contracts on mortgage loans held for sale. The fair values of these derivatives are based on quoted prices for similar loans in the secondary market. The market prices are adjusted by a factor, based on the Company's historical data and its judgment about future economic trends, which considers the likelihood that a commitment will ultimately result in a closed loan. These instruments are classified as Level 2. The amounts are included in other assets or other liabilities on the consolidated balance sheets and gains on sales of loans, net in the consolidated statements of earnings. The total amount of gains from changes in fair value of derivative financial instruments included in earnings for the periods indicated were as follows:

(Dollars in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Total change in fair value	\$ (42)	\$ (143)	\$ 173	\$ 13

### Valuation Methods for Instruments Measured at Fair Value on a Nonrecurring Basis

The Company does not record its loan portfolio at fair value. Collateral-dependent loans are generally carried at the lower of cost or fair value of the collateral, less estimated selling costs. Collateral values are determined based on appraisals performed by qualified licensed appraisers hired by the

Company and then further adjusted if warranted based on relevant facts and circumstances. The appraisals may utilize a single valuation approach or a combination of approaches including the comparable sales and income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. Individually evaluated loans are reviewed at least quarterly for additional allowance and adjusted accordingly, based on the same factors identified above. The carrying value of the Company's individually evaluated loans was \$15.4 million at September 30, 2024 and \$4.3 million at December 31, 2023. The Company's individually evaluated loans with an allowance for credit losses was \$ 2.9 million and \$1.5 million, with an allocated allowance of \$726,000 and \$311,000, at September 30, 2024 and December 31, 2023, respectively.

Real estate held-for-sale includes premises and equipment that were previously used as a bank branch facility and is included in other assets on the balance sheet. Real estate held-for-sale is initially recorded at the fair value of the collateral less estimated selling costs. Subsequent valuations are updated periodically and are based upon independent appraisals, third party price opinions or internal pricing models. The appraisals may utilize a single valuation approach or a combination of approaches including the comparable sales and income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. Real estate held-for-sale is reviewed and evaluated at least annually for additional allowance and adjusted accordingly, based on the same factors identified above.

Real estate owned includes assets acquired through, or in lieu of, foreclosure and land previously acquired for expansion. Real estate owned is initially recorded at the fair value of the collateral less estimated selling costs. Subsequent valuations are updated periodically and are based upon independent appraisals, third party price opinions or internal pricing models. The appraisals may utilize a single valuation approach or a combination of approaches including the comparable sales and income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value. Real estate owned is reviewed and evaluated at least annually for additional allowance and adjusted accordingly, based on the same factors identified above.

The following table presents quantitative information about Level 3 fair value measurements measured at fair value on a nonrecurring basis as of September 30, 2024 and December 31, 2023:

(Dollars in thousands)	Fair value	Valuation technique	Unobservable inputs	Range
<b>As of September 30, 2024</b>				
Individual evaluated loans:				
Commercial	\$ 2,208	Sales comparison	Adjustment to comparable value	0%-30%
<b>As of December 31, 2023</b>				
Individual evaluated loans:				
One-to-four family residential real estate	\$ 31	Sales comparison	Adjustment to appraised value	7%
Commercial	1,386	Sales comparison	Adjustment to comparable value	0%-50%
Real estate owned:				
One-to-four family residential real estate	266	Sales comparison	Adjustment to appraised value	10%

## 11. Regulatory Capital Requirements

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. Management believed that as of September 30, 2024, the Company and the Bank met all capital adequacy requirements to which they were subject at that time.

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. The Company and the Bank are subject to the Basel III Rule, which is applicable to all U.S. banks that are subject to minimum capital requirements, as well as to bank and savings and loan holding companies other than "small bank holding companies" (generally, non-public bank holding companies with consolidated assets of less than \$3.0 billion).

The Basel III Rule includes a common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%, a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, a minimum ratio of Total Capital to risk-weighted assets of 8.0%, and a minimum Tier 1 leverage ratio of 4.0%. A capital conservation buffer, equal to 2.5% of common equity Tier 1 capital, is also established above the regulatory minimum capital requirements for the common equity Tier 1 capital ratio, and Tier 1 capital and total risk based capital ratios.

As of September 30, 2024 and December 31, 2023, the most recent regulatory notifications categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action then in effect. There are no conditions or events since that notification that management believes have changed the institution's category.

The following is a comparison of the Company's regulatory capital to minimum capital requirements as of September 30, 2024 and December 31, 2023.

(Dollars in thousands)	For capital adequacy purposes			
	Actual		Amount	Ratio (1)
	Amount	Ratio		
<b>As of September 30, 2024</b>				
Leverage	\$ 137,179	8.88%	\$ 61,784	4.0%
Common Equity Tier 1 Capital	116,179	10.69%	76,096	7.0%
Tier 1 Capital	137,179	12.62%	92,402	8.5%

Total Risk Based Capital	148,362	13.65%	114,143	10.5%
<u>As of December 31, 2023</u>				
Leverage	\$ 130,625	8.41%	\$ 62,116	4.0%
Common Equity Tier 1 Capital	109,625	10.39%	73,854	7.0%
Tier 1 Capital	130,625	12.38%	89,680	8.5%
Total Risk Based Capital	140,671	13.33%	110,781	10.5%

(1) The required ratios for capital adequacy purposes include a capital conservation buffer of 2.5%.

The following is a comparison of the Bank's regulatory capital to minimum capital requirements as of September 30, 2024 and December 31, 2023:

(Dollars in thousands)	For capital adequacy purposes				To be well-capitalized under prompt corrective action provisions	
	Actual Amount	Actual Ratio	For capital adequacy purposes Amount	For capital adequacy purposes Ratio (1)	Actual Amount	Actual Ratio
<u>As of September 30, 2024</u>						
Leverage	\$ 138,502	8.99%	\$ 61,600	4.0%	\$ 77,000	5.0%
Common Equity Tier 1 Capital	138,502	12.75%	76,037	7.0%	70,606	6.5%
Tier 1 Capital	138,502	12.75%	92,331	8.5%	86,900	8.0%
Total Risk Based Capital	149,685	13.78%	114,056	10.5%	108,625	10.0%
<u>As of December 31, 2023</u>						
Leverage	\$ 134,422	8.68%	\$ 61,951	4.0%	\$ 77,439	5.0%
Common Equity Tier 1 Capital	134,422	12.74%	73,833	7.0%	68,560	6.5%
Tier 1 Capital	134,422	12.74%	89,655	8.5%	84,381	8.0%
Total Risk Based Capital	144,468	13.70%	110,750	10.5%	105,476	10.0%

(1) The required ratios for capital adequacy purposes include a capital conservation buffer of 2.5%.

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

**Overview.** Landmark Bancorp, Inc. is a financial holding company incorporated under the laws of the State of Delaware and is engaged in the banking business through its wholly owned subsidiary, Landmark National Bank, and in the insurance business through its wholly owned subsidiary, Landmark Risk Management, Inc. References to the "Company," "we," "us," and "our" refer collectively to Landmark Bancorp, Inc., Landmark National Bank and Landmark Risk Management, Inc. The Company is listed on the Nasdaq Global Market under the symbol "LARK." The Bank is dedicated to providing quality financial and banking services to its local communities. Our strategy includes continuing a tradition of holding and acquiring quality assets while growing our commercial, commercial real estate ("CRE") and agriculture loan portfolios. We are committed to developing relationships with our borrowers and providing a total banking service.

The Bank is principally engaged in the business of attracting deposits from the general public and using such deposits, together with borrowings and other funds, to originate one-to-four family residential real estate, construction and land, CRE, commercial, agriculture, municipal and consumer loans. Although not our primary business function, we invest in certain investment and mortgage-related securities using deposits and other borrowings as funding sources.

Landmark Risk Management, Inc., which was formed and began operations in 2017, is a Nevada-based captive insurance company which provides property and casualty insurance coverage to the Company and the Bank for which insurance may not be currently available or economically feasible in the current insurance marketplace. Landmark Risk Management, Inc. is subject to the regulations of the State of Nevada and undergoes periodic examinations by the Nevada Division of Insurance.

Our results of operations depend generally on net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest income is affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows. In addition, we are subject to interest rate risk to the degree that our interest-earning assets mature or reprice at different times, or at different speeds, than our interest-bearing liabilities. Our results of operations are also affected by non-interest income, such as service charges, loan fees, gains from the sale of newly originated loans, gains or losses on investments and certain other non-interest related items. Our principal operating expenses, aside from interest expense, consist of compensation and employee benefits, occupancy costs, professional fees, data processing expenses and provision for credit losses.

We are significantly impacted by prevailing economic conditions, including federal monetary and fiscal policies, and federal regulations of financial institutions. Deposit balances are influenced by numerous factors such as competing investments, the level of income and the personal rate of savings within our market areas. Factors influencing lending activities include the demand for housing and the interest rate pricing competition from other lending institutions.

Currently, our business consists of ownership of the Bank, with its main office in Manhattan, Kansas and twenty nine additional branch offices in central, eastern, southeast and southwest Kansas, one loan production office in Kansas City, Missouri and our ownership of Landmark Risk Management, Inc. On October 1, 2022, the Company completed its acquisition of Freedom Bancshares, Inc., the holding company of Freedom Bank. Freedom Bank was founded in 2006 and operated out of a single location in Overland Park, Kansas.

In October 2024, we declared our 93<sup>rd</sup> consecutive quarterly dividend, and we currently have no plans to change our dividend strategy given our current capital and liquidity position. However, while we have achieved a strong capital base and expect to continue operating profitably, our future dividend practice is dependent upon the performance of the economy and the Company's overall performance. In addition, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, we will not be permitted to make capital distributions (including for dividends and repurchases of stock) or pay discretionary bonuses to executive officers without restriction if we do not maintain 2.5% in Common Equity Tier 1 Capital attributable to a capital conservation buffer, a standard we exceeded at September 30, 2024. In October 2024, we also declared a 5% stock dividend. The stock dividend will be issued on December 16, 2024. This is the 24<sup>th</sup> consecutive year that the Company has issued a 5% stock dividend.

**Critical Accounting Policies.** Critical accounting policies are those which are both most important to the portrayal of our financial condition and results of operations and require our management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about

the effect of matters that are inherently uncertain. Our critical accounting policies relate to the allowance for credit losses and the accounting for business combinations, each of which involve significant judgment by our management. There have been no material changes to the critical accounting policies included under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on March 27, 2024.

**Summary of Results.** During the third quarter of 2024, we recorded net earnings of \$3.9 million, which was an increase of \$1.1 million, or 36.6%, from net earnings of \$2.9 million in the third quarter of 2023. During the first nine months of 2024, we recorded net earnings of \$9.7 million, which was an increase of \$124,000, or 1.3%, from net earnings of \$9.6 million during the first nine months of 2023. The increase in net earnings during 2024 was primarily related to an increase in net interest income and non-interest income.

The following table summarizes earnings and key performance measures as of or for the periods presented:

(Dollars in thousands, except per share amounts)	As of or for the three months ended September 30,		As of or for the nine months ended June 30,	
	2024	2023	2024	2023
<b>Net earnings:</b>				
Net earnings	\$ 3,931	\$ 2,878	\$ 9,721	\$ 9,597
Basic earnings per share (1)	\$ 0.72	\$ 0.53	\$ 1.77	\$ 1.75
Diluted earnings per share (1)	\$ 0.72	\$ 0.52	\$ 1.77	\$ 1.75
<b>Earnings ratios:</b>				
Return on average assets (2)	1.00%	0.74%	0.84%	0.84%
Return on average equity (2)	11.82%	9.87%	10.18%	11.13%
Equity to total assets	8.93%	7.03%	8.93%	7.03%
Net interest margin (2) (3)	3.30%	3.06%	3.21%	3.19%
Dividend payout ratio	29.17%	38.08%	35.59%	34.24%

(1) Per share values for the periods ended September 30, 2023 have been adjusted to give effect to the 5% dividend paid during 2023.

(2) Ratios have been annualized and are not necessarily indicative of the results for the entire year.

(3) Net interest margin is presented on a fully tax equivalent basis, using a 21% federal tax rate.

**Interest Income.** Interest income of \$19.0 million for the quarter ended September 30, 2024 represented an increase of \$2.2 million, or 13.3%, compared to the same period of 2023. Interest income on loans increased \$2.4 million, or 17.8%, to \$15.9 million for the quarter ended September 30, 2024, compared to the same period of 2023 due to higher yields and average balances. Our yields increased from 5.93% in the third quarter of 2023 to 6.43% in the third quarter of 2024. The increase in interest income on loans was also driven by an increase in average loan balances which increased from \$906.3 million in the third quarter of 2023 to \$985.7 million in the third quarter of 2024. Interest income on investment securities decreased \$169,000, or 5.3%, to \$3.0 million for the third quarter of 2024, as compared to \$3.2 million in the same period of 2023. The decrease in interest income on investment securities was primarily the result of a decrease in the average balances of investment securities which decreased from \$486.7 million in the third quarter of 2023 to \$428.3 million in the third quarter of 2024. Partially offsetting the lower average balances was an increase in yields, which increased from 2.77% in the third quarter of 2024 to 2.99% in the third quarter of 2024.

Interest income of \$54.9 million for the nine months ended September 30, 2024 represented an increase of \$7.8 million, or 16.4%, compared to the same period of 2023. Interest income on loans increased \$7.9 million, or 21.1%, to \$45.4 million for the nine months ended September 30, 2024 compared to the same period of 2023, due to an increase in our average loan balances, which increased from \$877.0 million during the first nine months of 2023 to \$962.3 million during the first nine months of 2024. Also contributing to higher interest income were higher yields on loans, which increased from 5.72% in the nine months ended September 30, 2023 to 6.31% during the nine months ended September 30, 2024. Interest income on investment securities decreased \$116,000, or 1.2%, to \$9.4 million for the first nine months of 2024, as compared to \$9.5 million in the same period of 2023. The decrease in interest income on investment securities was the result of a decrease on average balances of investment securities which decreased from \$493.9 million in the first nine months of 2023 to \$440.7 million in the same period of 2024. Partially offsetting the lower average balances was an increase in yields, which increased from 2.72% in the first nine months of 2023 to 2.99% in the same period of 2024.

**Interest Expense.** Interest expense during the quarter ended September 30, 2024 increased \$1.3 million to \$7.4 million, as compared to the same period of 2023. Interest expense on interest-bearing deposits increased \$1.4 million to \$5.8 million for the quarter ended September 30, 2024, as compared to the same period of 2023. Our total cost of interest-bearing deposits increased from 1.93% in the third quarter of 2023 to 2.48% in the third quarter of 2024 as a result of higher rates and increased competition for deposits. Also contributing to higher interest expense was an increase in average interest-bearing deposit balances, which increased from \$902.7 million in the third quarter of 2023 to \$936.2 million in the third quarter of 2024. For the third quarter of 2024, interest expense on borrowings decreased \$196,000 to \$1.6 million, as compared to the same period of 2023 due to a decrease in our average borrowings and repurchase agreements which decreased \$16.1 million from the third quarter of 2023 to the third quarter of 2024. Partially offsetting the decrease in average borrowing was an increase in rates, which increased from 5.60% in the third quarter of 2023 to 5.72% in the same period of 2024.

Interest expense during the nine months ended September 30, 2024 increased \$6.8 million to \$21.6 million, as compared to the same period of 2023. Interest expense on interest-bearing deposits increased \$6.6 million to \$17.0 million for the nine months ended September 30, 2024, as compared to the same period of 2023. The increase in interest expense on interest-bearing deposits was the result of higher rates as our cost of interest-bearing deposits increased from 1.57% in the first nine months of 2023 to 2.42% in the same period of 2024. The increase in interest expense on deposits was also due to an increase in average interest-bearing deposit balances, which increased from \$886.2 million in the first nine months of 2023 to \$936.0 million in the same period of 2024. For the first nine months of 2024, interest expense on borrowings increased \$246,000, to \$4.7 million as compared to the same period of 2023, due primarily to an increase in rates, which increased from 5.26% in the first nine months of 2023 to 5.75% in the same period of 2024. Partially offsetting the increase in interest expense on borrowings was a decrease in our average outstanding borrowings which decreased from \$112.3 million in the first nine months of 2023 to \$108.4 million in the first nine months of 2024.

**Net Interest Income.** Net interest income increased \$978,000, or 9.2%, to \$11.6 million for the third quarter of 2024 compared to the same period of 2023. The increase in net interest income was primarily a result of an increase in interest income on loans, partially offset by higher interest expense and a decrease in interest income on investment securities. The accretion of purchase accounting adjustments increased net interest income by \$282,000 in the third quarter of 2023 compared to an increase of \$336,000 in the third quarter of 2024, and was primarily related to fair value adjustments on loans acquired in the Freedom Bank transaction. Compared to the same period last year, the increase in interest rates raised the yields on our interest-earning assets and the cost of our interest-bearing liabilities. Net interest margin, on a tax-equivalent basis, was 3.06% in the third quarter of 2023, compared to 3.30% in the third quarter of 2024. Lower interest rates may not result in a higher net interest margin as a result of increased competition for loans and deposits.

Net interest income increased \$919,000, or 2.8%, to \$33.3 million for the first nine months of 2024 compared to the same period of 2023. The increase in net interest income was primarily a result of an increase in interest income on loans, partially offset by higher interest expense and a decrease in interest income on investment securities. The accretion of purchase accounting adjustments increased net interest income by \$750,000 in the first nine

months of 2023 compared to an increase of \$850,000, in the first nine months of 2024 and was primarily related to fair value adjustments on loans acquired in the Freedom Bank transaction. Net interest margin, on a tax-equivalent basis, increased from 3.19% in the first nine months of 2023 to 3.21% in the same period of 2024.

**Average Assets/Liabilities.** The following table reflects the tax-equivalent yields earned on average interest-earning assets and costs of average interest-bearing liabilities (derived by dividing income or expense by the monthly average balance of assets or liabilities, respectively) as well as "net interest margin" (which reflects the effect of the net earnings balance) for the periods shown:

(Dollars in thousands)	Three months ended September 30, 2024			Three months ended September 30, 2023		
	Average balance	Income/ expense	Average yield/cost	Average balance	Income/ expense	Average yield/cost
<b>Assets</b>						
Interest-earning assets:						
Interest-bearing deposits at banks	\$ 5,705	\$ 41	2.86%	\$ 8,733	\$ 46	2.09%
Investment securities (1)	428,301	3,217	2.99%	486,706	3,396	2.77%
Loans receivable, net (2)	985,659	15,937	6.43%	906,289	13,535	5.93%
Total interest-earning assets	<u>1,419,665</u>	<u>19,195</u>	5.38%	<u>1,401,728</u>	<u>16,977</u>	4.81%
Non-interest-earning assets	142,817			147,996		
Total	<u>\$1,562,482</u>			<u>\$1,549,724</u>		
<b>Liabilities and Stockholders' Equity</b>						
Interest-bearing liabilities:						
Money market and checking	\$ 580,933	\$ 3,499	2.40%	\$ 596,405	\$ 3,065	2.04%
Savings accounts	148,835	51	0.14%	157,157	31	0.08%
Certificates of deposit	206,450	2,280	4.39%	149,165	1,288	3.43%
Total interest-bearing deposits	<u>936,218</u>	<u>5,830</u>	2.48%	<u>902,727</u>	<u>4,384</u>	1.93%
FHLB advances and other borrowings	77,958	1,100	5.61%	89,441	1,251	5.55%
Subordinated debentures	21,651	416	7.64%	21,651	417	7.64%
Repurchase agreements	10,774	72	2.66%	15,387	116	2.99%
Total borrowings	<u>110,383</u>	<u>1,588</u>	5.72%	<u>126,479</u>	<u>1,784</u>	5.60%
Total interest-bearing liabilities	<u>1,046,601</u>	<u>7,418</u>	2.82%	<u>1,029,206</u>	<u>6,168</u>	2.38%
Non-interest-bearing liabilities	383,610			404,874		
Stockholders' equity	132,271			115,644		
Total	<u>\$1,562,482</u>			<u>\$1,549,724</u>		
Interest rate spread (3)			2.56%			2.43%
Net interest margin (4)	<u>\$ 11,777</u>		3.30%		<u>\$ 10,809</u>	3.06%
Tax-equivalent interest - imputed	<u>173</u>				<u>183</u>	
Net interest income	<u>\$ 11,604</u>				<u>\$ 10,626</u>	
Ratio of average interest-earning assets to average interest-bearing liabilities			135.6%			136.2%

(1) Income on tax exempt securities is presented on a fully tax-equivalent basis, using a 21% federal tax rate.  
 (2) Includes loans classified as non-accrual. Income on tax-exempt loans is presented on a fully tax-equivalent basis, using a 21% federal tax rate.  
 (3) Interest rate spread represents the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities.  
 (4) Net interest margin represents annualized, tax-equivalent net interest income divided by average interest-earning assets.

(Dollars in thousands)	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Average balance	Income/ expense	Average yield/cost	Average balance	Income/ expense	Average yield/cost
<b>Assets</b>						
Interest-earning assets:						
Interest-bearing deposits at banks	\$ 6,304	\$ 144	3.05%	\$ 10,973	\$ 193	2.35%
Investment securities (1)	440,744	9,874	2.99%	493,853	10,029	2.72%
Loans receivable, net (2)	962,252	45,456	6.31%	877,048	37,543	5.72%
Total interest-earning assets	<u>1,409,300</u>	<u>55,474</u>	5.26%	<u>1,381,874</u>	<u>47,765</u>	4.62%
Non-interest-earning assets	145,382			147,064		
Total	<u>\$1,554,682</u>			<u>\$1,528,938</u>		
<b>Liabilities and Stockholders' Equity</b>						
Interest-bearing liabilities:						
Money market and checking	\$ 587,203	\$ 10,429	2.37%	\$ 595,990	\$ 7,759	1.74%
Savings accounts	150,950	142	0.13%	163,498	92	0.08%
Certificates of deposit	197,805	6,389	4.31%	126,739	2,524	2.66%
Total interest-bearing deposits	<u>935,958</u>	<u>16,960</u>	2.42%	<u>886,227</u>	<u>10,375</u>	1.57%
FHLB advances and other borrowings	74,496	3,149	5.65%	70,774	2,845	5.37%
Subordinated debentures	21,651	1,246	7.69%	21,651	1,168	7.21%

Repurchase agreements	12,218	267	2.92%	19,903	403	2.71%
Total borrowings	108,365	4,662	5.75%	112,328	4,416	5.26%
Total interest-bearing liabilities	1,044,323	21,622	2.77%	998,555	14,791	1.98%
Non-interest-bearing liabilities	382,762			415,108		
Stockholders' equity	127,597			115,275		
<b>Total</b>	<b>\$1,554,682</b>			<b>\$1,528,938</b>		

  

Interest rate spread (3)		2.49%		2.64%
Net interest margin (4)	\$ 33,852	3.21%	\$ 32,974	3.19%
Tax-equivalent interest - imputed	527		568	
Net interest income	<b>\$ 33,325</b>		<b>\$ 32,406</b>	

Ratio of average interest-earning assets to average interest-bearing liabilities 134.9% 138.4%

(1) Income on tax exempt securities is presented on a fully tax-equivalent basis, using a 21% federal tax rate.  
 (2) Includes loans classified as non-accrual. Income on tax-exempt loans is presented on a fully tax-equivalent basis, using a 21% federal tax rate.  
 (3) Interest rate spread represents the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities.  
 (4) Net interest margin represents annualized, tax-equivalent net interest income divided by average interest-earning assets.

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**Rate/Volume Table.** The following table describes the extent to which changes in tax-equivalent interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities affected the Company's interest income and expense for the periods indicated. The table distinguishes between (i) changes attributable to rate (changes in rate multiplied by prior volume), (ii) changes attributable to volume (changes in volume multiplied by prior rate), and (iii) net change (the sum of (i) and (ii)). The net changes attributable to the combined effect of volume and rate that cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

	Three months ended September 30, 2024 vs 2023			Nine months ended September 30, 2024 vs 2023		
	Increase/(decrease) attributable to			Increase/(decrease) attributable to		
	Volume	Rate	Net	Volume	Rate	Net
(Dollars in thousands)						
<b>Interest income:</b>						
Interest-bearing deposits at banks	\$ 80	\$ (85)	\$ (5)	\$ (163)	\$ 114	\$ (49)
Investment securities	(529)	350	(179)	(2,012)	1,857	(155)
Loans	1,224	1,178	2,402	3,838	4,075	7,913
<b>Total</b>	<b>775</b>	<b>1,443</b>	<b>2,218</b>	<b>1,663</b>	<b>6,046</b>	<b>7,709</b>
<b>Interest expense:</b>						
Deposits	167	1,279	1,446	618	5,967	6,585
FHLB advances and other borrowings	(165)	14	(151)	153	151	304
Subordinated debentures and other borrowings	-	(1)	(1)	-	78	78
Repurchase agreements	(32)	(12)	(44)	(170)	34	(136)
<b>Total</b>	<b>(30)</b>	<b>1,280</b>	<b>1,250</b>	<b>601</b>	<b>6,230</b>	<b>6,831</b>
<b>Net interest income</b>	<b>\$ 805</b>	<b>\$ 163</b>	<b>\$ 968</b>	<b>\$ 1,062</b>	<b>\$ (184)</b>	<b>\$ 878</b>

**Provision for Credit Losses.** During the third quarter of 2024, a \$500,000 provision for credit losses was recorded, compared to no provision for credit losses recorded in the same period of 2023. As of September 30, 2024, our analysis of our allowance for credit losses indicated a provision was required based on loan growth, current and projected economic conditions and other qualitative factors. We recorded net loan charge-offs of \$9,000 during the third quarter of 2024, compared to net loan recoveries of \$521,000 during the third quarter of 2023.

During the first nine months of 2024, we recorded a \$800,000 provision for credit losses, compared to a \$299,000 provision for credit losses in the first nine months of 2023. The provision for credit losses during the first nine months of 2024 consisted of a \$900,000 provision to the allowance for credit losses on loans and a \$100,000 credit provision to the allowance for unfunded loan commitments. The \$299,000 provision for credit losses during the first nine months of 2023 consisted of a \$250,000 provision to the allowance for credit losses on loans, a \$30,000 provision to the allowance for unfunded loan commitments and a \$19,000 provision to the allowance for credit losses on held-to-maturity investment securities. We recorded net loan recoveries of \$36,000 during the first nine months of 2024, compared to net loan recoveries of \$406,000 during the first nine months of 2023.

For further discussion of the allowance for credit losses, refer to the "Asset Quality and Distribution" section below.

**Non-interest Income.** Total non-interest income was \$4.3 million in the third quarter of 2024, an increase of \$601,000, or 16.5%, from the same period in 2023. The increase in non-interest income during the third quarter of 2024 compared to the same period in the prior year was primarily due to an increase in fees and service charges of \$262,000 primarily due to higher fees related to deposit accounts. Gains on sales of one-to-four family residential real estate loans increased \$213,000 due to lower interest rates. Other non-interest income also increased by \$102,000, which was primarily due to a \$273,000 gain on sale during the quarter of a former branch facility located in Overland Park, Kansas.

Total non-interest income was \$11.4 million in the first nine months of 2024, an increase of \$397,000, or 3.6%, from the first nine months of 2023, primarily as a result of an increase of \$575,000 in fees and service charges due primarily to higher fees related to deposits accounts. Also contributing to the increase in non-interest income was an increase in bank owned life insurance of \$76,000. Offsetting this increase was a decrease of \$150,000 in gains on sales of loans. Other non-interest income also decreased by \$104,000 primarily due to a decrease in lease income associated with the rental income from a former branch facility, which was sold in the third quarter of 2024.

**Non-interest Expense.** Non-interest expense totaled \$10.6 million for the third quarter of 2024, a decrease of \$170,000, or 1.6%, over the same quarter of 2023. The decrease in non-interest expense in the third quarter of 2024 compared to the same period in the prior year was mainly due to a decrease in amortization of mortgage servicing rights, other intangibles, and professional fees. Partially offsetting the decrease in non-interest expense was an increase in occupancy and equipment and other non-interest expense.

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Non-interest expense totaled \$32.2 million for the first nine months of 2024, an increase of \$784,000, or 2.5%, from \$31.4 million for the first nine months of 2023. The increase in non-interest expense in the first nine months 2024 compared to the same period in the prior year was mainly due to an increase in other non-interest expense associated with a \$1.1 million valuation allowance recorded against real estate held for sale. Also contributing to the increase in non-interest expense was an increase in professional fees associated with increased legal costs associated with revisions to our benefit plans. Partially offsetting the increase in non-interest expense was a decrease amortization of mortgage serving rights and other intangibles, data processing, occupancy and equipment and compensation and benefits.

**Income Tax Expense.** During the third quarter of 2024, we recorded income tax expense of \$867,000, compared to income tax expense of \$671,000 during the same period of 2023. Our effective tax rate decreased from 18.9% in the third quarter of 2023 to 18.1% in the third quarter of 2024. The decrease in the effective tax rate was due to increases in tax credits and tax-exempt income.

We recorded income tax expense of \$2.0 million for the first nine months of 2024, compared to income tax expense of \$2.1 million in the same period of 2023. Our effective tax rate was 17.7% in the first nine months of 2023, compared to 16.9% in the first nine months of 2024. The decrease in the effective tax rate was primarily due to increases in tax credits and tax-exempt income.

**Financial Condition.** Economic conditions in the United States remained sluggish during the first nine months of 2024 as elevated inflation levels and high interest rates continued to impact the economy. The sustained high interest rates have impacted financial institutions generally, resulting in continued higher costs of funding and lower fair values for investment securities. We maintain strong capital and liquidity, and a stable, conservative deposit portfolio with a significant majority of our deposits being retail-based and insured by the Federal Deposit Insurance Corporation ("FDIC") insured. We spend significant time each month monitoring our interest rate and concentration risks through our asset/liability management and lending strategies that involve a relationship-based banking model offering stability and consistency. The State of Kansas and the geographic markets in which the Company operates have also been impacted by economic headwinds. Supply chain constraints, labor shortages and geopolitical events have contributed to the rising inflation levels which are impacting all areas of the economy both nationally and locally. The Company's allowance for credit losses continues to factor in estimates of the economic impact of these conditions and other qualitative factors on our loan portfolio. However, our loan portfolio is diversified across various types of loans and collateral throughout the markets in which we operate. Aside from a few problem loans that management is working to resolve, our asset quality has remained strong over the past few years. While further increases in problem assets may arise, management believes its efforts to run a high quality financial institution with a sound asset base will continue to create a strong foundation for continued growth and profitability in the future.

**Asset Quality and Distribution.** Our primary investing activities are the origination of one-to-four family residential real estate, construction and land, CRE, commercial, agriculture, municipal and consumer loans and the purchase of investment securities. Total assets were \$1.6 billion at both December 31, 2023 and September 30, 2024.

The allowance for credit losses is established through a provision for credit losses based on our economic projections. At September 30, 2024, our allowance for credit losses on loans totaled \$11.5 million, or 1.15% of gross loans outstanding, compared to \$10.6 million, or 1.12% of gross loans outstanding, at December 31, 2023. The increase in our allowance for credit losses on loans as a percentage of gross loans outstanding was primarily due to current and projected economic conditions and other qualitative factors.

As of September 30, 2024 and December 31, 2023, approximately \$26.9 million and \$7.5 million, respectively, of loans were considered classified and assigned a risk rating of special mention, substandard or doubtful. These ratings indicate that these loans were identified as potential problem loans having more than normal risk and raised doubts as to the ability of the borrowers to comply with present loan repayment terms. Even though borrowers were experiencing moderate cash flow problems as well as some deterioration in collateral value, management believed the allowance for credit losses was sufficient to cover expected losses related to such loans at September 30, 2024 and December 31, 2023, respectively.

Loans past due 30-89 days and still accruing interest totaled \$7.3 million, or 0.73% of gross loans, at September 30, 2024, compared to \$1.6 million, or 0.17% of gross loans, at December 31, 2023. The increase in past due loans was primarily related to a single commercial loan and an agriculture loan. At September 30, 2024, \$13.4 million in loans were on non-accrual status, or 1.34% of gross loans, compared to \$2.4 million, or 0.25% of gross loans, at December 31, 2023. The increase in non-accrual status loans was primarily related to one commercial loan which was put on non-accrual status in the third quarter of 2024. Non-accrual loans consist of loans 90 or more days past due and certain individually evaluated loans. There were no loans 90 days delinquent and accruing interest at either September 30, 2024 or December 31, 2023.

As part of our credit risk management, we continue to manage the loan portfolio to identify problem loans and have placed additional emphasis on CRE and construction and land relationships. We are working to resolve the remaining problem credits or move the non-performing credits out of the loan portfolio. At September 30, 2024 we had \$428,000 of real estate owned compared to \$928,000 of real estate owned at December 31, 2023. As of September 30, 2024, real estate owned primarily consisted undeveloped land and residential real estate properties. The Company is currently marketing all of the remaining properties in real estate owned.

**Liability Distribution.** Our primary ongoing sources of funds are deposits, FHLB borrowings, proceeds from principal and interest payments on loans and investment securities and proceeds from the sale of mortgage loans and investment securities. While maturities and scheduled amortization of loans are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates and economic conditions. We experienced a decrease of \$40.7 million, or 3.1% in total deposits during the first nine months of 2024, to \$1.3 billion at September 30, 2024. The decrease in deposits was primarily due to a seasonal decrease in our deposit accounts due to public funds.

Non-interest-bearing deposits at September 30, 2024 were \$360.2 million, or 28.2% of deposits, compared to \$367.1 million, or 27.9% of deposits, at December 31, 2023. Money market and checking deposit accounts were 44.4% of our deposit portfolio and totaled \$565.6 million at September 30, 2024, compared to \$613.6 million, or 46.6% of deposits, at December 31, 2023. Savings accounts decreased to \$145.8 million, or 11.4% of deposits, at September 30, 2024, from \$152.4 million, or 11.6% of deposits, at December 31, 2023. Certificates of deposit totaled \$203.9 million, or 16.0% of deposits, at September 30, 2024, compared to \$183.2 million, or 13.9% of deposits, at December 31, 2023. The increase in certificates of deposit was primarily related to higher brokered certificates of deposits, which increased from \$42.8 million at December 31, 2023 to \$49.8 million at September 30, 2024.

Overdraft deposits consist of non-interest-bearing deposits, money market and checking deposit accounts with negative balances. These overdraft balances totaled \$383,000 at September 30, 2024 and \$318,000 as of December 31, 2023 and were presented as loans on the balance sheet.

Total deposits include estimated uninsured deposits of \$388.0 million and \$430.0 million as of September 30, 2024 and December 31, 2023, respectively. This represented approximately 30.4% of our total deposits at September 30, 2024 and compares favorably with other similar community banking organizations. Over 95% of the Company's total deposits were considered core deposits at September 30, 2024. These deposit balances are from retail, commercial and public fund customers located in the markets where the Company has bank branch locations.

Certificates of deposit at September 30, 2024, scheduled to mature in one year or less totaled \$130.6 million. Historically, maturing deposits have generally remained with the Bank, and we believe that a significant portion of the deposits maturing in one year or less will remain with us upon maturity in some type of deposit account.

Total borrowings increased \$24.2 million to \$123.2 million at September 30, 2024, from \$99.0 million at December 31, 2023. The increase in total borrowings was primarily due to an increase in FHLB borrowings. The increase in FHLB borrowings was to fund loan growth and to offset the decline in deposits.

**Cash Flows.** During the nine months ended September 30, 2024, our cash and cash equivalents decreased by \$5.9 million. Our operating activities provided net cash of \$15.3 million during the first nine months of 2024 primarily as a result of net earnings. Our investing activities used net cash of \$869,000 during the first nine months of 2024, primarily due to loan growth. Financing activities used net cash of \$20.3 million during the first nine months of 2024, primarily as a result of a decrease in deposits.

**Liquidity.** Our most liquid assets are cash and cash equivalents and investment securities available-for-sale. The levels of these assets are dependent on the operating, financing, lending and investing activities during any given year. These liquid assets totaled \$436.6 million at September 30, 2024 and \$484.8 million at December 31, 2023. During periods in which we are not able to originate a sufficient amount of loans and/or periods of high principal prepayments, we generally increase our liquid assets by investing in short-term, high-grade investments or holding higher balances of cash and cash equivalents.

Liquidity management is both a daily and long-term function of our strategy. Excess funds are generally invested in short-term investments. Excess funds are typically generated as a result of increased deposit balances, while uses of excess funds are generally deposit withdrawals and loan advances. In the event we require funds beyond our ability to generate them internally, additional funds are generally available through the use of FHLB advances, a line of credit with the FHLB, other borrowings or through pledging or sales of investment securities. While the sale of available-for-sale investment securities would result in losses due to the current interest environment, pledging these securities as collateral would not result in a loss. At September 30, 2024, we had \$86.4 million borrowed on our line of credit with the FHLB. At September 30, 2024, we had collateral pledged to the FHLB that would allow us to borrow \$272.2 million, subject to FHLB credit requirements and policies. At September 30, 2024, we had no borrowings through the Federal Reserve discount window, while our borrowing capacity with the Federal Reserve was \$54.0 million. We also have various other federal funds agreements, both secured and unsecured, with correspondent banks totaling approximately \$30.0 million in available credit under which we had no outstanding borrowings at September 30, 2024. At September 30, 2024, we had subordinated debentures totaling \$21.7 million and \$9.5 million of repurchase agreements. At September 30, 2024, the Company had no borrowings against a \$5.0 million line of credit from an unrelated financial institution maturing on November 1, 2025, with an interest rate that adjusts daily based on the prime rate less 0.50%. This line of credit has covenants specific to capital and other financial ratios, which the Company was in compliance with at September 30, 2024. The Company also borrowed \$5.7 million from the same unrelated financial institution at a fixed rate of 6.15%. This borrowing matures on September 1, 2027 and requires quarterly principal and interest payments. The original \$10.0 million of borrowings was used to fund part of the acquisition of Freedom Bancshares, Inc.

**Off Balance Sheet Arrangements.** As a provider of financial services, we routinely issue financial guarantees in the form of financial and performance standby letters of credit. Standby letters of credit are contingent commitments issued by us generally to guarantee the payment or performance obligation of a customer to a third party. While these standby letters of credit represent a potential outlay by us, a significant amount of the commitments may expire without being drawn upon. We have recourse against the customer for any amount the customer is required to pay to a third party under a standby letter of credit. The letters of credit are subject to the same credit policies, underwriting standards and approval process as loans made by us. Most of the standby letters of credit are secured, and in the event of nonperformance by the customers, we have the right to the underlying collateral, which could include commercial real estate, physical plant and property, inventory, receivables, cash and marketable securities. The contract amount of these standby letters of credit, which represents the maximum potential future payments guaranteed by us, was \$1.5 million at September 30, 2024.

At September 30, 2024, we had outstanding loan commitments, excluding standby letters of credit, of \$194.0 million. We anticipate that sufficient funds will be available to meet current loan commitments. These commitments consist of unfunded lines of credit and commitments to finance real estate loans.

**Capital.** Current regulatory capital regulations require financial institutions (including banks and bank holding companies) to meet certain regulatory capital requirements. The Bank is subject to the Basel III Rules that implemented the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision and certain changes required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Basel III Rules are applicable to all U.S. banks that are subject to minimum capital requirements, as well as to bank and savings and loan holding companies other than "small bank holding companies" (generally, non-public bank holding companies with consolidated assets of less than \$3.0 billion). The Company is considered a "small bank holding company" and is not directly subject to these minimum capital requirements.

The Basel III Rules require a common equity Tier 1 capital to risk-weighted assets minimum ratio of 4.5%, a Tier 1 capital to risk-weighted assets minimum ratio of 6.0%, a Total Capital to risk-weighted assets minimum ratio of 8.0%, and a Tier 1 leverage minimum ratio of 4.0%. A capital conservation buffer, equal to 2.5% common equity Tier 1 capital, is also established above the regulatory minimum capital requirements (other than the Tier 1 leverage ratio). As of September 30, 2024 and December 31, 2023, the Bank met the requirements to be "well capitalized," which is the highest rating available under the regulatory capital regulations framework for prompt corrective action. Management believed that as of September 30, 2024, the Company and the Bank met all capital adequacy requirements to which we are subject.

**Dividends.** During the quarter ended September 30, 2024, we paid a quarterly cash dividend of \$0.21 per share to our stockholders.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations. In addition, under the Basel III Rules, financial institutions have to maintain 2.5% in common equity Tier 1 capital attributable to the capital conservation buffer in order to pay dividends and make other capital distributions. As described above, the Bank exceeded its minimum capital requirements under applicable guidelines as of September 30, 2024. The National Bank Act imposes limitations on the amount of dividends that a national bank may pay without prior regulatory approval. Generally, the amount is limited to the bank's current year's net earnings plus the adjusted retained earnings for the three preceding years. As of September 30, 2024, approximately \$3.3 million was available to be paid as dividends to the Company by the Bank without prior regulatory approval.

Additionally, our ability to pay dividends is limited by the subordinated debentures that are held by three business trusts that we control. Interest payments on the debentures must be paid before we pay dividends on our capital stock, including our common stock. We have the right to defer interest payments on the debentures for up to 20 consecutive quarters. However, if we elect to defer interest payments, all deferred interest must be paid before we may pay dividends on our capital stock.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our assets and liabilities are principally financial in nature, and the resulting net interest income thereon is subject to changes in market interest rates and the mix of various assets and liabilities. Interest rates in the financial markets affect our decisions relating to pricing our assets and liabilities, which impact net interest income, a significant cash flow source for us. As a result, a substantial portion of our risk management activities relates to managing interest rate risk.

Our Asset/Liability Management Committee monitors the interest rate sensitivity of our balance sheet using earnings simulation models. We have set policy limits of interest rate risk to be assumed in the normal course of business and monitor such limits through our simulation process.

We have been successful in meeting the interest rate sensitivity objectives set forth in our policy. Simulation models are prepared to determine the impact on net interest income for the coming twelve months, including one using interest rates as of the forecast date, and forecasting volumes for the twelve-month projection. This position is then subjected to a shift in interest rates of 100, 200 and 300 basis points with an impact to our net interest income on a one-year horizon as follows:

Scenario	As of September 30, 2024		As of December 31, 2023	
	Dollar change in net interest income (\$000's)	Percent change in net interest income	Dollar change in net interest income (\$000's)	Percent change in net interest income
300 basis point rising	\$ (5,877)	(13.0)%	\$ (5,924)	(13.8)%
200 basis point rising	\$ 3,961	(8.7)%	\$ (4,012)	(9.3)%
100 basis point rising	\$ 2,049	(4.15)%	\$ (2,122)	(4.9)%
100 basis point falling	\$ 318	0.7%	\$ 17	0.0%
200 basis point falling	\$ (364)	(0.8)%	\$ (909)	(2.1)%
300 basis point falling	\$ (750)	(1.7)%	\$ (2,037)	(4.7)%

#### SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

##### Forward-Looking Statements

This document (including information incorporated by reference) contains, and future oral and written statements by us and our management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to our financial condition, results of operations, plans, objectives, future performance and business. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of our management and on information currently available to management, are generally identifiable by the use of words such as "believe," "expect," "anticipate," "plan," "intend," "estimate," "may," "will," "would," "could," "should" or other similar expressions, including the negatives of such expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and we undertake no obligation to update any statement in light of new information or future events.

Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on operations and future prospects of us and our subsidiaries include, but are not limited to, the following:

- The effects of changes in interest rates (including the effects of changes in the rate of prepayments of our assets) and the policies of the Federal Reserve (including potential decreases in rates by the Federal Reserve) including on our net interest income and the value of our security portfolio.
- The strength of the United States economy in general and the strength of the local economies in which we conduct our operations, including the effects of continued inflationary pressures and supply chain constraints on such economies, which may be less favorable than expected and may result in, among other things, a deterioration in the credit quality and value of our assets.
- The economic impact of past and any future terrorist attacks, acts of war, including the ongoing conflict in the Middle East and Russian invasion of Ukraine, or threats thereof, and the response of the United States to any such threats and attacks.
- The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, securities, consumer protection, insurance, tax, trade and monetary and financial matters, including any changes in response to the failures of other banks and including and any other changes as a result of the 2024 presidential election.
- Our ability to compete with other financial institutions due to increases in competitive pressures in the financial services sector, including from non-bank competitors such as credit unions and "fintech" companies.
- Our inability to obtain new customers and to retain existing customers.
- The timely development and acceptance of products and services.
- Technological changes implemented by us and by other parties, including third-party vendors, which may be more difficult to implement or more expensive than anticipated or which may have unforeseen consequences to us and our customers.
- Our ability to develop and maintain secure and reliable electronic systems.
- The effectiveness of our risk management framework.
- The occurrence of fraudulent activity, breaches or failures of our or our third-party servicers' information security controls or cybersecurity-related incidents, including as a result of sophisticated attacks using artificial intelligence and similar tools, and our ability to identify and address such incidents.
- Interruptions involving our information technology and telecommunications systems or third-party servicers.
- The effects of severe weather, natural disasters, widespread disease or pandemics, and other external events.
- Our ability to retain key executives and employees and the difficulty that we may experience in replacing key executives and employees in an effective manner.
- Consumer spending and saving habits which may change in a manner that adversely affects our business.
- Our ability to successfully integrate acquired businesses and future growth.
- Potential impairment to goodwill recorded in connection with our past acquisitions.
- The costs, effects and outcomes of existing or future litigation or regulatory actions against us.
- Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the Financial Accounting Standards Board.
- Our ability to effectively manage our credit risk.
- Our ability to forecast probable credit losses and maintain an adequate allowance for credit losses.
- Fluctuations in the value of securities held in our securities portfolio.
- Concentrations within our loan portfolio (including CRE loans), large loans to certain borrowers, and large deposits from certain clients.
- The concentration of large deposits from certain clients, including those who have balances above current FDIC insurance limits and may withdraw deposits to diversify their exposure.
- The level of non-performing assets on our balance sheets.
- Our ability to raise additional capital if needed to implement our business plan.
- The effects of declines in real estate markets.
- The effects of fraudulent activity on the part of our employees, customers, vendors, or counterparties.
- Any material weaknesses in our internal control over financial reporting.
- Our success at managing the risks involved in the foregoing items.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning us and our business, including other factors that could materially affect our financial results, is included in our filings with the Securities and Exchange Commission, including the "Risk Factors" section in our Annual Report on Form 10-K for the year ended

#### ITEM 4. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2024. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2024 to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2024 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

## PART II – OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Company or its subsidiaries is a party or which any of their property is subject, other than ordinary routine litigation incidental to their respective businesses.

#### ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors set forth under Part I, Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

#### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases by the Company during the quarter ended September 30, 2024, of the Company's equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans (1)	Maximum number of shares that may yet be purchased under the plans (1)
July 1-31, 2024	-	\$ -	-	161,655
August 1-31, 2024	3,065	19.90	3,065	158,590
September 1-30, 2024	273	20.00	273	158,317
Total	<u>3,338</u>	<u>\$ 19.91</u>	<u>3,338</u>	<u>158,317</u>

(1) In March 2020, our Board of Directors approved a stock repurchase plan, permitting us to repurchase up to 225,890 shares. Unless terminated earlier by resolution of the Board of Directors, the stock repurchase plan will expire when we have repurchased all shares authorized for repurchase thereunder. As of September 30, 2024, there were 158,317 shares remaining to purchase under the March 2020 repurchase program.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

#### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

#### ITEM 5. OTHER INFORMATION

##### Rule 10b5-1 Trading Plans

During the quarter ended September 30, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

#### ITEM 6. EXHIBITS

- Exhibit 3.1 [Amended and Restated Certificate of Incorporation \(incorporated by reference to Exhibit 3.1 to the Company's transition report on Form 10-K filed with the SEC on March 29, 2002 \(SEC file no. 000-33203\)\)](#)
- Exhibit 3.2 [Certificate of Amendment of the Amended and Restated Certificate of Incorporation \(incorporated by reference to Exhibit 3.2 to the Company's report on Form 10-K filed with the SEC on March 29, 2013 \(SEC file no. 000-33203\)\)](#)
- Exhibit 3.3 [Bylaws \(incorporated by reference to Exhibit 3.3 to the Company's Form S-4 filed with the SEC on June 7, 2001 \(SEC file no. 333-62466\)\)](#)
- Exhibit 10.1 [Landmark Bancorp, Inc. 2024 Stock Incentive Plan \(incorporated by reference to Exhibit 4.4 to the Company's Form S-8 filed with the SEC on July 25, 2024 \(SEC file no. 333-281020\)\)](#)
- Exhibit 10.2 [Form of Landmark Bancorp, Inc. 2024 Stock Incentive Plan Nonqualified Stock Option Award Agreement \(incorporated by reference to Exhibit 4.5 to the Company's Form S-8 filed with the SEC on July 25, 2024 \(SEC file no. 333-281020\)\)](#)
- Exhibit 10.3 [Form of Landmark Bancorp, Inc. 2024 Stock Incentive Plan Incentive Stock Option Award Agreement \(incorporated by reference to Exhibit 4.6 to the Company's Form S-8 filed with the SEC on July 25, 2024 \(SEC file no. 333-281020\)\)](#)

Exhibit 10.4	<a href="#">Form of Landmark, Inc. 2024 Stock Incentive Plan Restricted Stock Award Agreement (incorporated by reference to Exhibit 4.7 to the Company's Form S-8 filed with the SEC on July 25, 2024 (SEC file no. 333-281020))</a>
Exhibit 10.5	<a href="#">Form of Landmark Bancorp, Inc. 2024 Stock Incentive Plan Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 4.8 to the Company's Form S-8 filed with the SEC on July 25, 2024 (SEC file no. 333-281020))</a>
Exhibit 10.6	<a href="#">Change in Terms Agreement, dated November 1, 2024, between Landmark Bancorp, Inc. and First National Bank of Omaha</a>
Exhibit 31.1	<a href="#">Certificate of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)</a>
Exhibit 31.2	<a href="#">Certificate of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a)</a>
Exhibit 32.1	<a href="#">Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
Exhibit 32.2	<a href="#">Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
Exhibit 101	Interactive data files pursuant to Rule 405 of Regulation S-T formatted in Inline XBRL: (i) Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023; (ii) Consolidated Statements of Earnings for three and nine months ended September 30, 2024 and September 30, 2023; (iii) Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2024 and September 30, 2023; (iv) Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2024 and September 30, 2023; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and September 30, 2023; and (vi) Notes to Consolidated Financial Statements
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

## 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.

LANDMARK BANCORP, INC.

Date: November 13, 2024

*/s/ Abigail M. Wendel*

Abigail M. Wendel  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: November 13, 2024

*/s/ Mark A. Herpich*

Mark A. Herpich  
Vice President, Secretary, Treasurer and Chief Financial Officer  
(Principal Financial and Accounting Officer)

## CHANGE IN TERMS AGREEMENT

Principal \$5,000,000.00	Loan Date 11-01-2024	Maturity 11-01-2025	Loan No xxxxxx	Call/Coll	Account	Officer ***	Initials
<b>Borrower:</b> Landmark Bancorp, Inc. 701 Poyntz Ave Manhattan KS 66502-6055				<b>Lender:</b>	First National Bank of Omaha Branch #001 1620 Dodge St Omaha, NE 68197		

Principal Amount: \$5,000,000.00

Date of Agreement: November 1, 2024

**DESCRIPTION OF EXISTING INDEBTEDNESS.** This Change in Terms Agreement is an amendment and/or modification of the terms and conditions of indebtedness of Borrower as set forth in a Promissory Note dated November 1, 2016, in the amount of \$7,500,000.00, and most recently documented in a Change in Terms Agreement dated November 3, 2023, and shall include all renewals, modifications and extensions of such documents.

**DESCRIPTION OF CHANGE IN TERMS.** As fully set forth herein below, this Change in Terms Agreement generally modifies the terms applicable to the existing indebtedness by extending the maturity date. Any sums due and owing hereunder shall take into account any principal and interest payments made by the Borrower in accordance with regular established billing cycles.

**PROMISE TO PAY.** Landmark Bancorp, Inc. ("Borrower") promises to pay to First National Bank of Omaha ("Lender"), or order, in lawful money of the United States of America, the principal amount of Five Million & 00/100 Dollars (\$5,000,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

**PAYMENT.** Borrower will pay this loan in one payment of all outstanding principal plus all accrued unpaid interest on November 1, 2025. In addition, Borrower will pay regular quarterly payments of all accrued unpaid interest due as of each payment date, beginning December 1, 2024, with all subsequent interest payments to be due on the same day of each quarter after that. Unless otherwise agreed or required by applicable law, payments will be applied to interest, principal, and expenses owing under the Note in an order determined by Lender. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**VARIABLE INTEREST RATE.** The interest rate on this loan is subject to change from time to time based on changes in an independent index which is the U.S. Prime Rate as published by the Wall Street Journal and currently is determined by the base rate on corporate loans posted by at least seventy percent (70%) of the nations ten (10) largest banks (the "Index"). The Index is not necessarily the lowest rate charged by Lender on its loans. Lender will tell Borrower the current Index rate upon Borrower's request. The interest rate change will not occur more often than each day during the term of the loan. If at any time the Index is less than zero, then it shall be deemed to be zero for the purpose of calculating the interest rate on the Note. Borrower understands that Lender may make loans based on other rates as well. The Index currently is 8.000% per annum. Interest on the unpaid principal balance of this loan will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph using a rate of 0.500 percentage points under the Index (the "Margin"), adjusted if necessary for any minimum and maximum rate limitations described below, resulting in an initial rate of 7.500% per annum based on a year of 360 days. If Lender determines, in its sole discretion, that the Index has become unavailable or unreliable, either temporarily, indefinitely, or permanently, during the term of this loan, Lender may amend this loan by designating a substantially similar substitute index. Lender may also amend and adjust the Margin to accompany the substitute index. The change to the Margin may be a positive or negative value, or zero. In making these amendments, Lender may take into consideration any then-prevailing market convention for selecting a substitute index and margin for the specific Index that is unavailable or unreliable. Such an amendment to the terms of this loan will become effective and bind Borrower 10 business days after Lender gives written notice to Borrower without any action or consent of the Borrower. NOTICE: Under no circumstances will the interest rate on this loan be less than 3.000% per annum or more than the maximum rate allowed by applicable law.

**INTEREST CALCULATION METHOD.** Interest on this loan is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this loan is computed using this method.

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**PREPAYMENT.** Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Agreement, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: First National Bank of Omaha, Branch #001, 1620 Dodge St, Omaha, NE 68197.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or \$25.00, whichever is greater.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this loan shall be increased by adding an additional 6.000 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Borrower fails to make any payment when due under the Indebtedness.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or

any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or ability to perform Borrower's obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf, under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Insolvency.** The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness evidenced by this Note.

**Change In Ownership.** Any change in ownership of twenty-five percent (25%) or more of the common stock of Borrower.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire unpaid principal balance under this Agreement and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Agreement if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

**JURY WAIVER.** Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

**GOVERNING LAW.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Nebraska without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Nebraska.

**CHOICE OF VENUE.** If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Douglas County, State of Nebraska.

**DISHONORED ITEM FEE.** Borrower will pay a fee to Lender of \$30.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

**COLLATERAL.** Borrower acknowledges this Agreement is secured by a Commercial Pledge Agreement dated November 1, 2021, and any and all other security agreements or documents and any and all other collateral agreements or documents associated with this Loan or Note whether now existing or hereafter arising.

**LINE OF CREDIT.** This Agreement evidences a revolving line of credit. Advances under this Agreement may be requested either orally or in writing by Borrower or as provided in this paragraph. Lender may, but need not, require that all oral requests be confirmed in writing. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Agreement at any time may be evidenced by endorsements on this Agreement or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Agreement if: (A) Borrower or any guarantor is in default under the terms of this Agreement or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Agreement; (B) Borrower or any guarantor ceases doing business or is insolvent; (C) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Agreement or any other loan with Lender; (D) Borrower has applied funds provided pursuant to this Agreement for purposes other than those authorized by Lender; or (E) Lender in good faith believes itself insecure.

**CONTINUING VALIDITY.** Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the

changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

**U.S.A. PATRIOT ACT.** To help the government fight the funding of terrorism and money laundering activities, the USA PATRIOT Act requires all banks to obtain and verify the identity of each person or business that opens an account. When Borrower opens an account Lender will ask Borrower for information that will allow Lender to properly identify Borrower and Lender will verify that information. If Lender cannot properly verify identity within 30 calendar days, Lender reserves the right to deem all of the balance and accrued interest due and payable immediately.

**ELECTRONIC COPIES.** Lender may copy, electronically or otherwise, and thereafter destroy, the originals of this Agreement and/or Related Documents in the regular course of Lender's business. All such copies produced from an electronic form or by any other reliable means (i.e., photographic image or facsimile) shall in all respects be considered equivalent to an original, and Borrower hereby waives any rights or objections to the use of such copies.

**CHANGE IN MEMBERSHIP.** If Borrower or Guarantor is a limited liability company, any change in ownership of twenty-five percent (25%) or more of the membership interest of Borrower or Guarantor is an Event of Default.

**CROSS DEFAULT.** An Event of Default, beyond the applicable cure period, if any, or an Event of Default under any other Loan or any Related Document will constitute an Event of Default under this Agreement and a default and an Event of Default under any other agreement by Borrower or any affiliate or subsidiary of Borrower with or in favor of Lender and under any evidence of any Loan or Indebtedness held by Lender, whether or not such is specified therein. Borrower acknowledges that some Loan Documents will be preprinted forms and that it is the intent of Borrower and Lender that all Loans and Guaranties by Borrower or any affiliate or subsidiary of Borrower with or in favor of Lender be cross-defaulted with each other.

**SUCCESSORS AND ASSIGNS.** Subject to any limitations stated in this Agreement on transfer of Borrower's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Borrower, Lender, without notice to Borrower, may deal with Borrower's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Borrower from the obligations of this Agreement or liability under the Indebtedness.

**MISCELLANEOUS PROVISIONS.** If any part of this Agreement cannot be enforced, this fact will not affect the rest of the Agreement. Lender may delay or forgo enforcing any of its rights or remedies under this Agreement without losing them. Borrower and any other person who signs, guarantees or endorses this Agreement, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Agreement, and unless otherwise expressly stated in writing, no party who signs this Agreement, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Agreement are joint and several.

**PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.**

**BORROWER:**

**LANDMARK BANCORP, INC**

*/s/ Mark A Herpich*

Mark A Herpich, Chief Fin. Officer/Secretary of  
Landmark Bancorp, Inc.

**LENDER:**

**FIRST NATIONAL BANK OF OMAHA**

*/s/ Tyler Sims*

Tyler Sims, Director

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a)**

I, Abigail M. Wendel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landmark 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2024

*/s/ Abigail M. Wendel*  
Abigail M. Wendel  
Chief Executive Officer

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**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a)**

I, Mark A. Herpich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landmark 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2024

*/s/ Mark A. Herpich*

Mark A. Herpich  
Chief Financial Officer

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

In connection with the Quarterly Report of Landmark Bancorp, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Abigail M. Wendel, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

*/s/ Abigail M. Wendel*

Abigail M. Wendel  
Chief Executive Officer  
November 13, 2024

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

In connection with the Quarterly Report of Landmark Bancorp, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark A. Herpich, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

*/s/ Mark A. Herpich*

Mark A. Herpich  
Chief Financial Officer  
November 13, 2024

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