CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

BANKERS' BANK OF THE WEST BANCORP, INC.
AND SUBSIDIARIES

December 31, 2023 and 2022

FORTNER BAYENS, PC
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bankers' Bank of the West Bancorp, Inc.
Denver, Colorado

We have audited the consolidated financial statements of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bankers' Bank of the West Bancorp, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bankers' Bank of the West Bancorp, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the 2023 and 2022 consolidated financial statements as a whole. The accompanying consolidating schedules on pages 37 through 40 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the consolidated financial statements. The supplemental consolidating schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating schedules have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting records used to prepare the consolidated financial statements and to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental consolidating schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fortner Bayens, PC

Denver, Colorado
February 16, 2024

Bankers' Bank of the West Bancorp, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
	(dollars in thousands)	
ASSETS		
Cash and due from banks	$ 1,184	$ 6,121
Interest-bearing deposits	26,041	28,484
Federal funds sold	10,101	42,993
Cash and cash equivalents	37,326	77,598
Securities available for sale	20,988	23,134
Securities held to maturity	19	51
Nonmarketable equity securities	2,412	2,390
Loans and leases	301,472	301,688
Less allowance for loan credit losses	(5,617)	(5,576)
	295,855	296,112
Premises, equipment and software, net	5,135	2,732
Accrued interest receivable	1,824	1,645
Company owned life insurance	15,354	13,229
Other assets	5,141	4,770
	$ 384,054	$ 421,661
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	$ 101,740	$ 131,643
Interest-bearing	156,399	131,792
Total deposits	258,139	263,435
Federal funds purchased	54,918	91,981
Accrued interest payable	246	168
Other liabilities	16,117	12,038
Total liabilities	329,420	367,622
Commitments and contingencies (notes D, E and I)		
Stockholders' equity		
Preferred stock - $20 par value, 250,000 shares authorized, 6,625 shares issued and outstanding at December 31, 2023 and 2022 Liquidation preference $1,000 per share	6,625	6,625
Common stock - $10 par value, 750,000 shares authorized, 205,750 shares issued and outstanding at December 31, 2023 and 2022	2,058	2,058
Capital surplus	13,256	13,256
Retained earnings	34,870	34,249
Accumulated other comprehensive income (loss)	(2,175)	(2,149)
Total stockholders' equity	54,634	54,039
	$ 384,054	$ 421,661

The accompanying notes are an integral part of these consolidated financial statements.

Bankers' Bank of the West Bancorp, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended December 31, 2023	2022
	(dollars in thousands)	
Interest income		
Interest and fees on loans and leases	$ 19,777	$ 14,905
Interest on taxable investment securities	684	543
Interest on deposits and federal funds sold	2,971	1,451
Total interest income	23,432	16,899
Interest expense		
Deposits	6,046	1,646
Federal funds purchased	4,600	1,847
Note payable	-	9
Total interest expense	10,646	3,502
Net interest income	12,786	13,397
Provision for loan credit losses	-	582
Net interest income after provision for credit losses	12,786	12,815
Noninterest income		
Service charges on deposit accounts	948	1,599
Merchant processing program	9,217	8,764
Correspondent services	1,973	3,619
Other income	992	758
Total noninterest income	13,130	14,740
Noninterest expenses		
Salaries and employee benefits	8,198	7,858
Occupancy and equipment	1,226	1,205
Data processing and software	1,058	1,020
Merchant processing program	8,456	8,056
Service charges	1,971	2,035
Other expenses	2,035	1,987
Total noninterest expenses	22,944	22,161
Income before income taxes	2,972	5,394
Income tax expense	675	1,297
NET INCOME	2,297	4,097
Other comprehensive income (loss)		
Net unrealized gains (losses) on securities available for sale	(35)	(2,729)
Tax effect	9	673
Total other comprehensive income (loss)	(26)	(2,056)
TOTAL COMPREHENSIVE INCOME	$ 2,271	$ 2,041

The accompanying notes are an integral part of these consolidated financial statements.

Bankers' Bank of the West Bancorp, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2023 and 2022

	Shares of preferred stock	Preferred stock	Shares of common stock	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total
				(dollars in thousands)				
Balance at December 31, 2021	7,375	$ 7,375	206,302	$ 2,063	$ 13,302	$ 31,674	$ (93)	$ 54,321
Net income	-	-	-	-	-	4,097	-	4,097
Other comprehensive loss	-	-	-	-	-	-	(2,056)	(2,056)
Cash dividends paid on preferred stock	-	-	-	-	-	(456)	-	(456)
Cash dividends paid on common stock	-	-	-	-	-	(1,001)	-	(1,001)
Redemption of preferred stock	(750)	(750)	-	-	-	-	-	(750)
Redemption of common stock	-	-	(552)	(5)	(46)	(65)	-	(116)
Balance at December 31, 2022	6,625	6,625	205,750	2,058	13,256	34,249	(2,149)	54,039
Cumulative effect adjustments for change in accounting principle - adoption of Accounting Standards Update 2016-13:								
Credit losses on loans	-	-	-	-	-	(24)	-	(24)
Credit losses on unfunded loan commitments	-	-	-	-	-	(150)	-	(150)
Deferred income tax effect	-	-	-	-	-	43	-	43
Net income	-	-	-	-	-	2,297	-	2,297
Other comprehensive loss	-	-	-	-	-	-	(26)	(26)
Cash dividends paid on preferred stock	-	-	-	-	-	(547)	-	(547)
Cash dividends paid on common stock	-	-	-	-	-	(998)	-	(998)
Balance at December 31, 2023	6,625	$ 6,625	205,750	$ 2,058	$ 13,256	$ 34,870	$ (2,175)	$ 54,634

The accompanying notes are an integral part of these consolidated financial statements.

Bankers' Bank of the West Bancorp, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended December 31, 2023	Years ended December 31, 2022
	(dollars in thousands)	
Cash flows from operating activities		
Net income	$ 2,297	$ 4,097
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	-	582
Depreciation and amortization on premises, equipment and software	1,358	1,114
Net amortization on investment securities	46	117
Stock dividends on nonmarketable equity securities	(22)	(9)
Earnings on company owned life insurance	(250)	(209)
Deferred income tax expense (benefit)	(87)	(148)
Principal reduction on operating lease liabilities	(692)	(701)
Changes in accruals and deferrals		
Interest receivable	(179)	(666)
Other assets	(232)	354
Interest payable	78	144
Other liabilities	1,329	(1,698)
Net cash provided by operating activities	3,646	2,977
Cash flows from investing activities		
Loan originations and principal collections, net	233	(47,696)
Purchase of securities available for sale	-	(4,538)
Proceeds from principal payments on securities available for sale	2,065	8,003
Proceeds from principal payments on securities held to maturity	32	44
Purchase of nonmarketable equity securities	-	(638)
Purchase of company owned life insurance	(1,875)	-
Expenditures for premises, equipment and software	(469)	(677)
Net cash used by investing activities	(14)	(45,502)
Cash flows from financing activities		
Net change in deposits	(5,296)	4,674
Net change in federal funds purchased	(37,063)	1,173
Payments on note payable	-	(495)
Dividends paid on preferred stock	(547)	(456)
Dividends paid on common stock	(998)	(1,001)
Redemption of common stock	-	(116)
Redemption of preferred stock	-	(750)
Net cash provided by (used by) financing activities	(43,904)	3,029
Net change in cash and cash equivalents	(40,272)	(39,496)
Cash and cash equivalents at beginning of year	77,598	117,094
Cash and cash equivalents at end of year	$ 37,326	$ 77,598
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Interest paid	$ 10,568	$ 3,358
Income taxes paid	332	1,683

The accompanying notes are an integral part of these consolidated financial statements.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

The accounting and reporting policies of Bankers' Bank of the West Bancorp, Inc. and Subsidiaries conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry. The following is a summary of the significant accounting and reporting policies:

<u>Organization, Principles of Consolidation and Reclassifications</u>

Bankers' Bank of the West Bancorp, Inc. ("Bancorp") is a financial holding company which owns 100% of Bankers' Bank of the West ("Bank") and 100% of BBW Consulting, Inc. BBW Consulting is the sole member of two limited liability subsidiaries, Bank Strategies, LLC and CivITas Bank Solutions, LLC. The entities are collectively referred to as "the Company."

The accompanying consolidated financial statements include the consolidated totals of the accounts of Bankers' Bank of the West Bancorp, Inc. and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation format.

<u>Nature of Operations</u>

The Company is headquartered in Denver, Colorado, and has an office in in Lincoln, Nebraska, and provides correspondent banking services and consulting services to financial institutions who are generally located in the Rocky Mountain and Great Plains geographic regions.

The Company is subject to competition from other entities, including other financial institutions, for loans, deposit accounts and correspondent services. The Company is also subject to regulation by certain governmental agencies and undergoes periodic examinations by those regulatory agencies. The Bank's primary regulators are the Federal Reserve and the State of Colorado Division of Banking, and the Bancorp's primary regulator is the Federal Reserve.

<u>Use of Estimates</u>

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan credit losses and the valuation of investment securities. In connection with the determination of the allowance for loan credit losses, management obtains independent appraisals for significant collateral and assesses estimated future cash flows from borrowers' operations and the liquidation of loan collateral. In connection with the valuation of investment securities, management obtains valuations from a third-party pricing service.

Management believes that the allowance for loan credit losses is adequate. While management uses available information to recognize losses on loans, changes in economic conditions may necessitate revisions in future years. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan credit losses. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within the Company's areas of operations. A majority of the Company's loans are related to real estate, and borrower's abilities to honor their loans are dependent upon the continued economic viability of the areas in which the Company lends. Note D discusses the types of lending in which the Company engages. Note B discusses the securities in which the Company invests.

Cash and Cash Equivalents

Cash and cash equivalents include cash, transaction accounts at other financial institutions, interest-bearing balances at the Federal Reserve Bank and at the Federal Home Loan Bank of Topeka, and federal funds sold. For the Statement of Cash Flows, net cash flows are reported for customer loan and deposit transactions. Management regularly evaluates the credit risk associated with other financial institutions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents.

Investment Securities Available for Sale and Held to Maturity

General Accounting Policies

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Debt securities not classified as held to maturity are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

The amortized cost of debt securities available for sale and held to maturity are adjusted for amortization of purchase premiums and accretion of purchase discounts. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. For mortgage-backed securities, the term of the security is the expected life of the security given estimated paydowns. For other securities, the term of the security is the final maturity or the earliest call date, if applicable, except in the case of purchase discounts which are accreted to final maturity.

Gains and losses on the sale of securities are determined using the specific identification method.

The accrual of interest on debt securities is discontinued at the time any principal or interest payments become significantly delinquent. Additionally, securities are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a security on nonaccrual status, interest accrued to date is reversed and is charged against the current year's interest income. Payments received on a security on nonaccrual status are applied against the balance of the security. A security is returned to accrual status when principal and interest are no longer past due and collectability is no longer doubtful.

Effect of Adoption of New Accounting Standards

Effective January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 implements Accounting Standards Codification ("ASC") Topic 326 ("ASC 326"), replacing the previous "incurred loss" model for measuring credit losses with an "expected loss" model that encompasses allowances for losses expected to be incurred over the life of the portfolio based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption did not result in the Company recording any credit losses on its investment securities held to maturity or available for sale, but as discussed below resulted in 1) changes in the manner in which credit losses on securities are estimated, and 2) changes in the manner in which credit losses on securities are presented in the financial statements.

Allowance For Credit Losses – Held to Maturity Securities: The allowance for credit losses on held to maturity securities is a contra-asset valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of held to maturity securities to present management's best estimate of the net amount expected to be collected. Held to maturity securities are charged-off against the allowance when deemed uncollectible by management. Adjustments to the allowance are reported in the income statement as a component of credit loss expense.

Management measures expected credit losses on held to maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management has made the accounting policy election to exclude accrued interest receivable on held-to-maturity securities from the estimate of credit losses.

Allowance For Credit Losses – Available for Sale Securities: For available for sale securities in an unrealized loss position, management first assesses whether (i) it intends to sell or (ii) it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis. If either case is affirmative, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Adjustments to the allowance are reported in the income statement as a component of credit loss expense. Management has made the accounting policy election to exclude accrued interest receivable on available for sale securities from the estimate of credit losses.

Available for sale securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Prior to the adoption of ASU 2016-13, declines in the fair value of held to maturity and available for sale securities below their cost that were deemed to be other than temporary were reflected in earnings as realized losses. In estimating other than temporary impairment losses prior to January 1, 2023, management considered, among other things, (i) the length of time and the extent to which the fair value had been less than cost, (ii) the financial condition and near-term prospects of the issuer and (iii) the intent and our ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Nonmarketable Equity Securities

Certain equity investments are carried at cost under the caption "nonmarketable equity securities" due to one or more of the following factors: the investments have no ready market, the investments have no quoted market price, the investments are subject to substantial transfer restrictions, the investments are marketable with a quoted price but are of such a de-minimis amount that accounting for the investment at fair value is impractical with no material effect on the consolidated financial statements.

Periodically, management evaluates nonmarketable equity securities to determine if ultimate recovery of the cost basis is likely. If an investment amount is deemed unlikely to be recovered, an impairment loss is recognized through earnings.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees and origination costs are recognized as incurred based upon management's determination that the deferral of these items over the life of the loan would have an immaterial impact to earnings for any given period.

The accrual of interest on any loan is discontinued at the time a loan is 90 days delinquent unless the loan is well secured and in process of collection. Additionally, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a loan on nonaccrual status, interest accrued to date is generally reversed and is charged against the current year's interest income. Payments received on a loan on nonaccrual status are applied against the balance of the loan. A loan is returned to accrual status when principal and interest are no longer past due and collectability is no longer doubtful.

Past due loans are any loans for which payments of interest, principal or both have not been received within the timeframes designated by the loan agreements. Loans with payments in arrears but for which borrowers have resumed making scheduled payments are considered past due until arrearages are brought current. Loans that experience insignificant payment delays or payment shortfalls generally are not considered past due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Financial difficulty modification loans are loans containing concessions in terms as a result of the borrower experiencing financial difficulty. Generally, concessions granted to customers include lower interest rates and modification of the payment stream to lower or defer payments. Interest on financial difficulty modification loans is accrued under the new terms if the loans are performing and full collection of principal and interest is expected. However, interest accruals are discontinued on financial difficulty modification loans that meet the Company's nonaccrual criteria. A loan may be considered a financial difficulty modification loan regardless of whether it is considered a continuation of an existing loan or a new loan that replaces an existing loan.

The quality of the Company's loan portfolio is assessed as a function of the levels of past due loans and nonaccrual loans, and internal credit quality ratings which are updated quarterly by management. The ratings on the Company's internal credit scale are an important part of the Company's overall credit risk management process and are considered in the determination of the allowance for loan credit losses. The ratings on the Company's internal credit scale are broadly grouped into the categories "non-classified" and "classified," with detailed ratings as follows:

Non-Classified

Pass - Loans with minimal to average identified credit risk. These loans have borrowers considered creditworthy who can repay the debt in the normal course of business. Borrowers have a sound primary and secondary repayment source, with sufficient cash generation to meet ongoing debt service requirements. Loans are typically fully secured with marketable, margined collateral.

Special mention - Loans with potential credit weaknesses which deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects or the Company's credit position at some future date. These loans exhibit characteristics such as declining or stressed financial condition of the borrower and declining or narrow collateral coverage.

Classified

Substandard - Loans inadequately protected by the current financial condition and paying capacity of the borrower or the collateral pledged, if any. These loans have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. These loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. In some instances, though not all, the weakness or weaknesses in these loans will necessitate nonaccrual treatment.

Doubtful - Loans in this category have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The probability of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the loans, classification as a loss is deferred until more exact status may be determined.

Loss - Loans considered loss are considered uncollectable and of such little value that their continuance as a bankable asset, even with a valuation allowance, is not warranted. This does not mean the loans have no recovery or salvage value, but rather it is not practical or desirable to defer a charge-off even though a partial recovery may be affected in the future. Loans classified as a loss are charged-off in the period they are deemed uncollectible.

Loans are charged off in whole or in part when they become significantly past due and/or management's periodic analysis classifies the loan as "loss." Charge off amounts are determined based upon the carrying amount of loans and the amount estimated to be collectable as determined by analyses of expected future cash flows and the liquidation of loan collateral.

Allowance for Loan Credit Losses

General Accounting Policies

The allowance for loan credit losses is a contra-asset valuation account that is deducted from the amortized cost basis of loans to present management's best estimate of the net amount expected to be collected. Loans are charged-off against the allowance when deemed uncollectible by management. Subsequent recoveries, if any, are credited to the allowance. Adjustments to the allowance, other than charge-offs and recoveries (and the cumulative effect of new accounting standards as described below), are recorded to the income statement as a provision or reversal for credit loss.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the starting point for the estimation of expected credit losses. Adjustments to historical loss rates are made for differences between past, current and future expected loan risk characteristics such as economic conditions and the nature and volume of the loan portfolio – including internal credit ratings, the volume and severity of past due loans, credit concentrations, lending policies, management experience, collateral values, loan review systems and other relevant factors.

The allowance is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share similar risk characteristics are evaluated on an individual basis. For purposes of collective evaluation, the Company classifies its loan portfolio by loan segment, with certain segments disaggregated into more specific classifications for disclosure purposes. Loan classifications are described in Note D to the financial statements. For purposes of specific evaluation, the Company evaluates loans graded special mention, substandard, doubtful and loss. Although the allowance is determined through collective evaluation by loan segment and through specific evaluation, the entire allowance is available for any loan that, in management's judgment, should be charged off.

When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, the loans are considered collateral-dependent and expected losses are based on the fair value of collateral at the reporting date, adjusted for selling costs as appropriate.

Effect of Adoption of New Accounting Standards

Effective January 1, 2023, the Company adopted Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 implements Accounting Standards Codification ("ASC") Topic 326 ("ASC 326"), replacing the previous "incurred loss" model for measuring credit losses with an "expected loss" model that encompasses allowances for losses expected to be incurred over the life of the portfolio based on historical experience, current conditions, and reasonable and supportable forecasts. Adoption resulted in a $24,000 increase in the allowance for loan credit losses and a corresponding $24,000 decrease in retained earnings for the cumulative effect of the change as of the date of adoption. Loan credit loss methodologies are discussed below.

Allowance for Loan Credit Losses Methodology - 2023

The allowance analysis is prepared at least quarterly. The Company calculates a proxy expected life-of-loan loss rate for each loan segment except "bank stock loans" by 1) calculating the median "segment credit loss allowance to segment loan balance" ratio as of the previous quarter-end for a group of approximately 450 banks in the Company's market areas, and 2) adjusting each segment's median ratio by the amount by which the Company's own ten-year total average net charge-off percentage differs from the ten-year total average net charge-off percentage for the Company's direct regulatory peer group (other bankers' banks). For the 'bank stock loan' segment, the Company uses its own history as data underlying a median calculation is not publicly available. The proxy life-of-loan historical loss rate for each loan segment is then adjusted for loan risk characteristics expected to cause future losses to differ from the historical amount. The expected future loss rate for each segment is multiplied by the outstanding segment balance to determine the collective credit loss amount. This amount is added to any credit loss determined on individually evaluated loans. Adjustments to life-of-loan historical loss rates for the effect of loan risk characteristics are inherently subjective and subject to significant revision as expectations about future conditions change.

For individually evaluated loans for which repayment is expected solely from the collateral, the allowance for credit losses is measured based on the fair value of the collateral. For other individually evaluated loans, the allowance for credit losses may be measured based on the fair value of the collateral or expected future cash flows determined through an analysis of the borrower's current and future expected financial condition and other relevant factors. Individually evaluated loans are assessed at least quarterly, though certain underlying information such as collateral appraisals and tax returns could be updated more infrequently depending on particular circumstances of the loan and type of information.

The Company has elected not to estimate an allowance for loan credit losses on accrued interest receivable and record losses against current year interest income when loans are placed on nonaccrual.

Allowance for Credit Losses Methodology – Prior to 2023

The allowance analysis was prepared at least quarterly. Similar to current methodology, the allowance for loan credit losses was determined by multiplying loan balances by an adjusted historical charge-off rate and adding the result to credit loss determined on individually evaluated loans. The primary differences to current methodology are that a singular total historical loss rate was applied to estimate losses currently within each loan segment rather than applying segment-specific proxy loss rates to estimate losses over the life of the loan segment, type stratification of loan segments was less granular at the model input level, and individually analyzed loans were limited to loans considered "impaired" which included only nonaccrual loans and certain loans modified to borrowers experiencing financial difficulty. The Company did not estimate an allowance for loan credit losses on accrued interest receivable and recorded losses against current year interest income when loans were placed on nonaccrual.

Allowance for Credit Losses Methodology – 2023 vs. Prior Years

Although methodology used throughout 2022 was an "incurred loss" methodology as compared to the 2023 "expected loss" methodology, practically the 2022 methodology contemplated expected losses due to limited recent loss history and heavier reliance on risk characteristic adjustments. The change in methodology from 2022 to 2023 resulted in the aforementioned $24,000 adjustment to the allowance, though as indicated by the table of 2023 allowance activity in Note D the amount is the net effect of larger adjustments within the various loan types due to changes in historical loss rates with the change to a life-of-loan methodology. Certain loan and allowance for loan credit loss disclosures in Note D for 2022 have been modified to conform to the disclosure requirements under ASC 326.

Premises, Equipment and Software / Lease Liabilities

Company leasehold improvements and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation on furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets. Amortization on leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the terms of the leases including expected renewal options. Software acquisition and development costs are also included in this category and are amortized using the straight-line method over the expected useful life of the software platforms.

At the inception of leases for premises the Company records lease liabilities for the present value of fixed lease payments not yet paid and records corresponding right-of-use assets. Interest on the lease liabilities and amortization of the right-of-use assets is recorded as rent expense such that the combination of interest and amortization results in straight-line expense over the lease terms. The cumulative amount of straight-line rent expense to be recorded over the lease terms is equal to the total undiscounted fixed lease payments under the lease agreements. The right-of-use assets and related accumulated amortization are classified with premises, equipment, and software. The lease liabilities are classified with other liabilities. Variable lease costs, such as pass-through operating costs of the lessors, are expensed as incurred. Right-of-use assets and lease liabilities are not recorded for equipment leases based on immateriality.

Foreclosed Real Estate

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure a valuation allowance is recorded through earnings. Operating costs of foreclosed real estate are expensed as incurred. Gain or loss on sale, if any, is recognized at the time of sale.

Company Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for surrender charges and other amounts estimated to be due if the policies were surrendered.

Accounting guidance requires the recognition of a liability and related compensation expense for split-dollar life insurance policies that provide a benefit to an employee that extends to post-retirement periods. Life insurance policies purchased for the purpose of providing such benefits do not effectively settle an entity's obligation to the employee. Accordingly, the Company must recognize a liability and related compensation expense during the employee's active service period based on the future cost of insurance to be incurred during the employee's retirement.

Income Taxes

The Bancorp files a consolidated return with its subsidiaries. However, the income tax provision is allocated to each entity as if they file separate income tax returns.

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities (excluding deferred tax assets and liabilities related to other comprehensive income). Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Management periodically assesses the deferred tax asset, and a valuation allowance is recorded if the full amount is not expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. The only component of other comprehensive income is net unrealized holding gains and losses on securities available for sale, net of related tax effects.

Noninterest Income

Noninterest income, other than gains on sales of assets, is substantially comprised of service charges on deposit accounts, and fees for correspondent services and merchant processing. Service charges on deposit accounts largely consist of account analysis fees, plus charges for deposit items returned for non-sufficient funds or paid as an overdraft. Merchant processing largely consists of fees for merchant card processing services. Correspondent services consists largely of fees for foreign exchange services and safekeeping services, plus other ancillary fees. In all instances, noninterest income is recognized concurrent with the Company's satisfaction of the underlying performance obligation, which typically occurs at a single point in time as a transaction or statement cycle is completed.

Off- Balance Sheet Financial Instruments

In the ordinary course of business, the Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit, unused lines of credit, standby letters of credit and undisbursed loans in process (collectively, "unfunded loan commitments"). These financial instruments are recorded in the financial statements when they are funded.

In conjunction with the determination of the allowance for loan credit losses and using the same criteria, the Company determines the extent of credit risk on its unfunded loan commitments and whether there are credit losses on those instruments for which a loss provision is necessary. Prior to January 1, 2023, the Company determined that there is minimal credit risk on its unfunded loan commitments and accordingly did not record a credit loss provision or allowance for those instruments separate from the provision and allowance for loan credit losses. As a result of the January 1, 2023 adoption of Accounting Standards Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, the Company began recording estimated credit losses on unfunded loan commitments. The allowance for credit losses on unfunded loan commitments is carried as a component of Other Liabilities, and changes in the allowance are recorded as a credit loss provision or reversal (other than the initial cumulative effect of adoption which increased the allowance by $150,000 and decreased retained earnings $150,000).

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished and, for loan participations sold, incoming cash flows on the base loan are allocated to all participants on a pro-rata basis. Control over transferred assets is deemed to be relinquished when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, excluding transaction costs. When measuring fair value, entities should maximize the use of observable inputs and minimize the use of unobservable inputs. The following describes the three levels of inputs that may be used to measure fair value:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- *Level 2 Inputs*— 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 Inputs*—Unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Subsequent Events

Management evaluates events occurring subsequent to the balance sheet date, through the date the financial statements are eligible to be issued, to determine whether the events require recognition or disclosure in the financial statements. With respect to the December 31, 2023 consolidated financial statements, Management has considered subsequent events through February 16, 2024.

NOTE B – SECURITIES AVAILABLE FOR SALE AND HELD TO MATURITY

The amortized cost and fair value of investment securities available for sale and held to maturity, with gross unrealized gains and losses, follows:

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Debt securities available for sale				
U.S. Treasury	$ 5,936	$ -	$ (761)	$ 5,175
Mortgage backed securities	10,370	-	(1,485)	8,885
Collateralized mortgage obligations	3,954	-	(86)	3,868
SBA loan pools	989	-	(39)	950
State and municipal	1,610	-	(375)	1,235
Corporate	1,016	-	(141)	875
Total	$ 23,875	$ -	$ (2,887)	$ 20,988
Debt securities held to maturity				
Mortgage backed securities	$ 19	$ -	$ -	$ 19

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Debt securities available for sale				
U.S. Treasury	$ 5,921	$ -	$ (790)	$ 5,131
Mortgage backed securities	11,705	-	(1,501)	10,204
Collateralized mortgage obligations	4,611	2	(59)	4,554
SBA loan pools	1,111	6	-	1,117
State and municipal	1,613	-	(405)	1,208
Corporate	1,025	-	(105)	920
Total	$ 25,986	$ 8	$ (2,860)	$ 23,134
Debt securities held to maturity				
Mortgage backed securities	$ 51	$ -	$ (1)	$ 50

At December 31, 2023 and 2022, mortgage-backed securities and collateralized mortgage obligations are comprised entirely of obligations issued by Ginnie Mae, Freddie Mac and Fannie Mae. At December 31, 2023 and 2022, state and municipal securities are comprised of bonds issued by various states and municipalities are rated "A" or better by a nationally recognized statistical rating organization. At December 31, 2023 and 2022, corporate bonds are comprised of subordinated debt issued by financial institution holding companies and are unrated.

The amortized cost and fair value of investment securities at December 31, 2023, by contractual maturity, are shown below. Maturity information for mortgage-backed securities, collateralized mortgage obligations and loan pools is not presented as these securities paydown monthly based upon the repayments of the loans underlying the bonds:

	Amortized Cost	Fair Value
	(in thousands)	
Debt securities available for sale		
Within one year	$ -	$ -
After one year through five years	2,984	2,761
After five years through ten years	5,072	4,161
Over ten years	506	363
	8,562	7,285
Mortgage backed securities	10,370	8,885
Collateralized mortgage obligations	3,954	3,868
SBA loan pools	989	950
	$ 23,875	$ 20,988
Debt securities held to maturity		
Mortgage backed securities	$ 19	$ 19

Information pertaining to investment securities, with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	December 31, 2023			
	Less than 12 months		Over 12 months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)			
Debt securities available for sale				
U.S. Treasury	$ -	$ -	$ 5,175	$ 761
Mortgage backed securities	-	-	8,885	1,485
Collateralized mortgage obligations	57	1	3,811	85
SBA loan pools	950	39	-	-
State and municipal	-	-	1,235	375
Corporate	-	-	875	141
Total	$ 1,007	$ 40	$ 19,981	$ 2,847

	December 31, 2022			
	Less than 12 months		Over 12 months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(in thousands)			
Debt securities available for sale				
U.S. Treasury	$ -	$ -	$ 5,131	$ 790
Mortgage backed securities	2,720	166	7,483	1,335
Collateralized mortgage obligations	4,279	58	137	1
State and municipal	-	-	1,208	405
Corporate	-	-	920	105
Total	$ 6,999	$ 224	$ 14,879	$ 2,636
Debt securities held to maturity				
Mortgage backed securities	$ 50	$ 1	$ -	$ -

At December 31, 2023 and 2022, unrealized losses are largely due to differences in market yields as compared to yields available at the time securities were purchased. The Company has the ability and intent to hold investment securities for a period of time sufficient for a recovery of cost, and credit loss analysis has not identified the need to record an allowance for credit losses on securities available for sale or held to maturity.

At December 31, 2023 and 2022 there are no investment securities on nonaccrual status and no securities for which principal or interest is past due.

At December 31, 2023 and 2022, investment securities with a carrying value of $160,000 and $162,000, respectively, were pledged to secure public deposits and for other purposes.

During 2023 and 2022, the Company did not sell any investment securities.

NOTE C - NONMARKETABLE EQUITY SECURITIES

The components of nonmarketable equity securities at December 31 are as follows:

	2023	2022
	(in thousands)	
Federal Reserve Bank of Kansas City: capital stock	$ 490	$ 490
Federal Home Loan Bank of Topeka: capital stock	529	507
Bankers' Banc Investment Services, LLC: member interest	730	730
Aptys Solutions, LLC: member interest	638	638
Data Center, Inc.: common stock	25	25
Principal Financial Group, Inc.: common stock	-	-
Visa, Inc.: class B common stock	-	-
	$ 2,412	$ 2,390

The Company, as a member of the Federal Reserve and Federal Home Loan Bank systems, is required to maintain an investment in the capital stock of these entities. These stocks may only be redeemed by the Federal Reserve and Federal Home Loan Bank at par.

The Company has less than a 10% ownership share of Bankers' Banc Investment Services, LLC, which wholly owns First Bankers Banc Securities, Inc. of St. Louis, Missouri, a securities dealer servicing community banks and their investment portfolio needs. Bankers' Banc Investment Services, LLC is owned in conjunction with other bankers' banks.

The Company has less than a 5% ownership share of Aptys Solutions, LLC, a provider of cloud-based, end-to-end payment solutions, including the BRIDGE correspondent cash management system used by the Company and its customers. This investment supports growth and development of payment solutions for community banks and includes board representation. Aptys Solutions, LLC is owned in conjunction with other bankers' banks and corporate credit unions.

The Company owns a de-minimis investment in the common stock of Data Center, Inc., a provider of core data processing and digital solutions for financial institutions. The Company utilizes Data Center Inc. for its subsidiary bank's core processing. Data Center, Inc. is privately held.

The Company owns a de-minimis investment in the common stock of Principal Financial Group, Inc. with a zero-cost basis. This stock is publicly traded but the Company deems it impractical to account for the stock at fair value with no material effect to the consolidated financial statements. At December 31, 2023 the fair value of this stock is $27,000.

In 2008, the Company received Visa Class B restricted shares as part of Visa's initial public offering. These shares are transferable only under limited circumstances until they can be converted into the publicly traded Class A common shares. This conversion will not occur until the settlement of certain litigation which will be indemnified by Visa members, including the Company. Visa funded an escrow account from its initial public offering to settle these litigation claims. Should this escrow account be insufficient to cover these litigation claims, Visa is entitled to fund additional amounts to the escrow account by reducing each member's Class B conversion ratio to unrestricted Class A shares.

The conversion ratio and class A per-share closing price at December 31, 2023 are 1.5875 and $260.35, respectively. Based on the transfer restrictions and the uncertainty of the outcome of outstanding litigation against Visa, Class B shares that the Company owns are carried at a zero-cost basis. At December 31, 2023, the Company owns 12,000 class B shares with an implied $4,960,000 value based on the conversion ratio and Class A per-share price.

The Company occasionally sells its Visa Class B shares to other financial institutions. Concurrent with every sale the Company enters into an agreement with the buyer that requires payment to the buyer in the event Visa further reduces the conversion ratio. In 2023 and 2022, the Company did not sell any Class B shares.

Subsequent to December 31, 2023, Visa shareholders approved a proposed exchange offer redenominating Class B shares as Class B-1 shares, with one-half of the Class B-1 shares being convertible into class C shares that are further convertible into class A shares over a period of time without the transfer restrictions of class B-1 shares. As of February 16, 2024, the Company has not made a determination of whether it will attempt to participate in the exchange offering.

NOTE D – LOANS AND ALLOWANCE FOR LOAN CREDIT LOSSES

Major classifications of loans at December 31 are as follows:

	2023	2022
	(in thousands)	
Real Estate		
Commercial	$ 148,790	$ 136,402
Construction, land and land development	45,264	62,611
Farmland	8,835	9,764
Residential	7,984	4,809
Total real estate	210,873	213,586
Non Real Estate		
Agriculture production	18,996	16,952
Commercial, non real estate	50,661	43,722
Bank stock	19,264	26,499
Other	1,678	929
Total non real estate	90,599	88,102
Total loans	$ 301,472	$ 301,688

At December 31, 2023 the Company had $4,000 in outstanding loans receivable from directors, officers and principal owners of the Company and their related business interests. At December 31, 2022 the Company had $1.669,000 in outstanding loans receivable from directors, officers and principal owners of the Company and their related business interests. At December 31, 2023 the Company has $5,000,000 in unfunded loan commitments to directors, officers and principal owners of the Company and their related business interests.

The Company has $68,056,000 and $49,443,000 of loans pledged to secure borrowing facilities at December 31, 2023 and 2022, respectively.

The carrying amount of loans by past due and performance status are as follows:

	December 31, 2023				
	Loans By Past Due and Performance Status				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
	(in thousands)				
Real Estate					
Commercial	$ 148,790	$ -	$ -	$ -	$ 148,790
Construction, land and land development	45,264	-	-	-	45,264
Farmland	8,835	-	-	-	8,835
Residential	7,984	-	-	-	7,984
Total real estate	210,873	-	-	-	210,873
Non Real Estate					
Agriculture production	18,996	-	-	-	18,996
Commercial, non real estate	50,661	-	-	-	50,661
Bank stock	19,264	-	-	-	19,264
Other	1,678	-	-	-	1,678
Total non real estate	90,599	-	-	-	90,599
Total loans	$ 301,472	$ -	$ -	$ -	$ 301,472

	December 31, 2022				
	Loans By Past Due and Performance Status				
	Accruing Loans				
	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual Loans	Total Loans
	(in thousands)				
Real Estate					
Commercial	$ 136,402	$ -	$ -	$ -	$ 136,402
Construction, land and land development	62,611	-	-	-	62,611
Farmland	9,764	-	-	-	9,764
Residential	4,809	-	-	-	4,809
Total real estate	213,586	-	-	-	213,586
Non Real Estate					
Agriculture production	16,952	-	-	-	16,952
Commercial, non real estate	42,557	1,165	-	-	43,722
Bank stock	26,499	-	-	-	26,499
Other	929	-	-	-	929
Total non real estate	86,937	1,165	-	-	88,102
Total loans	$ 300,523	$ 1,165	$ -	$ -	$ 301,688

No interest income was recognized on nonaccrual loans in 2023 or 2022.

The carrying amount of loans by credit quality indicator are as follows:

	December 31, 2023				
	Credit Rating				
	Pass	Special Mention	Substandard	Doubtful	Total loans
	(in thousands)				
Real Estate					
Commercial	$ 148,350	$ -	$ 440	$ -	$ 148,790
Construction, land and land development	45,264	-	-	-	45,264
Farmland	8,835	-	-	-	8,835
Residential	7,984	-	-	-	7,984
Total real estate	210,433	-	440	-	210,873
Non Real Estate					
Agriculture production	18,996	-	-	-	18,996
Commercial, non real estate	50,661	-	-	-	50,661
Bank stock	19,264	-	-	-	19,264
Other	1,678	-	-	-	1,678
Total non real estate	90,599	-	-	-	90,599
Total loans	$ 301,032	$ -	$ 440	$ -	$ 301,472

	December 31, 2022				
	Credit Rating				
	Pass	Special Mention	Substandard	Doubtful	Total loans
	(in thousands)				
Real Estate					
Commercial	$ 136,402	$ -	$ -	$ -	$ 136,402
Construction, land and land development	62,611	-	-	-	62,611
Farmland	9,764	-	-	-	9,764
Residential	4,809	-	-	-	4,809
Total real estate	213,586	-	-	-	213,586
Non Real Estate					
Agriculture production	16,952	-	-	-	16,952
Commercial, non real estate	43,722	-	-	-	43,722
Bank stock	26,499	-	-	-	26,499
Other	929	-	-	-	929
Total non real estate	88,102	-	-	-	88,102
Total loans	$ 301,688	$ -	$ -	$ -	$ 301,688

At December 31, 2023, the Company has no loans modified in 2023 where the modification was deemed a financial difficulty modification. At December 31, 2023 and 2022, the Company has no collateral-dependent loans.

Transactions in the allowance for loan credit losses are as follows:

	Year Ended December 31, 2023						
	Balance - Beginning of Year	Effect of Accounting Standard Change	Provision (Reversal)	Charge-Offs	Recoveries	Net (Charge-Offs) Recoveries	Balance - End of Year
	(in thousands)						
Real Estate							
Commercial	$ 2,382	$ (39)	$ 136	$ -	$ -	$ -	$ 2,479
Construction, land and land development	819	432	(280)	-	-	-	971
Farmland	267	(100)	(59)	-	-	-	108
Residential	62	-	63	-	-	-	125
Total real estate	3,530	293	(140)	-	-	-	3,683
Non Real Estate							
Agriculture production	465	(187)	(46)	-	-	-	232
Commercial, non real estate	572	292	323	-	11	11	1,198
Bank stock	996	(366)	(128)	-	-	-	502
Other	13	(8)	(9)	-	6	6	2
Total non real estate	2,046	(269)	140	-	17	17	1,934
	$ 5,576	$ 24	$ -	$ -	$ 17	$ 17	$ 5,617

	Year Ended December 31, 2022						
	Balance - Beginning of Year	Effect of Accounting Standard Change	Provision (Reversal)	Charge-Offs	Recoveries	Net (Charge-Offs) Recoveries	Balance - End of Year
	(in thousands)						
Real Estate							
Commercial	$ 2,726	$ -	$ (344)	$ -	$ -	$ -	$ 2,382
Construction, land and land development	610	-	209	-	-	-	819
Farmland	351	-	(84)	-	-	-	267
Residential	53	-	9	-	-	-	62
Total real estate	3,740	-	(210)	-	-	-	3,530
Non Real Estate							
Agriculture production	534	-	(69)	-	-	-	465
Commercial, non real estate	351	-	232	(11)	-	(11)	572
Bank stock	489	-	507	-	-	-	996
Other	14	-	122	(123)	-	(123)	13
Total non real estate	1,388	-	792	(134)	-	(134)	2,046
	$ 5,128	$ -	$ 582	$ (134)	$ -	$ (134)	$ 5,576

The quality of the Company's loan portfolio is impacted by a number of risk factors, often interrelated, that are considered by management in the development of the allowance for loan credit losses. For mortgage loans secured by commercial real estate, major risk factors include demand levels for products and services, rental rates and real estate prices. For mortgage loans secured by residential real estate, major risk factors include unemployment levels and real estate prices. For agricultural loans, including farmland and agricultural production, significant risk factors include livestock and crop prices, input costs, production yields and lack or restriction of water supply. For commercial non real estate loans, major risk factors include demand for products and services, and general economic activity levels. For bank stock loans, the major risk factors are bank income, capital and liquidity levels. High interest rates and inflation are also pertinent risk factors across all loan segments. Because the Company's market areas are diverse and loans are substantially comprised of loan participations purchased from other financial institutions, the level of risk can differ markedly depending on the location of the loan.

In assessing the risk factors as of December 31, 2023, management considers overall current conditions to generally be good, and expects future conditions to be similar for the next year although some uncertainty exists. Interest rates and inflation remain elevated, but increases have recently eased. Real estate prices for all real estate loan types are generally strong, and modest economic growth is generally occurring in the Company's markets. Concerns exist over the impact of drought conditions on agricultural borrowers, though conditions have improved in certain areas. Concerns also exist over whether demand and pricing for commercial real estate can be sustained, and whether tightening liquidity at financial institutions will strain bank stock loan debt service. The Company has a concentration in commercial real estate. The assessments are similar to those as of December 31, 2022.

The following tables present quantitative information on the composition of the allowance for loan credit losses. Changes in composition from 2022 to 2023 reflect increased allocations based on historical losses due to the adoption of ASC 326 methodology, and reduced allocations based on risk factor adjustments, given overall limited change in the Company's assessment of credit risk factors inclusive of but not limited to the significant factors discussed above.

December 31, 2023

	Total Allowance		Portion Based on Historical Charge-Offs		Portion Based on Risk Factor Adjustments		Portion Based on Specific Allocations	
	Amount	Percent of outstanding loans	Amount	Percent of outstanding loans	Amount	Percent of outstanding loans	Amount	Percent of outstanding loans
	(dollars in thousands)							
Real Estate								
Commercial	$2,479	1.67	$1,563	1.05	$ 916	0.62	$ -	-
Construction, land and land development	971	2.15	703	1.55	268	0.60	-	-
Farmland	108	1.22	74	0.84	34	0.38	-	-
Residential	125	1.57	85	1.06	40	0.51	-	-
Total real estate	3,683	1.75	2,425	1.15	1,258	0.60	-	-
Non Real Estate	-							
Agriculture production	232	1.22	159	0.84	73	0.38	-	-
Commercial, non real estate	1,198	2.36	847	1.67	351	0.69	-	-
Bank stock	502	2.61	398	2.07	104	0.54	-	-
Other	2	0.12	-	-	2	0.12	-	-
Total non real estate	1,934	2.13	1,404	1.55	530	0.58	-	-
	$5,617	1.86	$3,829	1.27	$1,788	0.59	$ -	-

December 31, 2022

	Total Allowance		Portion Based on Historical Charge-Offs		Portion Based on Risk Factor Adjustments		Portion Based on Specific Allocations	
	Amount	Percent of outstanding loans	Amount	Percent of outstanding loans	Amount	Percent of outstanding loans	Amount	Percent of outstanding loans
	(dollars in thousands)							
Real Estate								
Commercial	$2,382	1.75	$1,023	0.75	$1,359	1.00	$ -	-
Construction, land and land development	819	1.31	470	0.75	349	0.56	-	-
Farmland	267	2.73	73	0.75	194	1.98	-	-
Residential	62	1.29	36	0.75	26	0.54	-	-
Total real estate	3,530	1.65	1,602	0.75	1,928	0.90	-	-
Non Real Estate								
Agriculture production	465	2.74	127	0.75	338	1.99	-	-
Commercial, non real estate	572	1.31	328	0.75	244	0.56	-	-
Bank stock	996	3.76	-	-	996	3.76	-	-
Other	13	1.40	7	0.75	6	0.65	-	-
Total non real estate	2,046	2.32	462	0.52	1,584	1.80	-	-
	$5,576	1.85	$2,064	0.68	$3,512	1.17	$ -	-

NOTE E – PREMISES, EQUIPMENT AND SOFTWARE / LEASE LIABILITY

At December 31, premises, equipment and software consisted of the following:

	2023	2022
	(in thousands)	
Right-of-use assets for premises operating leases	$ 5,609	$ 2,317
Leasehold improvements	105	105
Furniture and equipment	1,051	1,147
Software	3,083	3,053
	9,848	6,622
Accumulated depreciation and amortization	(4,713)	(3,890)
	$ 5,135	$ 2,732

At December 31, 2023 and 2022, the Company's operating lease liabilities for leased premises total $4,556,000 and $1,824,000, respectively, and are included as a component of other liabilities. Total rent expense for premises operating leases, including variable costs, was $851,000 and $856,000 in 2023 and 2022, respectively. In 2023, changes in the lease liability and right-of-use asset include an increase of $3,292,000 as a result of the result of the Company extending the lease on its headquarters facility to year 2031.

Future undiscounted minimum rent commitments for premises operating leases are as follows:

Year	(in thousands)
2024	$ 792
2025	279
2026	231
2027	920
2028	920
Thereafter	2,229
	$ 5,371

The $815,000 difference between the December 31, 2023 lease liability and the rent commitment total in the tables above is the future interest component of the liability to be included rent expense over the remaining term of the leases.

The Company's lease agreements may contain renewal options available at expiration. The right-of-use assets, lease liabilities and lease commitments above do not include amounts related to extension periods unless the Company is reasonably certain to exercise the renewal option. The Company does not believe that is reasonably certain that a renewal option will be exercised until alternatives are evaluated and an affirmative decision to renew has been made.

NOTE F – DEPOSITS

At December 31, deposits consisted of the following:

	2023	2022
	(in thousands)	
Noninterest-bearing accounts	$ 101,740	$ 131,643
Money market accounts	33,205	17,381
Time certificates of deposit	123,194	114,411
Total deposits	$ 258,139	$ 263,435
Time certificates of deposit greater than $250,000	$ 2,225	$ 16,253
Brokered time certificates of deposit	$ 60,124	$ 55,545
Brokered money market accounts	$ 10,038	$ -

Scheduled maturities of time deposits are as follows at December 31, 2023:

Year	(in thousands)
2024	$ 65,767
2025	35,019
2026	9,841
2027	12,267
2028	300
	$ 123,194

NOTE G - INCOME TAXES

Income tax expense is comprised of the following for the years ended December 31:

	2023	2022
	(in thousands)	
Current tax provision		
Federal	$ 621	$ 1,181
State	141	264
	762	1,445
Deferred tax provision (benefit)		
Federal	(74)	(133)
State	(13)	(15)
	(87)	(148)
	$ 675	$ 1,297

The difference between income tax expense at the 21% statutory federal rate on pretax income and the Company's effective tax rate of 23% for 2023 and 24% for 2022 is due primarily to increases for state income taxes and reductions for nontaxable increases in the cash surrender value of insurance policies.

The net deferred tax asset, included as a component of other assets, is comprised of the following as of December 31:

	2023	2022
	(in thousands)	
Deferred tax assets		
Salary continuation plan	$ 839	$ 789
Allowances for credit losses	298	256
Split-dollar life insurance benefit	243	236
Premises, equipment and software	130	64
Net unrealized loss on available for sale securities	712	703
Other	165	178
	2,387	2,226
Deferred tax liabilities		
Other	(31)	(9)
	(31)	(9)
Net deferred tax asset	$ 2,356	$ 2,217

In 2023, the Company's deferred tax asset increased $43,000 as a result of the tax effect of increases to the allowances for credit losses on loans and on unfunded loan commitments recorded as a cumulative effect adjustment for the adoption Accounting Standards Update 2016-13.

NOTE H – BORROWINGS

Federal Funds

The Company has direct federal funds borrowing lines with its correspondent banks, and access to the Federal Reserve's Discount Window, with an aggregate credit limit of $156,845,000 at December 31, 2023. The Company had no outstanding borrowings under these lines at December 31, 2023 and 2022. The federal funds lines component totals $108,300,000 and is discretionary, with funding requests made by the Company subject to the lending institutions' approval and funding availability at the time of request. The federal funds lines are unsecured, while Discount Window capacity is secured by loans.

At December 31, 2023 and 2022, the Company separately had $54,918,000 and $91,881,000, respectively, in federal funds purchased as a result of its correspondent operations. The amounts represent the excess of funds received from other institutions as agent over the amount placed with other institutions as agent.

Note Payable

The Company has a revolving line of credit from another financial institution with an available credit limit of $5,000,000. Interest on the line accrues at 0.25% less than the prime rate published by the Wall Street Journal (with a 3.25% floor) and is due quarterly. Principal is due by maturity in September, 2024. The loan is secured by all the common stock of the Bank. At both December 31, 2023 and 2022, the outstanding balance on the line is $-0-.

NOTE I - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit (collectively, "unfunded loan commitments"). The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of non-performance by the other party to the financial instrument for unfunded loan commitments is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company, is based on management's credit evaluation. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and real estate.

Financial instruments whose contract amounts represent credit risk are as follows as of December 31:

	2023	2022
	(in thousands)	
Commitments to extend credit	$ 149,187	$ 165,128

At December 31, 2023 and 2022 the Company has an allowance for credit losses on unfunded loan commitments of $150,000 and $-0-, respectively, carried as a component of Other Liabilities. In 2023 and 2022 the Company did not record any credit loss provisions related to unfunded loan commitments. The $150,000 increase in the allowance for credit losses on unfunded loan commitments in 2023 is the cumulative effect adjustment for the adoption of Accounting Standards Update 2016-13.

NOTE J - EMPLOYEE BENEFIT PLANS

The Company provides a 401(k) plan in which substantially all of its employees may participate. The Company may make matching contributions of 100% of the first 5% of a participant's compensation deferred. The Company also provides a noncontributory profit-sharing plan. The amount of the contribution to the noncontributory plan may equal up to 2.5% of compensation and the amount of the contribution is determined annually at the discretion of the Board of Directors. Matching contributions are fully vested, and profit-sharing contributions vest over six years. The Company's expense related to the 401(k) plan was $441,000 and $425,000 in 2023 and 2022, respectively. The Company's expense related to the noncontributory plan was $-0- in both 2023 and 2022.

The Company has deferred compensation agreements with key employees. Vesting is based upon age and years of service. Life insurance contracts have been purchased which may be used to fund these agreements. The charges to expense for these agreements were $426,000 in 2023 and $319,000 in 2022. The Company's liability for the obligations under these agreements totals $3,428,000 and $3,222,000 at December 31, 2023 and 2022, respectively, and is included as a component of other liabilities.

The Company records a liability related to split-dollar endorsements on its life insurance policies. The liability totals $993,000 and $966,000 at December 31, 2023 and 2022, respectively, and is included as a component of other liabilities.

NOTE K – DIVIDEND RESTRICTIONS

Various restrictions limit the extent to which dividends may be paid to the Bancorp by the Bank. Under Colorado law, regulatory approval is required for the Bank to pay dividends in any calendar year which exceed the Bank's net profit for that year combined with its retained profits for the preceding two years.

NOTE L – FAIR VALUE

The following is a description of the Company's valuation methodologies for financial assets and liabilities recorded at fair value:

Securities Available for Sale: Debt securities are reported at fair value based upon measurements obtained from an independent pricing service. The fair value measurements for debt securities are determined by quoted market prices, if available (Level 1), or consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, market consensus prepayment speeds, credit information and the bonds' terms and conditions, among other things (Level 2).

Collateral-Dependent Loans: The Company does not record loans at fair value on a recurring basis. However, from time to time, valuation allowances are recorded on collateral-dependent loans to reflect the current appraised or market-quoted value of the underlying collateral (less an estimate of cost to sell). In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent loans are obtained from independent appraisers or other third-party consultants (Level 3).

Assets and liabilities recorded at fair value on a recurring basis are summarized below:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets measured at fair value on a recurring basis				
Debt securities available for sale				
U.S. Treasury	$ 5,175	$ -	$ -	$ 5,175
Mortgage backed securities		8,885		8,885
Collateralized mortgage obligations		3,868		3,868
SBA loan pools	-	950	-	950
State and municipal	-	1,235	-	1,235
Corporate	-	875	-	875
Total securities available for sale	$ 5,175	$ 15,813	$ -	$ 20,988

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Assets measured at fair value on a recurring basis				
Debt securities available for sale				
U.S. Treasury	$ 5,131	$ -	$ -	$ 5,131
Mortgage backed securities		10,204		10,204
Collateralized mortgage obligations		4,554		4,554
SBA loan pools	-	1,117	-	1,117
State and municipal	-	1,208	-	1,208
Corporate	-	920	-	920
Total securities available for sale	$ 5,131	$ 18,003	$ -	$ 23,134

During 2023 and 2022 there were no changes or amounts in Level 3 assets or liabilities recorded at fair value on a recurring basis.

At December 31, 2023 and 2022, there were no collateral-dependent loans with a valuation allowance.

NOTE M – MINIMUM REGULATORY CAPITAL REQUIREMENTS

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and 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 about components, risk weighting and other factors.

The Bank's regulatory capital is comprised of the following: 1) Common equity tier 1 capital – consisting of common stock and related paid-in-capital, and retained earnings; 2) Additional tier 1 capital – there are no components of tier 1 capital beyond common equity tier 1 capital; 3) Tier 2 capital – consisting of a permissible portion of the allowance for credit losses; and 4) Total capital – the aggregate of all tier 1 and tier 2 capital. The Bank has elected to opt-out of the requirement to include most components of accumulated other comprehensive income in common equity tier 1 capital.

Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios (set forth in the table below) of common equity tier 1 capital, tier 1 capital and total capital (as defined in the regulations) to risk-weighted assets (as defined), and of tier 1 capital to quarterly average assets (as defined). The Basel III capital rules require the Bank to maintain a minimum ratio of common equity tier 1 capital to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% common equity tier 1 capital ratio), effectively resulting in a minimum ratio of common equity tier 1 capital to risk-weighted assets of 7%). The Bank is also required to maintain a tier 1 capital to risk-weighted assets ratio of 6.0% (8.5% including the capital conservation buffer), a total capital to risk-weighted assets ratio of 8.0% (10.5% including the capital conservation buffer), and a tier 1 capital to quarterly average assets ratio of 4.0%.

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with capital ratios above the base minimums but below the effective minimums (which include the buffer) will face constraints on dividends, equity repurchases, and compensation based on the amount of the shortfall.

The following table presents actual and required capital ratios as of December 31, 2023 and 2022 for the Bank under the Basel III Capital Rules. The minimum required capital amounts presented include the minimum required capital levels plus the capital conservation buffer. Capital levels required to be considered well capitalized are based on prompt corrective action regulations, as amended to reflect changes under the Basel III Capital Rules.

	Actual		Minimum Required for Capital Adequacy purposes		Required to be Considered Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of December 31, 2023						
Total capital to risk weighted assets	$ 59,728	15.7%	$ 40,015	10.5%	$ 38,109	10.0%
Tier 1 capital to risk weighted assets	54,952	14.4%	32,393	8.5%	30,487	8.0%
Common equity tier 1 capital to risk weighted assets	54,952	14.4%	26,676	7.0%	24,771	6.5%
Tier 1 capital to average assets	54,952	13.7%	16,091	4.0%	20,114	5.0%
As of December 31, 2022						
Total capital to risk weighted assets	$ 60,346	15.1%	$ 41,883	10.5%	$ 39,889	10.0%
Tier 1 capital to risk weighted assets	55,353	13.9%	33,905	8.5%	31,911	8.0%
Common equity tier 1 capital to risk weighted assets	55,353	13.9%	27,922	7.0%	25,928	6.5%
Tier 1 capital to average assets	55,353	12.8%	17,290	4.0%	21,612	5.0%

Regulatory authorities can initiate certain mandatory actions if the Bank fails to meet the minimum capital requirements, which could have a direct and material effect on the Company's financial statements. Management believes, as of December 31, 2023, that the Bank meets all capital adequacy requirements to which it is subject and that the Bank exceeds the minimum levels necessary to be considered "well capitalized".

NOTE N – PREFERRED STOCK

The Company's outstanding preferred stock is cumulative and pays dividends at a rate of prime plus 2% per annum (adjusted annually, with a floor of 6%). As of December 31, 2023, all outstanding preferred stock is redeemable at the Company's option.

NOTE O – SUBSEQUENT EVENTS

On January 19, 2024, the Company declared a dividend of $2.45 per share to common shareholders of record as of January 19, 2024, and the normal quarterly dividend on preferred stock. The dividends are $504,000 and $174,000, respectively.

SUPPLEMENTAL CONSOLIDATING SCHEDULES

Bankers' Bank of the West Bancorp, Inc., and Subsidiaries

SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS

	December 31, 2023						
	Bankers' Bank of the West Bancorp, Inc.	Bankers' Bank of the West	BBW Consulting, Inc.	Bank Strategies, LLC	CivlTas Bank Solutions, LLC	Consolidating Entries	Consolidated
	(dollars in thousands)						
ASSETS							
Cash and due from banks	$ 1,164	$ 1,184	$ 17	$ 35	$ 1	$ (1,217)	$ 1,184
Interest-bearing deposits	-	26,041	-	-	-	-	26,041
Federal funds sold	-	10,101	-	-	-	-	10,101
Cash and cash equivalents	1,164	37,326	17	35	1	(1,217)	37,326
Investment securities							
Available for sale	-	20,988	-	-	-	-	20,988
Held to maturity	-	19	-	-	-	-	19
Nonmarketable equity securities	638	1,774	-	-	-	-	2,412
Investment in Bankers' Bank of the West	52,777	-	-	-	-	(52,777)	-
Investment in BBW Consulting, Inc.	72	-	-	-	-	(72)	-
Member equity in Bank Strategies, LLC	-	-	36	-	-	(36)	-
Member equity in CivlTas Bank Solutions, LLC	-	-	26	-	-	(26)	-
Loans and leases	-	301,472	-	-	-	-	301,472
Less allowance for loan credit losses	-	5,617	-	-	-	-	5,617
Net loans	-	295,855	-	-	-	-	295,855
Premises, equipment and software, net	-	5,135	-	-	-	-	5,135
Accrued interest receivable	-	1,824	-	-	-	-	1,824
Cash surrender value of life insurance	-	15,354	-	-	-	-	15,354
Other assets	-	5,131	-	1	25	(16)	5,141
TOTAL ASSETS	$ 54,651	$ 383,406	$ 79	$ 36	$ 26	$ (54,144)	$ 384,054
LIABILITIES							
Deposits							
Noninterest-bearing	$ -	102,957	$ -	$ -	$ -	$ (1,217)	$ 101,740
Interest-bearing	-	156,399	-	-	-	-	156,399
Total deposits	-	259,356	-	-	-	(1,217)	258,139
Federal funds purchased	-	54,918	-	-	-	-	54,918
Accrued interest payable	-	246	-	-	-	-	246
Other liabilities	17	16,109	7	-	-	(16)	16,117
Total liabilities	17	330,629	7	-	-	(1,233)	329,420
STOCKHOLDERS' EQUITY							
Preferred stock	6,625	-	-	-	-	-	6,625
Common stock	2,058	1,234	10	-	-	(1,244)	2,058
Member equity	-	-	-	(99)	340	(241)	-
Capital surplus	13,256	15,091	901	-	-	(15,992)	13,256
Retained earnings	34,870	38,627	(839)	135	(314)	(37,609)	34,870
Accumulated other comprehensive loss	(2,175)	(2,175)	-	-	-	2,175	(2,175)
Total stockholders' equity	54,634	52,777	72	36	26	(52,911)	54,634
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 54,651	$ 383,406	$ 79	$ 36	$ 26	$ (54,144)	$ 384,054

Bankers' Bank of the West Bancorp, Inc., and Subsidiaries

SUPPLEMENTAL CONSOLIDATING BALANCE SHEETS

	December 31, 2022						
	Bankers' Bank of the West Bancorp, Inc.	Bankers' Bank of the West	BBW Consulting, Inc.	Bank Strategies, LLC	CivlTas Bank Solutions, LLC	Consolidating Entries	Consolidated
	(dollars in thousands)						
ASSETS							
Cash and due from banks	$ 77	$ 6,121	$ 17	$ 60	$ 16	$ (170)	$ 6,121
Interest-bearing deposits	-	28,484	-	-	-	-	28,484
Federal funds sold	-	42,993	-	-	-	-	42,993
Cash and cash equivalents	77	77,598	17	60	16	(170)	77,598
Investment securities							
Available for sale	-	23,134	-	-	-	-	23,134
Held to maturity	-	51	-	-	-	-	51
Nonmarketable equity securities	638	1,752	-	-	-	-	2,390
Investment in Bankers' Bank of the West	53,204	-	-	-	-	(53,204)	-
Investment in BBW Consulting, Inc.	129	-	-	-	-	(129)	-
Member equity in Bank Strategies, LLC	-	-	60	-	-	(60)	-
Member equity in CivlTas Bank Solutions, LLC	-	-	52	-	-	(52)	-
Loans and leases	-	301,688	-	-	-	-	301,688
Less allowance for loan credit losses	-	5,576	-	-	-	-	5,576
Net loans	-	296,112	-	-	-	-	296,112
Premises, equipment and software, net	-	2,732	-	-	-	-	2,732
Accrued interest receivable	-	1,645	-	-	-	-	1,645
Cash surrender value of life insurance	-	13,229	-	-	-	-	13,229
Other assets	-	4,717	-	-	62	(9)	4,770
TOTAL ASSETS	$ 54,048	$ 420,970	$ 129	$ 60	$ 78	$ (53,624)	$ 421,661
LIABILITIES							
Deposits							
Noninterest-bearing	$ -	131,813	$ -	$ -	$ -	$ (170)	$ 131,643
Interest-bearing	-	131,792	-	-	-	-	131,792
Total deposits	-	263,605	-	-	-	(170)	263,435
Federal funds purchased	-	91,981	-	-	-	-	91,981
Accrued interest payable	-	168	-	-	-	-	168
Other liabilities	9	12,012	-	-	26	(9)	12,038
Total liabilities	9	367,766	-	-	26	(179)	367,622
STOCKHOLDERS' EQUITY							
Preferred stock	6,625	-	-	-	-	-	6,625
Common stock	2,058	1,234	10	-	-	(1,244)	2,058
Member equity	-	-	-	(109)	198	(89)	-
Capital surplus	13,256	15,091	791	-	-	(15,882)	13,256
Retained earnings	34,249	39,028	(672)	169	(146)	(38,379)	34,249
Accumulated other comprehensive loss	(2,149)	(2,149)	-	-	-	2,149	(2,149)
Total stockholders' equity	54,039	53,204	129	60	52	(53,445)	54,039
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 54,048	$ 420,970	$ 129	$ 60	$ 78	$ (53,624)	$ 421,661

Bankers' Bank of the West Bancorp, Inc., and Subsidiaries

SUPPLEMENTAL CONSOLIDATING INCOME STATEMENTS

	Year Ended December 31, 2023						
	Bankers' Bank of the West Bancorp, Inc.	Bankers' Bank of the West	BBW Consulting, Inc.	Bank Strategies, LLC	CivlTas Bank Solutions, LLC	Consolidating Entries	Consolidated
	(dollars in thousands)						
INTEREST INCOME							
Interest and fees on loans and leases	$ -	$ 19,777	$ -	$ -	$ -	$ -	$ 19,777
Interest on taxable investment securities	-	684	-	-	-	-	684
Interest on deposits and federal funds sold	-	2,971	-	-	-	-	2,971
Total interest income	-	23,432	-	-	-	-	23,432
INTEREST EXPENSE							
Deposits	-	6,046	-	-	-	-	6,046
Federal funds purchased	-	4,600	-	-	-	-	4,600
Total interest expense	-	10,646	-	-	-	-	10,646
Net interest income before provision for credit losses	-	12,786	-	-	-	-	12,786
Provision for loan credit losses	-	-	-	-	-	-	-
Net interest income after provision for credit losses	-	12,786	-	-	-	-	12,786
Equity in earnings of subsidiaries	2,290	-	(203)	-	-	(2,087)	-
NONINTEREST INCOME							
Service charges on deposit accounts	-	948	-	-	-	-	948
Merchant processing program	-	9,217	-	-	-	-	9,217
Correspondent services	-	1,973	-	-	-	-	1,973
Other income	-	642	-	168	182	-	992
Total noninterest income	-	12,780	-	168	182	-	13,130
NONINTEREST EXPENSE							
Salaries and employee benefits	-	7,751	14	196	237	-	8,198
Occupancy and equipment	-	1,226	-	-	-	-	1,226
Data processing and software	-	1,014	-	-	44	-	1,058
Merchant processing program	-	8,456	-	-	-	-	8,456
Service charges	-	1,971	-	-	-	-	1,971
Other expenses	1	1,957	1	6	70	-	2,035
Total noninterest expenses	1	22,375	15	202	351	-	22,944
Income before income taxes	2,289	3,191	(218)	(34)	(169)	(2,087)	2,972
Income tax expense (benefit)	(8)	736	(53)	-	-	-	675
NET INCOME	$ 2,297	$ 2,455	$ (165)	$ (34)	$ (169)	$ (2,087)	$ 2,297

Bankers’ Bank of the West Bancorp, Inc., and Subsidiaries

SUPPLEMENTAL CONSOLIDATING INCOME STATEMENTS

	Year Ended December 31, 2022						
	Bankers' Bank of the West Bancorp, Inc.	Bankers' Bank of the West	BBW Consulting, Inc.	Bank Strategies, LLC	CivlTas Bank Solutions, LLC	Consolidating Entries	Consolidated
	(dollars in thousands)						
INTEREST INCOME							
Interest and fees on loans and leases	$ -	$ 14,905	$ -	$ -	$ -	$ -	$ 14,905
Interest on taxable investment securities	-	543	-	-	-	-	543
Interest on deposits and federal funds sold	-	1,451	-	-	-	-	1,451
Total interest income	-	16,899	-	-	-	-	16,899
INTEREST EXPENSE							
Deposits	-	1,646	-	-	-	-	1,646
Federal funds purchased	-	1,847	-	-	-	-	1,847
Note payable	9	-	-	-	-	-	9
Total interest expense	9	3,493	-	-	-	-	3,502
Net interest income before provision for credit losses	(9)	13,406	-	-	-	-	13,397
Provision for loan credit losses	-	582	-	-	-	-	582
Net interest income after provision for credit losses	(9)	12,824	-	-	-	-	12,815
Equity in earnings of subsidiaries	4,110	-	(268)	-	-	(3,842)	-
NONINTEREST INCOME							
Service charges on deposit accounts	-	1,599	-	-	-	-	1,599
Merchant processing program	-	8,764	-	-	-	-	8,764
Correspondent services	-	3,619	-	-	-	-	3,619
Other income	-	488	-	121	149	-	758
Total noninterest income	-	14,470	-	121	149	-	14,740
NONINTEREST EXPENSE							
Salaries and employee benefits	-	7,424	12	177	245	-	7,858
Occupancy and equipment	-	1,194	11	-	-	-	1,205
Data processing and software	-	976	-	-	44	-	1,020
Merchant processing program	-	8,056	-	-	-	-	8,056
Service charges	-	2,035	-	-	-	-	2,035
Other expenses	4	1,911	-	1	71	-	1,987
Total noninterest expenses	4	21,596	23	178	360	-	22,161
Income before income taxes	4,097	5,698	(291)	(57)	(211)	(3,842)	5,394
Income tax expense (benefit)	-	1,369	(72)	-	-	-	1,297
NET INCOME	$ 4,097	$ 4,329	$ (219)	$ (57)	$ (211)	$ (3,842)	$ 4,097