

# First Berlin Bancorp, Inc. and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2024 and 2023



## **Independent Auditor's Report**

Board of Directors  
First Berlin Bancorp, Inc. and Subsidiary  
Berlin, Wisconsin

### ***Opinion***

We have audited the accompanying consolidated financial statements (the "financial statements") of First Berlin Bancorp, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income (loss), changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States ("GAAP").

### ***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 the Company 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 financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance whether the 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. 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 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 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 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 the Company's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.



Wipfli LLP

March 18, 2025  
Rockford, Illinois

# First Berlin Bancorp, Inc. and Subsidiary

## Consolidated Balance Sheets

As of December 31,

	2024	2023
<b>Assets:</b>		
Cash and due from banks	\$ 18,096,157	\$ 21,461,090
Interest-bearing deposits	31,025,679	45,057,553
Cash and cash equivalents	49,121,836	66,518,643
Debt securities available for sale (amortized cost of \$89,939,222 and \$104,330,346 at December 31, 2024 and 2023, respectively)	80,135,636	93,451,248
Loans, net of allowance for credit losses of \$5,901,727 and \$5,157,237 at December 31, 2024 and 2023, respectively	511,855,341	451,940,496
Premises and equipment, net	4,948,805	5,143,089
Other investments	4,098,560	2,545,540
Bank-owned life insurance	9,782,612	9,559,020
Other assets	9,132,741	9,517,456
<b>Total assets</b>	<b>\$ 669,075,531</b>	<b>\$ 638,675,492</b>
<b>Liabilities:</b>		
Noninterest-bearing deposits	\$ 132,937,968	\$ 148,661,247
Interest-bearing deposits	404,726,209	361,351,709
Total deposits	537,664,177	510,012,956
Borrowed funds	55,064,102	60,816,821
Reserve for unfunded commitments	489,000	378,000
Other liabilities	3,161,079	4,230,332
<b>Total liabilities</b>	<b>596,378,358</b>	<b>575,438,109</b>
<b>Stockholders' equity:</b>		
Common stock - \$0.02 par value; Authorized - 5,000,000 shares; Issued - 3,056,310 shares; Outstanding - 2,767,005 and 2,772,560 shares at December 31, 2024 and 2023 respectively	61,126	61,126
Additional paid-in capital	10,502,454	10,502,454
Retained earnings	71,263,493	62,478,028
Accumulated other comprehensive loss	(6,777,691)	(7,572,016)
Treasury stock, 289,305 and 283,750 shares, at cost at December 31, 2024 and 2023, respectively	(2,352,209)	(2,232,209)
<b>Total stockholders' equity</b>	<b>72,697,173</b>	<b>63,237,383</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 669,075,531</b>	<b>\$ 638,675,492</b>

See accompanying notes to consolidated financial statements.

# First Berlin Bancorp, Inc. and Subsidiary

## Consolidated Statements of Income

As of December 31,

	2024	2023
<b>Interest and dividend income:</b>		
Loans, including fees	\$ 34,304,366	\$ 28,089,456
Debt securities:		
Taxable	1,678,215	1,876,526
Tax-exempt	241,727	294,689
Interest-bearing deposits	1,520,598	1,039,490
Federal funds sold	234,393	209,648
Dividend income	226,002	110,677
Certificates of deposit	11,425	9,841
<b>Total interest and dividend income</b>	<b>38,216,726</b>	<b>31,630,327</b>
<b>Interest expense:</b>		
Deposits	9,753,076	6,447,609
Borrowed funds	3,592,725	2,155,602
Finance lease obligations	1,412	3,547
<b>Total interest expense</b>	<b>13,347,213</b>	<b>8,606,758</b>
Net interest income	24,869,513	23,023,569
Provision for credit losses	900,000	450,000
<b>Net interest and dividend income after provision for credit losses</b>	<b>23,969,513</b>	<b>22,573,569</b>
<b>Noninterest income:</b>		
Customer service fees	820,136	838,121
Interchange fees	1,224,345	1,215,384
Loan servicing fees	589,054	558,959
Net gain from sale of loans	562,260	360,423
Other	852,451	432,555
<b>Total noninterest income</b>	<b>4,048,246</b>	<b>3,405,442</b>
<b>Noninterest expense:</b>		
Salaries	7,380,885	7,058,599
Employee benefits	1,857,762	2,188,700
Occupancy	1,401,032	1,353,069
Furniture and equipment expenses	361,803	357,092
Computer and technology services	1,437,752	1,202,394
Advertising	229,426	279,403
Net loss on sale of debt securities available for sale	220,652	157,065
Foreclosed assets, net	62,438	151,558
Other	3,149,322	3,337,476
<b>Total noninterest expense</b>	<b>16,101,072</b>	<b>16,085,356</b>
Net income before income taxes	11,916,687	9,893,655
Provision for income taxes	2,439,471	3,072,171
<b>Net income</b>	<b>\$ 9,477,216</b>	<b>\$ 6,821,484</b>

See accompanying notes to consolidated financial statements.

# First Berlin Bancorp, Inc. and Subsidiary

## Consolidated Statements of Comprehensive Income (Loss)

As of December 31,

	2024	2023
Net income	\$ 9,477,216	\$ 6,821,484
Other comprehensive income (loss), before tax effect:		
Change in unrealized loss on debt securities available for sale	854,860	2,309,014
Reclassification adjustment for net loss on debt securities available for sale realized in net income	220,652	157,065
Other comprehensive income (loss) before tax effect	1,075,512	2,466,079
Reclassification adjustment for stranded tax impact	(55,329)	-
Income tax effect	(225,858)	(581,702)
Other comprehensive income (loss), net of tax	794,325	1,884,377
Comprehensive income (loss)	\$10,271,541	\$ 8,705,861

See accompanying notes to consolidated financial statements.

## First Berlin Bancorp, Inc. and Subsidiary

### Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2023	\$ 61,126	\$ 10,502,454	\$ 56,211,056	\$ (9,456,393)	\$ (2,232,209)	\$ 55,086,034
Net income	-	-	6,821,484	-	-	6,821,484
Other comprehensive income, net of tax	-	-	-	1,884,377	-	1,884,377
Dividends to stockholders (\$0.20 per share)	-	-	(554,512)	-	-	(554,512)
Balance at December 31, 2023	61,126	10,502,454	62,478,028	(7,572,016)	(2,232,209)	63,237,383
Net income	-	-	9,477,216	-	-	9,477,216
Other comprehensive income, net of tax	-	-	-	794,325	-	794,325
Buyback of shares to treasury stock	-	-	-	-	(120,000)	(120,000)
Dividends to stockholders (\$0.25 per share)	-	-	(691,751)	-	-	(691,751)
Balance at December 31, 2024	\$ 61,126	\$ 10,502,454	\$ 71,263,493	\$ (6,777,691)	\$ (2,352,209)	\$ 72,697,173

See accompanying notes to consolidated financial statements.

# First Berlin Bancorp, Inc. and Subsidiary

## Consolidated Statements of Cash Flows

Years Ended December 31,	2024	2023
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Net income	\$ 9,477,216	\$ 6,821,484
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation	486,581	463,750
Amortization and accretion of bond premiums and discounts, net	379,139	400,397
Amortization of core deposit premium	-	14,998
Net loss on sale of debt securities available for sale	220,652	157,065
Provision for credit losses	900,000	450,000
Net loss on disposal of premises and equipment and other bank-owned property	9,395	1,020
Net loss on sales of foreclosed assets	24,333	69,152
Writedown of foreclosed assets to market value	28,109	35,266
Deferred tax expense (benefit)	(230,566)	1,274,191
Increase in bank-owned life insurance	(223,592)	(215,930)
Mortgage servicing rights	244,390	271,992
Other Investment market value adjustment	(34,700)	(40,900)
Net change in:		
Other assets	190,194	(1,797,664)
Other liabilities	(1,380,731)	826,206
Cash flows from operating activities	10,090,420	8,731,027
Cash flows from investing activities:		
Net change in certificates of deposit	(11,424)	240,340
Purchases of debt securities AFS	(4,215,737)	(2,342,652)
Maturity, call and paydowns of debt securities AFS	12,865,692	14,838,179
Proceeds from sales of debt securities AFS	5,141,378	3,341,083
Change of other investments	(1,518,320)	(525,240)
Net change in loans	(60,703,845)	(30,157,457)
Purchase of premises and equipment	(303,492)	(418,647)
Proceeds from sales of premises and equipment	1,800	-
Proceeds from sales of foreclosed assets	199,478	287,679
Cash flows from investing activities	(48,544,470)	(14,736,715)

See accompanying notes to consolidated financial statements.



# First Berlin Bancorp, Inc. and Subsidiary

## Consolidated Statements of Cash Flows (Continued)

Years Ended December 31,	2024	2023
<b>Cash flows from financing activities:</b>		
Change in deposits	\$ 27,651,221	\$ (16,077,650)
Payments on borrowed funds	(30,752,719)	(768,520)
Proceeds from borrowed funds	25,000,000	52,500,000
Purchase of treasury stock	(120,000)	
Payment of finance lease obligations	(29,508)	(27,372)
Cash dividends paid on common stock	(691,751)	(554,512)
<b>Cash flows from financing activities</b>	<b>21,057,243</b>	<b>35,071,946</b>
Net change in cash and cash equivalents	(17,396,807)	29,203,172
Cash and cash equivalents at beginning of year	66,518,643	37,315,471
Cash and cash equivalents at end of year	\$ 49,121,836	\$ 66,518,643
 <b>Supplemental cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 14,181,228	\$ 7,476,571
Income taxes	2,646,156	2,486,760
<b>Noncash investing and financing activities:</b>		
Loans transferred to foreclosed assets	\$ -	\$ 290,121
Lease liabilities arising from obtaining right-of-use assets	340,986	684,089

See accompanying notes to consolidated financial statements.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Organization

First Berlin Bancorp, Inc. (the "Company") provides a variety of financial services to individual and corporate customers through its wholly owned subsidiary, Fortifi Bank (the "Bank"). The Bank is a state-chartered bank providing a full range of financial services, including the granting of agribusiness, commercial, residential, and consumer loans and accepting deposits from customers primarily in central Wisconsin. In addition, the Company is subject to regulations of certain regulatory agencies and undergoes periodic examination by those regulatory agencies.

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary, the Bank. All significant intercompany balances and transactions have been eliminated.

#### Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates. Material estimates that are susceptible to significant change in the near term relate to the determination of the allowance for credit losses, valuation of debt securities available for sale and deferred tax assets.

#### Cash and Cash Equivalents

For purposes of reporting cash flows in the consolidated financial statements, cash and cash equivalents include cash on hand, balances due from banks, interest-bearing deposits in other financial institutions, and federal funds sold, all of which have original maturities of three months or less.

#### Certificates of Deposit

Certificates of deposit include interest-bearing certificates of deposit at insured financial institutions that have an original maturity greater than three months and are carried at cost. The total amount of certificates of deposits the Bank held at insured financial institutions was \$271,921 and \$260,497 for the years ended December 31, 2024 and 2023 respectively. These values are included in other assets on the Company's balance sheets.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Debt Securities

Debt securities are classified as available for sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the estimated lives or earliest call date of the debt securities, as applicable. Gains and losses on the sale of debt securities are recorded on the trade date and determined using the specific-identification method.

The Company evaluates individual debt securities available for sale in an unrealized loss position by first determining whether the decline in fair value below the amortized cost basis of the debt security has resulted from a credit loss or other factors. A credit loss exists when the present value of cash flows expected to be collected from the security is less than the amortized cost basis of the debt security. In determining whether a credit loss exists, the Company considers the extent to which the fair value is less than the amortized cost basis, adverse conditions related to the debt security, the industry, or geographic areas, the payment structure of the debt security, failure of the issuer to make scheduled payments, and any changes to the rating of the debt security. Impairment related to credit losses is recognized through an allowance for credit losses up to the amount that fair value is less than the amortized cost basis. Changes to the allowance are recognized through earnings as a provision for (or recovery of) credit losses. Impairment related to other factors is recognized in other comprehensive income or loss.

The Company excludes accrued interest receivable from the amortized cost basis of debt securities available for sale when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on debt securities available for sale totaling \$274,612 and \$337,927 at December 31, 2024 and 2023, respectively, was excluded from the amortized cost basis of debt securities available for sale. Accrued interest on debt securities is included in other assets on the Company's balance sheets.

#### Marketable Equity Securities

Marketable equity securities have a readily determinable fair value and are measured at fair value with changes in fair value reported in net income. Gains and losses on the sale of marketable equity securities are recorded on the trade date and determined using the specific-identification method.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Other Investments

Other investments include equity securities without a readily determinable fair value, including Bankers' Bancorporation stock and Federal Home Loan Bank (FHLB) stock. The Company has elected to account for equity securities without a readily determinable fair values using the alternative measurement method. Under this method, these securities are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment. The Company is required to hold FHLB stock as a member of the FHLB, and transfer of the stock is substantially restricted. Members are required to own certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is evaluated for impairment on a periodic basis. FHLB stock is pledged as collateral for outstanding FHLB advances. The FHLB Stock balance was at \$3,437,060 and \$1,918,740 as of December 31, 2024 and 2023, respectively. The Bankers' Bancorporation Stock balance was at \$661,500 and \$626,800 as of December 31, 2024 and 2023, respectively.

#### Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Realized gains and losses on sales of loans are based on the difference between the selling price and the carrying value of the related loan sold. The Company had no loans held for sale as of December 31, 2024 and 2023.

#### Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, and the allowance for credit losses. Interest on loans is accrued and credited to income based on the unpaid principal balance. Management has concluded the capitalization of the amount of net deferred fees and costs in originating all loans is immaterial to the consolidated financial statements.

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication the borrower may be unable to make payments as they become due. When loans are placed on nonaccrual or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on the cash basis until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Allowance for Credit Losses on Loans and Unfunded Commitments

##### *Allowance for Credit Losses*

Under the current expected credit loss (“CECL”) model, the allowance for credit losses (“ACL”) on financial assets is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the financial assets’ amortized cost basis to present the net amount expected to be collected on the financial assets. The CECL model also applies to certain off-balance sheet credit exposures.

The Company estimates the allowance for credit losses on loans based on the underlying assets’ amortized cost basis, which is the amount at which the financing receivable is originated or acquired, adjusted for applicable accretion or amortization of premium, discount, collection of cash, and charge-offs. In the event that collection of principal becomes uncertain, the Company has policies in place to write-off accrued interest receivable by reversing interest income at the time of this determination. Therefore, the Company has made a policy election to exclude accrued interest from the amortized cost basis and therefore excludes it from the measurement of the allowance for credit losses.

Expected credit losses are reflected in the allowance for credit losses through a charge to provision for credit losses. The Company’s estimate of the allowance for credit losses reflects credit losses currently expected over the remaining contractual life of the assets. When the Company deems all or a portion of a financial asset to be uncollectible, the appropriate amount is written off and the allowance for credit losses is reduced by the same amount. The Company applies judgement to determine when a financial asset is deemed uncollectible. When available information confirms that specific financial assets, or portions thereof, are uncollectible, these amounts are charged off against the allowance for credit losses. Subsequent recoveries, if any, are credited to the allowance for credit losses when received.

The Company measures the allowance for credit losses on financial assets on a collective portfolio segment basis when the financial assets share similar risk characteristics. The Company has identified the following portfolio segments of financial assets with similar risk characteristics measuring expected credit losses: commercial real estate and construction, commercial C&I, agricultural, residential real estate and consumer and other. The Company further segments the commercial loan portfolio by risk rating and the residential and consumer portfolio by delinquency.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Allowance for Credit Losses (Continued)

The Company utilizes the weighted average maturity (WARM) methodology to measure the ACL. This methodology incorporates both qualitative and quantitative information to assess lifetime expected credit losses at the portfolio segment level. The quantitative component includes the calculation of loss rates that are based on historical lookback periods. The Company calculates a loss rate based on the historical loan level loss experience for portfolio segments with similar risk characteristics. The historical loss rate is adjusted for select macroeconomic variables that consider both historical trends as well as forecasted trends. The Company measures expected credit losses of these financial assets by applying loss rates to the amortized cost basis of each asset taking into consideration amortization, prepayment and default assumptions.

The Company excludes accrued interest receivable from the amortized cost basis of loans when estimating credit losses and when presenting required disclosures in the financial statements. Accrued interest on loans totaling \$2,144,911 and \$1,957,945 at December 31, 2024 and 2023, respectively, was excluded from the amortized cost basis of loans and is included in other assets on the Company's consolidated balance sheets.

The Company considers qualitative adjustments to expected credit loss estimates for information not already captured in the loss estimation process. Qualitative factor adjustments may increase or decrease management's estimate of expected credit losses. Adjustments will not be made for information that has already been considered and included in the quantitative component. Qualitative loss factors are based on management's judgement of company, market, industry or business specific data, changes in loan composition, performance trends, regulatory changes, uncertainty of macroeconomic forecasts, and other specific risk characteristics. The Company also may adjust loss rates based on its reasonable and supportable forecasts of how economic conditions are expected to impact future losses. Management has elected to forecast over a 24-month period with immediate reversion after the forecast period.

#### *Collateral Dependent Financial Assets*

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates nonaccrual loans, collateral dependent loans and other loans with evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

For collateral dependent financial assets where the Company has determined the borrower is experiencing financial difficulty and that liquidation of the collateral is probable, the allowance for credit losses is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. Fair value is generally calculated based on the value of the underlying collateral less estimated costs to sell.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Allowance for Credit Losses (Continued)

##### *Loan Commitments and Allowance for Credit Losses on Off-Balance Sheet Credit Exposures*

Financial assets include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The Company's exposure to loan credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet exposures through a charge to provision for credit losses for off-balance sheet credit exposures. The allowance for credit losses on off-balance sheet credit exposures is estimated by portfolio segment at each balance sheet date under the CECL model using the same methodologies as portfolio loans, taking into consideration management's assumptions of the likelihood that funding will occur, and is included in the reserve for unfunded commitments on the Company's consolidated balance sheets.

Management considers the following when assessing risk in the Company's loan portfolio segments:

- Commercial real estate and construction loans. Commercial real estate loans are primarily secured by office and industrial buildings, warehouses, small retail shopping facilities, multi-family (five or more units of apartments or condos) and various special purpose properties, including hotels and restaurants. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt and is periodically updated during the life of the loan. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and/or property type are secured by vacant land and/or property that are in the process of improvement, including (a) land development preparatory to erecting vertical improvements or (b) the on-site construction of industrial, commercial, residential, or farm buildings. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that necessary approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs.
- Commercial and industrial loans are primarily for working capital, physical asset expansion, asset acquisition loans, and other. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower such as accounts receivable, inventory and equipment. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and are periodically updated during the life of the loan.
- Agricultural loans are primarily for land acquisition and farm production. These loans are primarily secured by agricultural land, equipment, crops or livestock.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Allowance for Credit Losses (Continued)

- Residential real estate loans are affected by the local residential real estate market, the local economy, and, for variable rate mortgages, movement in indices tied to these loans. At the time of origination the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrowers and/or the individual project to evaluate cash flows sufficiency to service debt at the time of origination.
- Consumer and other loans may take the form of installment loans, demand loans, or single payment loans and are extended to individuals for household, family, and other personal expenditures. At the time of origination, the Company evaluates the borrower's repayment ability through a review of debt to income and credit scores.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

Under the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

#### Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets, which range from 15 to 40 years for buildings and 3 to 10 years for furniture and equipment.

#### ASC 842 Lease Accounting

The Company is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Company the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.



# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Lease Accounting (Continued)

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Company's incremental borrowing rate. The Company uses the incremental borrowing rate based on the information that is available at the commencement date for all leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e. present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term. For operating leases with payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in the short-term lease expense. The Company recognizes short-term lease costs on a straight-line basis over the lease term.

Operating lease right-of-use assets was at \$1,020,176 and \$940,459 as of December 31, 2024 and 2023, respectively. These values are included in other assets on the Company's balance sheet.

Operating lease liabilities was at \$1,021,752 and \$942,907 as of December 31, 2024 and 2023, respectively. These values are included in other liabilities on the Company's balance sheet.

Rent expense under these operating leases was \$292,322 and \$269,704 in 2024 and 2023, respectively.

Finance Lease – Premises and equipment, net was at \$2,967 and \$28,506 as of December 31, 2024 and 2023, respectively. Lease obligations – finance lease was at \$2,560 and \$32,068 as of December 31, 2024 and 2023, respectively. These amounts are included in "other liabilities" on the Company's balance sheets.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of cost or the fair value less estimated costs to sell at the date of foreclosure. At date of acquisition, losses are charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations, gains (losses) on sales, and changes in the valuation allowance are included in net expenses from foreclosed assets.

Foreclosed assets consist of residential real estate properties totaling \$0 and \$0 and commercial real estate properties of \$0 and \$251,920 at December 31, 2024 and 2023, respectively.

Residential real estate loans that are in the process of foreclosure totaled approximately \$0 and \$91,196 at December 31, 2024 and 2023 respectively.

#### Bank-Owned Life Insurance

The Company has purchased split-dollar life insurance policies on certain key employees. Bank-owned life insurance is recorded at its cash surrender value or the amount that can be realized. In addition, the Company has recorded a liability during the service periods for key employees for split-dollar life insurance agreements which continue after the participants' employment terminates at retirement. The required accrued liability is based on the post-retirement benefit cost for the continuing life insurance.

#### Mortgage Servicing Rights

The Company services mortgage loans it sells to third-party institutions. Servicing loans includes collecting monthly principal and interest payments from borrowers, passing such payments through to the third-party investors, and maintaining escrow accounts for taxes and insurance. When necessary, the Company also performs collection functions for delinquent loan payments, handles loan foreclosure proceedings, and disposes of foreclosed property. The Company generally earns a servicing fee of 25 basis points on the outstanding loan balance for performing these services as well as fees and interest income from ancillary sources, such as late fees and float. Servicing fees, late fees, and other ancillary income earned each year, net of any amortization expense and impairment charges discussed below, are reported in the consolidated statements of income as a component of loan servicing fee income.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Mortgage Servicing Rights (Continued)

Mortgage servicing rights are recognized as separate assets when rights are acquired through sale of mortgage loans into the secondary market. Mortgage servicing rights acquired through sale of loans are recognized as a component of loan servicing fees and are recorded at their relative fair value. Mortgage servicing rights are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Mortgage servicing rights are evaluated for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The evaluation includes stratifying the mortgage servicing rights by predominant characteristics, such as interest rates and terms, and estimating the fair value of each stratum. Impairment, if any, is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the carrying amount for the stratum. The fair value of each servicing rights stratum is evaluated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that stratum, given current market conditions. Estimates of fair value include primarily assumptions about prepayments, discount rates, default rates, and other factors which are subject to change over time. Changes in these underlying assumptions could cause the fair value of mortgage servicing rights, and the related valuation allowance, to change significantly in the future.

The estimated fair value of mortgage servicing rights was approximately \$3,279,000 and \$3,539,000 at December 31, 2024, and 2023, respectively.

Mortgage servicing rights are recorded at \$1,581,816 and \$1,826,206 for the years ended December 31, 2024, and 2023 respectively. These values are included in other assets on the Company's balance sheets.

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others totaled \$290,156,597 and \$297,890,373 at December 31, 2024, and 2023, respectively. In addition, the Company maintained custodial balances in connection with the foregoing loan servicing of \$819,016 and \$629,430 at December 31, 2024, and 2023, respectively.

#### Transfers of Financial Assets

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

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Income Taxes

Deferred tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities as measured by the current enacted tax rates, which will be in effect when these differences are expected to reverse. Provision for deferred taxes is the result of changes in the deferred tax assets and liabilities.

The Company may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes. No liabilities for unrecognized tax benefits from uncertain positions have been recorded.

#### Revenue from Contracts with Customers

The core revenue recognition principle requires the Company to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration to which the Company expects to be entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The guidance includes a five-step model to apply to revenue recognition, consisting of the following: (1) identify the contract with a customer; (2) identify the performance obligation(s) within the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation(s) within the contract; and (5) recognize revenue when (or as) the performance obligation(s) are/is satisfied.

The Company generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying revenue recognition (ASC 606) that significantly affects the determination of the amount and timing of revenue from contracts with customers.

The majority of the Company's revenue is not subject to ASC 606, including net interest income, loan servicing fees and sales of loans, fees related to loans and loan commitments, income on bank-owned life insurance, and gain (loss) on sales of loans and debt securities.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue from Contracts with Customers (Continued)

The following significant revenue-generating transactions are within the scope of ASC 606, which are presented in the consolidated statements of income:

Customer service fees – The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, such as ATM use fees, wires, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly service charges and maintenance fees, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs as this corresponds with the Company's performance obligation.

Interchange fees – Customers use a bank-issued debit card to purchase goods and services, and the Company earns interchange fees on those transactions, typically a percentage of the sale amount of the transaction. The Company is considered an agent with respect to these transactions. Interchange fee payments received, net of related expense, are recognized as income daily, concurrently with the transaction processing services provided to the cardholder through the payment networks. There are no contingent debit card interchange fees recorded by the Company that could be subject to a claw-back in future periods.

Net gain (loss) on sales of foreclosed assets – The Company records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed and transfer of control is completed. When the Company finances the sale to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether the Company expects to collect substantially all of the transaction price. Once these criteria are met, the asset is derecognized and the gain or loss on the sale is recognized. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if the financing does not include market terms.

#### Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). The Company's accumulated other comprehensive income (loss) is comprised of the unrealized gains and losses on debt securities available for sale, net of tax, and is shown as a separate component of equity.

Reclassification adjustments out of other comprehensive income (loss) for (gains) losses realized on sales of debt securities available for sale comprise the entire balance of "Net loss on sale of debt securities available for sale" on the consolidated statements of income. As part of this reclassification, income tax benefit of \$46,337 at December 31, 2024, and \$32,984 at December 31, 2023, was recognized in "Provision for income taxes" on the consolidated statements of income.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Off-Balance-Sheet Instruments**

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments including commitments to extend credit, unfunded commitments under lines of credit, and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they become payable.

#### **Rate Lock Commitments**

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Rate lock commitments are recorded only to the extent of fees received since recording the estimated fair value of these commitments would not have a significant impact on the consolidated financial statements.

#### **New Accounting Pronouncements**

There are no new accounting pronouncements.

#### **Subsequent Events**

Subsequent events have been evaluated through March 18, 2025, which is the date the consolidated financial statements were available to be issued.

#### **Reclassifications**

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 classifications.

### **Note 2: Cash and Cash Equivalents**

In the normal course of business, the Company maintains cash and due from bank balances in noninterest-bearing transaction accounts with correspondent banks. Balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limit of \$250,000. Management believes these financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 3: Debt Securities

The amortized cost and estimated fair value of debt securities with gross unrealized gains and losses at December 31 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>2024</b>				
Debt securities available for sale:				
U.S. treasury notes and bonds	\$ 8,145,408	\$ -	\$ 478,748	\$ 7,666,660
U.S. sponsored agencies	7,034,887	-	1,037,427	5,997,460
Obligations of states and political subdivisions	18,671,993	-	2,808,273	15,863,720
Corporate bonds	2,384,808	-	4,181	2,380,627
U.S. agency residential mortgage-backed securities	16,956,045	-	1,908,966	15,047,079
U.S. agency collateralized debt obligations	36,746,081	-	3,565,991	33,180,090
<b>Total debt securities available for sale</b>	<b>\$ 89,939,222</b>	<b>\$ -</b>	<b>\$ 9,803,586</b>	<b>\$ 80,135,636</b>
<b>2023</b>				
Debt securities available for sale:				
U.S. treasury notes and bonds	\$ 11,095,940	\$ -	\$ 755,725	\$ 10,340,215
U.S. sponsored agencies	7,875,444	-	1,101,691	6,773,753
Obligations of states and political subdivisions	22,398,117	-	2,882,725	19,515,392
Corporate bonds	2,362,756	-	95,933	2,266,823
Pooled SBA loans	4,495	-	38	4,457
U.S. agency residential mortgage-backed securities	17,977,117	-	1,844,322	16,132,795
U.S. agency collateralized debt obligations	42,616,477	-	4,198,664	38,417,813
<b>Total debt securities available for sale</b>	<b>\$ 104,330,346</b>	<b>\$ -</b>	<b>\$ 10,879,098</b>	<b>\$ 93,451,248</b>

Fair values of securities are generally estimated based on financial models or prices paid for similar securities. It is possible interest rates or other key inputs to the valuation estimate could change considerably resulting in a material change in the estimated fair value of securities.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 3: Debt Securities (Continued)

The following tables show the fair value and gross unrealized losses of debt securities with unrealized losses at December 31, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>2024</b>						
U.S. treasury notes & bonds	\$ -	\$ -	\$ 7,666,660	\$ 478,748	\$ 7,666,660	\$ 478,748
U.S. sponsored agencies	151,826	255	5,845,634	1,037,172	5,997,460	1,037,427
Obligations of states and political subdivisions	-	-	15,863,720	2,808,273	15,863,720	2,808,273
Corporate bonds	2,380,627	4,181	-	-	2,380,627	4,181
U.S. agency residential mortgage-backed securities	1,898,246	31,797	13,148,833	1,877,169	15,047,079	1,908,966
U.S. agency collateralized debt obligations	3,148,578	19,305	30,031,512	3,546,686	33,180,090	3,565,991
<b>Totals</b>	<b>\$ 7,579,277</b>	<b>\$ 55,538</b>	<b>\$ 72,556,359</b>	<b>\$ 9,748,048</b>	<b>\$ 80,135,636</b>	<b>\$ 9,803,586</b>
<b>2023</b>						
U.S. treasury notes & bonds	\$ -	\$ -	\$ 10,340,215	\$ 755,725	\$ 10,340,215	\$ 755,725
U.S. sponsored agencies	-	-	6,773,753	1,101,691	6,773,753	1,101,691
Obligations of states and political subdivisions	1,150,984	35,074	18,364,408	2,847,651	19,515,392	2,882,725
Corporate bonds	2,266,823	95,933	-	-	2,266,823	95,933
Pooled SBA loans	-	-	4,457	38	4,457	38
U.S. agency residential mortgage-backed securities	934,211	3,738	15,198,584	1,840,584	16,132,795	1,844,322
U.S. agency collateralized debt obligations	-	-	38,417,813	4,198,664	38,417,813	4,198,664
<b>Totals</b>	<b>\$ 4,352,018</b>	<b>\$ 134,745</b>	<b>\$ 89,099,230</b>	<b>\$ 10,744,353</b>	<b>\$ 93,451,248</b>	<b>\$ 10,879,098</b>



# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 3: Debt Securities (Continued)

The following table shows the aggregated depreciation of debt securities available for sale in an unrealized loss position as of December 31, 2024:

	Number of Securities	Aggregate Depreciation
U.S. treasury notes & bonds	16	5.9%
U.S. sponsored agencies	25	14.7%
Obligations of states and political subdivisions	89	15.0%
Corporate bonds	1	0.2%
U.S. agency residential mortgage-backed securities	54	11.3%
U.S. agency collateralized debt obligations	156	9.7%
<b>Total</b>	<b>341</b>	<b>10.90%</b>

These unrealized losses relate principally to the changes in interest rates and are not due to changes in the financial condition of the issuer, the quality of any underlying assets, or applicable credit enhancements. In reaching the conclusion that an allowance for credit losses is unnecessary, management observed that the securities were issued by a government body or agency, the securities continue to be highly rated where applicable, the issuer continues to make contractual payments, and the quality of any underlying assets or credit enhancements has not changed. Since management has the ability to hold debt securities for the foreseeable future, the Company expects to recover the amortized cost basis of these securities before they are sold or mature.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 3: Debt Securities (Continued)

The following is a summary of amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2024. Contractual maturities will differ from expected maturities for pooled SBA loans, residential mortgage-backed securities, and collateralized debt obligations because borrowers may have the right to call or prepay obligations without penalties. Therefore, these securities are not included in the maturity categories in the following maturity summary.

The amortized cost and estimated fair value of debt securities at December 31, 2024 follows:

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 489,895	\$ 485,533
Due after one year through five years	16,247,523	15,372,583
Due after five years through ten years	12,264,455	10,366,688
Due after ten years	7,235,223	5,683,663
Subtotal	36,237,096	31,908,467
U.S. agency residential mortgage-backed securities	16,956,045	15,047,079
U.S. agency collateralized debt obligations	36,746,081	33,180,090
<b>Totals</b>	<b>\$ 89,939,222</b>	<b>\$ 80,135,636</b>

The following is a summary of the proceeds from sales of debt securities available for sale, as well as gross gains and losses for the year ended December 31:

	2024	2023
Proceeds from sales of securities	\$ 5,141,378	\$ 3,341,083
Gross gains on sales	-	-
Gross losses on sales	220,652	157,065

As of December 31, 2024 and 2023, the amortized cost of securities pledged to secure public deposits, borrowings, and for other purposes required or permitted by law was \$21,352,735 and \$59,495,116, respectively. The estimated fair value was \$18,998,098 and \$53,340,682 as of December 31, 2024 and 2023, respectively.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 4: Loans

The following table presents total loans at December 31 by portfolio segment and class of loan:

	2024	2023
Commercial:		
Real estate and construction	\$ 324,957,572	\$ 276,732,034
Industrial and other	73,261,629	66,469,346
Agricultural	5,652,720	6,654,591
Residential real estate	106,686,401	99,596,538
Consumer and other	7,198,746	7,645,224
Subtotals	517,757,068	457,097,733
Less - Allowance for credit losses	5,901,727	5,157,237
<b>Loans, net</b>	<b>\$ 511,855,341</b>	<b>\$ 451,940,496</b>

A summary of activity in the allowance for credit losses on loans by portfolio segment follows:

	Commercial	Residential	Consumer	Total
Allowance for credit losses for loans				
Balance at January 1, 2023	\$ 4,462,948	\$ 586,773	\$ 108,130	\$ 5,157,851
Provision for credit losses	53,879	315,349	80,772	450,000
Reclassification of Allowance for unfunded loan commitments	(287,000)	(1,000)	(90,000)	(378,000)
Loans charged-off	(105,447)	-	(19,591)	(125,038)
Recoveries	40,149	-	12,275	52,424
Balance at December 31, 2023	4,164,529	901,122	91,586	5,157,237
Provision for credit losses	891,578	(133,326)	30,748	789,000
Loans charged-off	(10,420)	-	(43,894)	(54,314)
Recoveries	4,634	-	5,170	9,804
Balance at December 31, 2024	\$ 5,050,321	\$ 767,796	\$ 83,610	\$ 5,901,727

At December 31, 2024 and 2023, the Company maintained a reserve for unfunded loan commitments totaling \$489,000 and \$378,000, respectively on the accompanying consolidated balances sheets. The provision for credit losses on unfunded loan commitments totaled \$111,000 during 2024 and \$0 during 2023.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

The following table presents the Company's nonaccrual loans information during the years ended December 31, 2024 and 2023.

	Nonaccrual loans with no Allowance for Credit Losses	Nonaccrual loans with an Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans	Amortized Cost Basis of Loans 90+ Days Past Due Not on Nonaccrual
<b>2024</b>						
Real estate and construction	\$ 3,084,660	\$ -	\$ 3,084,660	\$ 2,181,121	\$ -	\$ -
Industrial and other	69,232	174,774	244,006	209,232	-	-
Agriculture	-	326,642	326,642	-	-	-
Residential real estate	250,348	-	250,348	283,256	-	102,380
Consumer and other	6,762	27,532	34,294	20,362	-	-
<b>Total</b>	<b>\$ 3,411,002</b>	<b>\$ 528,948</b>	<b>\$ 3,939,950</b>	<b>\$ 2,693,971</b>	<b>\$ -</b>	<b>\$ 102,380</b>
<b>2023</b>						
Real estate and construction	\$ 140,161	\$ 2,040,960	\$ 2,181,121	\$ 456,801	\$ -	\$ -
Industrial and other	209,232	-	209,232	2,004,469	-	-
Agriculture	-	-	-	-	-	-
Residential real estate	283,256	-	283,256	613,452	-	197,020
Consumer and other	8,362	12,000	20,362	13,572	-	-
<b>Total</b>	<b>\$ 641,011</b>	<b>\$ 2,052,960</b>	<b>\$ 2,693,971</b>	<b>\$ 3,088,294</b>	<b>\$ -</b>	<b>\$ 197,020</b>

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 4: Loans (Continued)

The table below summarizes collateral dependent loans and the related ACL at December 31, 2024 and December 31, 2023.

December 31, 2024	Loans	ACL
Real estate and construction	\$ 15,023,053	\$ 11,000
Industrial and other	7,910,604	325,500
Agricultural	326,642	302,000
Residential real estate	274,528	-
Consumer and other	34,294	27,532
Total nonaccrual loans	\$ 23,569,121	\$ 666,032
December 31, 2023	Loans	ACL
Real estate and construction	\$ 3,872,765	\$ 232,000
Industrial and other	850,649	130,000
Agricultural	2,492	-
Residential real estate	283,256	-
Consumer and other	20,362	12,000
Total nonaccrual loans	\$ 5,029,524	\$ 374,000

The amount of accrued interest written off during the years ended December 31, 2024 or December 31, 2023 was insignificant.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 4: Loans (Continued)

The Company regularly evaluates various attributes of loans to determine the appropriateness of the allowance for credit losses. The credit quality indicators monitored differ depending on the class of loan.

Commercial loans are generally evaluated using the following internally prepared ratings:

- "Pass" ratings are assigned to loans with adequate collateral and debt service ability such that collectibility of the contractual loan payments is highly probable.
- "Watch/special mention" ratings are assigned to loans where management has some concern that the collateral or debt service ability may not be adequate, though the collectibility of the contractual loan payments is still probable.
- "Substandard" ratings are assigned to loans that do not have adequate collateral and/or debt service ability such that collectibility of the contractual loan payments is no longer probable.
- "Doubtful" ratings are assigned to loans that do not have adequate collateral and/or debt service ability, and collectibility of the contractual loan payments is unlikely.

Residential real estate loans are rated similarly to commercial loans.

Consumer loans are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loan. The Company considers residential real estate, consumer, and other loans that are on nonaccrual status, over 90 days past due, have been identified as a delinquency problem to be classified or non-performing.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

The following table presents the amortized cost basis of our loans by credit quality indicator and origination year as of December 31, 2024:

December 31, 2024	Amortized Cost Basis by Origination Year							
	2024	2023	2022	2021	2020	Prior	Revolving	Total
<b>Real Estate and construction</b>								
Pass	\$ 74,067,474	\$ 46,814,799	\$ 60,226,142	\$ 38,000,416	\$ 22,400,181	\$ 24,431,095	\$ 769,364	\$ 266,709,471
Watch	6,108,910	4,653,671	4,528,972	14,466,004	1,654,926	135,132	260,440	31,808,056
Special mention	-	1,250,000	2,880,628	6,898,866	-	387,498	-	11,416,993
Substandard	104,086	-	886,742	157,387	3,998,270	9,876,567	-	15,023,053
Total	<u>\$ 80,280,470</u>	<u>\$ 52,718,470</u>	<u>\$ 68,522,485</u>	<u>\$ 59,522,674</u>	<u>\$ 28,053,377</u>	<u>\$ 34,830,292</u>	<u>\$ 1,029,804</u>	<u>\$ 324,957,572</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Industrial &amp; Other</b>								
Pass	\$ 24,973,740	\$ 11,128,490	\$ 3,377,815	\$ 960,147	\$ 570,641	\$ 2,274,454	\$ 16,414,872	\$ 59,700,159
Watch	2,256,283	465,417	463,184	44,000	9,516	240,282	1,360,534	4,839,215
Special mention	61,208	361,199	262,000	-	-	11,643	115,601	811,652
Substandard	-	6,500	3,952,525	3,374,630	20,351	532,470	24,127	7,910,604
Total	<u>\$ 27,291,231</u>	<u>\$ 11,961,607</u>	<u>\$ 8,055,524</u>	<u>\$ 4,378,776</u>	<u>\$ 600,507</u>	<u>\$ 3,058,849</u>	<u>\$ 17,915,135</u>	<u>\$ 73,261,629</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 10,420	\$ -	\$ -	\$ 10,420
<b>Agricultural</b>								
Pass	\$ 555,306	\$ 610,643	\$ 284,024	\$ 366,656	\$ 519,399	\$ 2,137,278	\$ 756,771	\$ 5,230,078
Watch	-	96,000	-	-	-	-	-	96,000
Special mention	-	-	-	-	-	-	-	-
Substandard	-	326,642	-	-	-	-	-	326,642
Total	<u>\$ 555,306</u>	<u>\$ 1,033,285</u>	<u>\$ 284,024</u>	<u>\$ 366,656</u>	<u>\$ 519,399</u>	<u>\$ 2,137,278</u>	<u>\$ 756,771</u>	<u>\$ 5,652,720</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Residential real estate</b>								
Pass	\$ 15,499,271	\$ 16,438,670	\$ 20,108,611	\$ 7,808,259	\$ 5,975,179	\$ 12,598,644	\$ 27,983,239	\$ 106,411,873
Watch	-	-	-	-	-	-	-	-
Special mention	-	-	-	-	-	-	-	-
Substandard	24,180	-	-	181,431	52,628	16,289	-	274,528
Total	<u>\$ 15,523,451</u>	<u>\$ 16,438,670</u>	<u>\$ 20,108,611</u>	<u>\$ 7,989,691</u>	<u>\$ 6,027,806</u>	<u>\$ 12,614,933</u>	<u>\$ 27,983,239</u>	<u>\$ 106,686,401</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Consumer and other</b>								
Pass	\$ 2,176,932	\$ 2,137,667	\$ 1,372,341	\$ 247,271	\$ 36,489	\$ 681,437	\$ 512,314	\$ 7,164,452
Nonperforming	-	-	6,762	-	-	27,532	-	34,294
Total	<u>\$ 2,176,932</u>	<u>\$ 2,137,667</u>	<u>\$ 1,379,104</u>	<u>\$ 247,271</u>	<u>\$ 36,489</u>	<u>\$ 708,969</u>	<u>\$ 512,314</u>	<u>\$ 7,198,746</u>
Current period gross charge-offs	\$ 28,259	\$ -	\$ -	\$ 2,592	\$ -	\$ 13,043	\$ -	\$ 43,894
Total Loans	<u>\$ 125,827,389</u>	<u>\$ 84,289,699</u>	<u>\$ 98,349,749</u>	<u>\$ 72,505,068</u>	<u>\$ 35,237,579</u>	<u>\$ 53,350,321</u>	<u>\$ 48,197,263</u>	<u>\$ 517,757,068</u>

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

The following table presents the amortized cost basis of our loans by credit quality indicator and origination year as of December 31, 2023:

December 31, 2023	Amortized Cost Basis by Origination Year							Total
	2023	2022	2021	2020	2019	Prior	Revolving	
<b>Real Estate and construction</b>								
Pass	\$56,368,583	\$ 74,699,406	\$55,107,044	\$25,658,599	\$ 8,560,876	\$19,873,594	\$ 376,277	\$ 240,644,378
Watch	1,373,462	6,355,122	7,273,290	5,164,717	670,311	685,278	-	21,522,179
Special mention	-	1,810,051	-	-	8,842,414	-	-	10,652,465
Substandard	1,022,358	140,160	528,345	293,799	1,928,350	-	-	3,913,012
Total	<u>\$58,764,402</u>	<u>\$ 83,004,739</u>	<u>\$62,908,679</u>	<u>\$31,117,115</u>	<u>\$20,001,950</u>	<u>\$20,558,871</u>	<u>\$ 376,277</u>	<u>\$ 276,732,034</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,853	\$ -	\$ 39,853
<b>Industrial &amp; Other</b>								
Pass	\$13,473,992	\$ 8,583,390	\$ 5,758,814	\$ 2,921,376	\$ 525,513	\$ 2,957,952	\$17,908,927	\$ 52,129,964
Watch	2,551,032	1,139,152	-	3,001,547	13,107	60,115	6,491,899	13,256,852
Special mention	70,628	200,000	-	-	-	-	-	270,628
Substandard	24,682	20,000	-	68,772	9,109	615,476	73,863	811,902
Total	<u>\$16,120,333</u>	<u>\$ 9,942,542</u>	<u>\$ 5,758,814</u>	<u>\$ 5,991,695</u>	<u>\$ 547,729</u>	<u>\$ 3,633,543</u>	<u>\$24,474,689</u>	<u>\$ 66,469,346</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 65,594	\$ -	\$ -	\$ 65,594
<b>Agricultural</b>								
Pass	\$ 1,204,184	\$ 322,568	\$ 12,939	\$ 643,442	\$ 1,289,389	\$ 1,412,539	\$ 887,509	\$ 5,772,570
Watch	179,486	-	-	-	700,043	-	-	879,529
Special mention	-	-	-	-	-	-	-	-
Substandard	2,492	-	-	-	-	-	-	2,492
Total	<u>\$ 1,386,162</u>	<u>\$ 322,568</u>	<u>\$ 12,939</u>	<u>\$ 643,442</u>	<u>\$ 1,989,432</u>	<u>\$ 1,412,539</u>	<u>\$ 887,509</u>	<u>\$ 6,654,591</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Residential real estate</b>								
Pass	\$17,999,282	\$ 23,359,370	\$10,494,610	\$ 7,623,293	\$ 2,957,935	\$12,653,912	\$24,179,287	\$ 99,267,689
Watch	-	-	-	47,284	-	16,675	-	63,959
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	16,301	-	41,014	207,575	-	264,890
Total	<u>\$17,999,282</u>	<u>\$ 23,359,370</u>	<u>\$10,510,911</u>	<u>\$ 7,670,577</u>	<u>\$ 2,998,948</u>	<u>\$12,878,162</u>	<u>\$24,179,287</u>	<u>\$ 99,596,538</u>
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Consumer and other</b>								
Pass	\$ 3,578,746	\$ 1,970,177	\$ 580,547	\$ 208,301	\$ 98,563	\$ 755,710	\$ 432,819	\$ 7,624,862
Substandard	-	4,070	2,888	-	13,404	-	-	20,362
Total	<u>\$ 3,578,746</u>	<u>\$ 1,974,247</u>	<u>\$ 583,434</u>	<u>\$ 208,301</u>	<u>\$ 111,967</u>	<u>\$ 755,710</u>	<u>\$ 432,819</u>	<u>\$ 7,645,224</u>
Current period gross charge-offs	\$ 19,591	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,591
Total Loans	<u>\$97,848,925</u>	<u>\$118,603,467</u>	<u>\$79,774,778</u>	<u>\$45,631,130</u>	<u>\$25,650,027</u>	<u>\$39,238,825</u>	<u>\$ 50,350,581</u>	<u>\$ 457,097,733</u>



# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 4: Loans (Continued)

Loan aging information as of December 31 follows:

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
2024				
Commercial - Real estate and construction	\$ 316,777,673	\$ 7,907,078	\$ 272,821	\$ 324,957,572
Commercial - Industrial and other	73,017,623	-	244,006	73,261,629
Commercial - Agricultural	5,326,078	278,644	47,998	5,652,720
Residential real estate	104,690,406	1,893,614	102,380	106,686,401
Consumer and other	7,161,686	9,529	27,532	7,198,747
<b>Totals</b>	<b>\$ 506,973,466</b>	<b>\$ 10,088,865</b>	<b>\$ 694,736</b>	<b>\$ 517,757,068</b>

	Current Loans	Loans Past Due 30-89 Days	Loans Past Due 90+ Days	Total Loans
2023				
Commercial - Real estate and construction	\$ 276,479,263	\$ -	\$ 252,770	\$ 276,732,034
Commercial - Industrial and other	66,027,653	232,461	209,232	66,469,346
Commercial - Agricultural	6,636,406	18,185	-	6,654,591
Residential real estate	98,911,575	237,008	447,956	99,596,538
Consumer and other	7,611,579	13,809	19,836	7,645,224
<b>Totals</b>	<b>\$ 455,666,476</b>	<b>\$ 501,463</b>	<b>\$ 929,794</b>	<b>\$ 457,097,733</b>

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 4: Loans (Continued)

The Company did not modify any loans to borrowers that are experiencing financial difficulty and did not have any previous modifications that were made during the past 12 months that experienced a payment default during the 12 months ended December 31, 2024 or December 31, 2023.

Directors, executive officers, and principal stockholders of the Company, including their families and firms in which they are principal owners, are considered to be related parties. Substantially, all loans to these related parties were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectability or present other unfavorable features.

A summary of loans to directors, executive officers, and their affiliates as of December 31 is as follows:

	2024	2023
Balance at beginning	\$ 6,883,363	\$ 3,754,130
New loans	4,970,699	4,816,012
Repayments	(6,454,273)	(1,686,778)
Balance at end	\$ 5,399,789	\$ 6,883,363

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 5: Premises and Equipment

Premises and equipment consisted of at December 31:

	2024	2023
Land and buildings	\$ 7,016,507	\$ 7,007,989
Furniture and equipment	4,696,841	4,420,705
Subtotal	11,713,348	11,428,694
Less - Accumulated depreciation	6,764,543	6,285,605
<b>Premises and equipment, net</b>	<b>\$ 4,948,805</b>	<b>\$ 5,143,089</b>

Depreciation and amortization of premises and equipment charged to operating expense totaled \$486,581 and \$463,750 for 2024 and 2023, respectively.

### Note 6: Deposits

Deposits consisted of the following at December 31:

	2024	2023
Non-interest-bearing demand	\$ 132,937,968	\$ 148,661,247
Interest-bearing demand	98,063,974	88,078,256
Savings	74,277,602	78,228,981
Money market	144,892,464	135,163,615
Time	87,492,169	59,880,857
<b>Total deposits</b>	<b>\$ 537,664,177</b>	<b>\$ 510,012,956</b>

Time deposits that met or exceeded the FDIC's insurance limit of \$250,000 or more totaled \$12,965,036 and \$13,349,231 at December 31, 2024, and 2023, respectively.

The scheduled maturities of time deposits at December 31, 2024, are summarized as follows:

2025	\$ 60,669,074
2026	9,396,321
2027	6,420,840
2028	4,993,793
2029	6,012,141
<b>Total</b>	<b>\$ 87,492,169</b>

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 6: Deposits (Continued)

Deposits from directors, executive officers, and their affiliates totaled \$2,977,527 and \$5,027,404 at December 31, 2024, and 2023, respectively.

The Company has one customer with a deposit balance in excess of 5% of total deposits, amounting to \$50,808,535 and \$51,624,670 at December 31, 2024, and 2023, respectively.

### Note 7: Borrowed Funds

The Company has a \$1,000,000 line of credit agreement with another community bank. The line of credit bears interest at the Secured Overnight Financing Rate (SOFR) plus 2.75 percentage points, with a floor of 0%. Interest is payable quarterly, and the line matures on April 5, 2026. The line is secured by the Bank's stock. At December 31, 2024, and 2023, the balance was \$0.

The line of credit agreement also places various financial covenants upon the Company during the borrowing term. These covenants require the Company and the Bank to maintain capital ratios at "well-capitalized" as defined by regulatory guidelines, to maintain minimum common equity tier 1 capital at the Bank of \$36,000,000, to maintain a trailing twelve-months return on assets ratio of 0.50% or greater, and to have non-performing assets not exceeding 30% of primary capital plus the allowance for credit losses. As of December 31, 2024, the Company was in compliance with all the covenants. In addition, the line of credit agreement is subject to a prepayment penalty if refinanced with another financial institution.

The Company has a term loan with another community bank. The balance on the term loan at December 31, 2024 is \$5,064,102 with a variable interest rate at the Secured Overnight Financing Rate (SOFR) plus 2.75 percentage points, with a floor of 0%. The loan requires quarterly principal and interest payments. This term loan will mature on April 1, 2027, and requires a final payment of the unpaid principal and interest. The loan is secured by the Bank's stock. The term loan agreement is subject to the same financial covenants as detailed under the line of credit agreement. In addition, the term loan is subject to an annual declining prepayment penalty if refinanced with another financial institution.

The Company has a federal funds line of credit with its main correspondent institution for up to \$13,000,000 and available federal funds line of credit of \$6,500,000 with another correspondent institution. Federal funds purchased generally mature within one to four days from the transaction date. The interest rate is at the daily federal funds rate. The Company had no amounts outstanding on the federal funds lines of credit at December 31, 2024, and 2023.

The Company also has a borrowing availability through the Federal Reserve Company's discount window. The Company pledges securities and/or loans in order to borrow at the discount window. There were no borrowings through the discount window or the Federal Bank Term Funding Program as of December 31, 2024. There was a borrowing of \$30,000,000 through the Federal Bank Term Funding Program which was collateralized through pledged securities as of December 31, 2023.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 7: Borrowed Funds (Continued)

Borrowed funds consisted of the following at December 31:

	2024		2023	
	Rates	Amount	Rates	Amount
Federal Home Loan Bank of Chicago:				
Fixed rate, fixed term advances	4.00% - 4.52%	\$ 50,000,000	4.23% - 5.45%	\$ 25,000,000
Federal Reserve Bank Term Funding Program				
Fixed rate, fixed term advance	0.00%	\$ -	5.22%	\$ 30,000,000
Other notes payable:				
Variable rate, fixed term	7.27%	5,064,102	3.95%	5,816,821
<b>Totals</b>		<b>\$ 55,064,102</b>		<b>\$ 60,816,821</b>

The following is a summary of scheduled maturities of fixed term borrowed funds as of December 31, 2024:

	Weighted Average Rate	Total Amount
2025	4.57%	\$ 23,261,159
2026	4.40%	13,325,309
2027	4.99%	18,477,634
<b>Total</b>		<b>\$ 55,064,102</b>

The Company has a master contract agreement with the FHLB that provides for borrowing capacity levels based on guidelines established by the FHLB. Total potential borrowings are generally limited to the lower of 35% of the Company's total assets or 22.22 times the FHLB stock owned, and includes additional limitations based on pre-determined percentages of the book value of the Company's qualifying real estate loans pledged as collateral. The Company's potential borrowing capacity available may require the purchase of additional FHLB stock to support additional advances up to the total pledged collateral value under current FHLB borrowing guidelines. The Company pledged real estate loans of approximately \$253,043,539 and \$261,605,636 as collateral at December 31, 2024, and 2023, respectively.

The FHLB provides both fixed and floating rate advances. Floating rates are tied to short-term market rates of interest, such as Secured Overnight Financing Rate (SOFR), federal funds, or treasury bill rates. Advances with call provisions permit the FHLB to request payment beginning on the call date and quarterly thereafter. FHLB advances are subject to a prepayment penalty if they are repaid prior to maturity. FHLB advances are also secured by \$3,437,060 and \$1,918,740 of FHLB stock owned by the Company at December 31, 2024 and 2023, respectively.

At December 31, 2024, the Company's available new advance capacity under this borrowing agreement based on its FHLB stock ownership balance was \$8,380,038.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 8: Income Taxes

The components of the provision for income taxes are as follows as of December 31:

	2024	2023
Current tax expense:		
Federal	\$ 2,670,012	\$ 1,797,955
State	25	25
Total current	2,670,037	1,797,980
Deferred tax expense (benefit):		
Federal	(230,566)	44,720
State	(964,878)	1,022,472
Total deferred	(1,195,444)	1,067,192
Valuation allowance	964,878	206,999
Total provision for income taxes	\$ 2,439,471	\$ 3,072,171

The primary differences between income taxes at the federal statutory rate and the provision for income taxes include state taxes and tax-exempt income.

Under a Wisconsin tax law that became effective for tax years beginning after December 31<sup>st</sup>, banks are allowed to exempt state taxation loan income from commercial and agricultural loans of \$5 million or less where the borrower resides, or is located, in Wisconsin. The Company does not believe it will receive a future benefit for the state portion of net deferred tax assets recognized. As a result, the Company has recognized a valuation allowance for the net deferred tax asset related to the state of Wisconsin.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 8: Income Taxes (Continued)

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The major components of the net deferred tax asset, which is included in other assets on the consolidated balances sheets, as of December 31 are presented below:

	2024	2023
<b>Deferred tax assets:</b>		
Allowance for credit losses	\$ 1,862,308	\$ 1,481,135
State net operating loss carryforwards	828,133	-
Unrealized loss on debt securities available for sale	2,058,753	2,284,611
Other	188,959	221,392
<b>Total deferred tax assets</b>	<b>4,938,152</b>	<b>3,987,138</b>
<b>Deferred tax liabilities:</b>		
Premises and equipment	235,463	248,858
FHLB stock	36,784	34,626
Mortgage servicing rights	460,941	500,939
Equity investment mark to market	51,949	40,533
Other	46,872	25,626
<b>Total deferred tax liabilities</b>	<b>832,009</b>	<b>850,582</b>
Valuation allowance	(1,171,877)	(206,999)
<b>Net deferred tax asset</b>	<b>\$ 2,934,265</b>	<b>\$ 2,929,557</b>

The Company's policy is to recognize interest and penalties related to income tax issues as components of income tax expense. The Company had no accrual for interest or penalties related to income tax issues as of December 31, 2024 and 2023.

With few exceptions, the Company is no longer subject to federal or state examinations by tax authorities for years before 2020.

The Company has state net operating loss carryforwards totaling approximately \$13,256,317 that may be applied against future state taxable income.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 9: Employee Benefit Plans

The Company sponsors a 401(k) retirement plan that covers all full-time and part-time employees. Eligible employees can defer a portion of their annual compensation into this 401(k) retirement plan. The Company will match 100% of the amount contributed by an eligible employee up to 4% of the employee's annual compensation.

The 401(k) retirement plan matching contribution expense charged to operations was \$254,748 and \$243,529 for 2024 and 2023, respectively.

In 2024 the Company eliminated the quarterly profit sharing that was shared with its eligible employees calculated at 5% of the Company's after-tax profits from the previous quarter. The expense charged to operations was \$0 and \$394,953 for 2024 and 2023, respectively.

Achievement Pay/Incentive Compensation is a discretionary fund that managers can use to reward individuals based on performance and accomplishments. The Company reserves funds each year on a monthly basis as determined by the projected net income. Discretionary payments are approved by the President/CEO and paid out of the reserve. If money remains in the reserve account at year-end, the remaining reserve balance will carry over into the following year.

All employees are eligible for achievement pay based on established criteria. A select group of managers and producers are eligible for incentive compensation, which is based on the Company's financial performance and goal achievement.

The President/CEO's bonus is based on the Company's performance measurements established by the Board and is calculated and approved by the Board of Directors. This bonus is also paid from this reserve.

Achievement Pay/Incentive Compensation expenses charged to operations was \$500,000 and \$400,000 for 2024 and 2023, respectively. The reserve accrual for Achievement Pay outstanding as of December 31, 2024 and 2023, was \$286,816 and \$326,585, respectively.

The Company has salary continuation agreements with various executive officers. The agreements provide for the payment of specified amounts upon the employee's retirement or death, which are being accrued over the anticipated remaining period of employment. Amounts accrued and included within other liabilities were \$460,042 and \$510,157 as of December 31, 2024 and 2023, respectively. Expenses recognized for future benefits under these agreements totaled \$30,364 and \$33,542 in 2024 and 2023, respectively.

In conjunction with the salary continuation agreements, the Company purchased paid-up life insurance on the officers, which provides funding for the payment of benefits. The aggregate death benefits under the insurance contracts were \$17,086,738 and \$17,047,963 as of December 31, 2024 and 2023, respectively. The related aggregate cash surrender value was \$9,782,612 and \$9,559,020 as of December 31, 2024 and 2023, respectively.



# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 10: Stockholders' Equity and Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to Bank Holding Companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Common Equity Tier I, Tier I and Total capital to risk-weighted assets and of Tier I capital to average assets. It is management's opinion, as of December 31, 2024, that the Bank meets all applicable capital adequacy requirements.

As of December 31, 2024, the most recent notification from the regulatory agencies categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The payment of dividends by the Bank would be restricted if the Bank does not meet the minimum Capital Conservation Buffer as defined by Basel III regulatory capital guidelines and/or if, after payment of a dividend, the Bank would be unable to maintain satisfactory regulatory capital ratios.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 10: Stockholders' Equity and Regulatory Matters (Continued)

The Bank's actual capital amounts and ratios as of December 31 are presented in the following table:

<i>(Dollars in Thousands)</i>	Actual		For Capital Adequacy Purposes				To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio		
<b>2024</b>								
Common equity Tier I capital (to risk-weighted assets)	\$ 84,523	14.5%	≥	\$ 26,268	4.5%	≥	\$ 37,942	6.5%
Total capital (to risk-weighted assets)	90,915	15.6%	≥	46,698	8.0%	≥	58,373	10.0%
Tier I capital (to risk-weighted assets)	84,523	14.5%	≥	35,024	6.0%	≥	46,698	8.0%
Tier I capital (to average assets)	84,523	12.9%	≥	26,238	4.0%	≥	32,798	5.0%
<b>2023</b>								
Common equity Tier I capital (to risk-weighted assets)	\$ 77,597	14.8%	≥	\$ 23,640	4.5%	≥	\$ 34,147	6.5%
Total capital (to risk-weighted assets)	83,133	15.8%	≥	42,027	8.0%	≥	52,534	10.0%
Tier I capital (to risk-weighted assets)	77,597	14.8%	≥	31,520	6.0%	≥	42,027	8.0%
Tier I capital (to average assets)	77,597	12.8%	≥	24,301	4.0%	≥	30,377	5.0%

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 11: Commitments, Contingencies, and Credit Risk

#### Financial Instruments with Off-Balance-Sheet Credit 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 instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31:

	Notional Amount	
	2024	2023
Commitments to extend credit	\$ 121,125,000	\$ 118,851,000
Commitment to deliver loans to the FHLB Chicago under the Mortgage Partnership Finance Program	763,000	1,251,000
Credit card commitments	24,000	97,000
Standby letters of credit	16,043,000	14,659,000
Credit enhancement under the FHLB of Chicago Mortgage Partnership Finance Program	1,188,000	1,171,000

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates 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. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer. Collateral held varies, but may include accounts receivable; inventory; property, plant, and equipment; real estate; and stocks and bonds.

Credit card commitments are commitments on credit cards issued through the Company and serviced by other companies. These commitments are unsecured.

Standby letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, all standby letters of credit issued have expiration dates within one year. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting these commitments. Standby letters of credit are not reflected in the consolidated financial statements since recording the fair value of these guarantees would not have a significant impact on the consolidated financial statements.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### **Note 11: Commitments, Contingencies, and Credit Risk (Continued)**

The Company participates in the FHLB Mortgage Partnership Finance Program (the "Program"). In addition to entering into forward commitments to sell mortgage loans to a secondary market agency, the Company enters into firm commitments to deliver loans to the FHLB through the Program. Under the Program, loans are funded by the FHLB, and the Company receives an agency fee reported as a component of gain on sale of loans. Once delivered to the Program, the Company provides a contractually agreed-upon credit enhancement and performs servicing of the loans. Under the credit enhancement, the Company is liable for losses on loans delivered to the Program after application of any mortgage insurance and a contractually agreed-upon credit enhancement provided by the Program subject to an agreed-upon maximum. The Company received a fee for this credit enhancement. The Company does not anticipate that any credit losses will be incurred in excess of anticipated credit enhancement fees.

#### **Legal Contingencies**

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the consolidated financial statements.

#### **Concentration of Credit Risk**

The majority of the Company's loans, commitments, and standby letters of credit have been granted to customers in the Company's market area. The concentrations of credit by type are set forth in Note 4. Standby letters of credit were granted primarily to commercial borrowers. Management believes the diversity of the local economy will prevent significant losses in the event of an economic downturn.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 12: Fair Value Measurements

Accounting standards describe three levels of inputs that may be used to measure fair value (the fair value hierarchy). The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability.

Following is a brief description of each level of the fair value hierarchy:

- Level 1 - Fair value measurement is based on quoted prices for identical assets or liabilities in active markets.
- Level 2 - Fair value measurement is based on: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in markets that are not active; or (3) valuation models and methodologies for which all significant assumptions are or can be corroborated by observable market data.
- Level 3 - Fair value measurement is based on valuation models and methodologies that incorporate at least one significant assumption that cannot be corroborated by observable market data. Level 3 measurements reflect the Company's estimates about assumptions market participants would use in measuring fair value of the asset or liability.

Some assets and liabilities, such as debt securities available for sale, are measured at fair value on a recurring basis under GAAP. Other assets and liabilities, such as collateral dependent loans, may be measured at fair value on a nonrecurring basis.

Following is a description of the valuation methodology used for each asset measured at fair value on a recurring or nonrecurring basis, as well as the classification of the asset within the fair value hierarchy:

*Debt securities available for sale* - Debt securities available for sale are classified as Level 1 or 2 measurements within the fair value hierarchy. Level 1 securities include debt securities traded on a national exchange and include U.S. treasury notes and bonds. Level 2 securities include U.S. government and agencies, obligations of states and political subdivisions, corporate bonds, pooled SBA loans, and mortgage-backed securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data.

*Loans* - Loans are not measured at fair value on a recurring basis. However, individually evaluated loans (see Note 1) may be measured at fair value on a nonrecurring basis. The fair value measurement of a loan that is collateral dependent is based on the fair value of the underlying collateral. Independent appraisals are obtained that utilize one or more valuation methodologies; typically, they will incorporate a comparable sales approach and an income approach. Management routinely evaluates the fair value measurements of independent appraisers and adjusts those valuations based on differences noted between actual selling prices of collateral and the most recent appraised value. Such adjustments are usually significant and typically result in a Level 3 classification. Nonreal estate collateral may be valued using an appraisal, net book value of the borrower's financial statements or aging reports, adjusted or discounted based on management's expertise and knowledge of the borrower and comparisons to sales of comparable assets, but include significant unobservable data and are, therefore, considered Level 3 classification.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 12: Fair Value Measurements (Continued)

*Foreclosed assets* - Real estate and other property acquired through or in lieu of loan foreclosure are not measured at fair value on a recurring basis. However, foreclosed assets are initially measured at fair value (less estimated costs to sell) when they are acquired and may also be measured at fair value (less estimated costs to sell) if they become subsequently impaired. The fair value measurement for each asset may be obtained from an independent appraiser or prepared internally. Fair value measurements obtained from independent appraisers generally utilize a market approach based on sales of comparable assets and/or an income approach. Such measurements are usually considered Level 2 measurements. However, management routinely evaluates fair value measurements of independent appraisers by comparing actual selling prices to the most recent appraisals. If management determines significant adjustments should be made to the independent appraisals based on these evaluations, these measurements are considered Level 3 measurements. Fair value measurements prepared internally are based on management's comparisons to sales of comparable assets, but include significant unobservable data and are, therefore, considered Level 3 measurements.

*Other investments* – Other investments in equity securities with a readily determinable fair value are measured at fair value on a recurring basis. The fair value measurement of equity securities with a readily determinable fair value are based on the quoted price of the security and is considered a Level 1 fair value measurement. Equity securities without a readily determinable fair value, such as Bankers' Bancorporation, are measured at fair value on a nonrecurring basis when transaction prices for identical or similar securities are identified. Fair value measurements on equity securities without a readily determinable fair value are generally considered a Level 2 fair value measurement.

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 12: Fair Value Measurements (Continued)

Information regarding the fair value of assets and liabilities measured at fair value on a recurring basis as of December 31 follows:

	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2024</b>				
Assets:				
Debt securities available for sale:				
U.S. treasury notes and bonds	\$ 7,666,660	\$ 7,666,660	\$ -	\$ -
U.S. sponsored agencies	5,997,460	-	5,997,460	-
Obligations of states and political subdivisions	15,863,720	-	15,863,720	-
Corporate bonds	2,380,627	-	2,380,627	-
U.S. agency residential mortgage-backed securities	15,047,079	-	15,047,079	-
U.S. agency collateralized debt obligations	33,180,090	-	33,180,090	-
<b>Total assets</b>	<b>\$ 80,135,636</b>	<b>\$ 7,666,660</b>	<b>\$ 72,468,976</b>	<b>\$ -</b>
<b>2023</b>				
Assets:				
Debt securities available for sale:				
U.S. treasury notes and bonds	\$ 10,340,215	\$ 10,340,215	\$ -	\$ -
U.S. sponsored agencies	6,773,753	-	6,773,753	-
Obligations of states and political subdivisions	19,515,392	-	19,515,392	-
Corporate bonds	2,266,823	-	2,266,823	-
Pooled SBA loans	4,457	-	4,457	-
U.S. agency residential mortgage-backed securities	16,132,795	-	16,132,795	-
U.S. agency collateralized debt obligations	38,417,813	-	38,417,813	-
<b>Total assets</b>	<b>\$ 93,451,248</b>	<b>\$ 10,340,215</b>	<b>\$ 83,111,033</b>	<b>\$ -</b>

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 12: Fair Value Measurements (Continued)

Information regarding the fair value of assets and liabilities measured at fair value on a nonrecurring basis as of December 31 follows:

	Assets Measured at Fair Value	Nonrecurring Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2024</b>				
Collateral dependent loans	\$ 8,223,743	\$ -	\$ -	\$ 8,223,743
Bankers' Bancorporation stock	661,500	-	661,500	
<b>Total assets</b>	<b>\$ 8,885,243</b>	<b>\$ -</b>	<b>\$ 661,500</b>	<b>\$ 8,223,743</b>
<b>2023</b>				
Collateral dependent loans	\$ 2,228,529	\$ -	\$ -	\$ 2,228,529
Bankers' Bancorporation stock	626,800	-	626,800	-
Foreclosed assets	251,920	-	-	251,920
<b>Total assets</b>	<b>\$ 3,107,249</b>	<b>\$ -</b>	<b>\$ 626,800</b>	<b>\$ 2,480,449</b>



# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 12: Fair Value Measurements (Continued)

As of December 31, 2024, collateral dependent loans with a carrying amount of \$8,889,775 were written down to their estimated fair value of \$8,223,743. As a result, the Company recognized a specific valuation allowance totaling \$666,032.

As of December 31, 2023, collateral dependent loans with a carrying amount of \$2,602,529 were written down to their estimated fair value of \$2,228,529. As a result, the Company recognized a specific valuation allowance totaling \$374,000.

No foreclosed assets were acquired during 2024 and the bank disposed of its one remaining foreclosed asset carried over from 2023. The balance of other real estate owned as of December 31, 2024 was \$0.

As of December 31, 2023, foreclosed assets with a fair value, net of estimated costs to sell were \$251,920. These were acquired through or in lieu of foreclosure during the proceeding years.

The following table presents quantitative information about nonrecurring Level 3 fair value measurements at December 31:

	Fair Value	Market and/or income approach	Unobservable Input(s)	Range/ Weighted Average
<b>2024</b>				
Collateral dependent loans	\$ 8,223,743	Sales comparison	Management discount on appraised values	10%
<b>2023</b>				
Collateral dependent loans	\$ 2,228,529	Sales comparison	Management discount on appraised values	10%
Foreclosed assets	251,920	Sales comparison	Management discount on appraised values	10%

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 12: Fair Value Measurements (Continued)

The carrying value and estimated fair value of financial instruments at December 31, 2024 and 2023 follows:

	Carrying Value	Estimated Fair Value	Fair Value Hierarchy		
			Level 1	Level 2	Level 3
<b>2024</b>					
Financial Assets:					
Cash and cash equivalents	\$ 49,121,836	\$ 49,121,836	\$ 49,121,836	\$ -	\$ -
Certificates of deposit	271,921	271,921	-	271,921	-
Accrued interest receivable	2,419,523	2,419,523	2,419,523		
Debt securities available for sale	80,135,636	80,135,636	7,666,660	72,468,976	-
Loans, net	511,855,341	502,746,000	-	-	502,746,000
Other investments	4,098,560	4,098,560	-	661,500	3,437,060
Bank-owned life insurance	9,782,612	9,782,612	9,782,612	-	-
<b>Total</b>	<b>\$ 657,685,429</b>	<b>\$ 648,576,088</b>	<b>\$ 68,990,631</b>	<b>\$ 73,402,397</b>	<b>\$ 506,183,060</b>
<b>2024</b>					
Financial Liabilities:					
Deposits	\$ 537,664,177	\$ 488,574,000	\$ 398,895,000	\$ -	\$ 89,679,000
Accrued interest payable	444,958	444,958	444,958	-	444,958
Borrowed funds	55,064,102	50,903,000	-	-	50,903,000
Lease obligations - Finance leases	2,560	2,560	-	-	2,560
<b>Total</b>	<b>\$ 593,175,797</b>	<b>\$ 539,924,518</b>	<b>\$ 399,339,958</b>	<b>\$ -</b>	<b>\$ 141,029,518</b>

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

### Note 12: Fair Value Measurements (Continued)

	Carrying Value	Estimated Fair Value	Fair Value Hierarchy		
			Level 1	Level 2	Level 3
<b>2023</b>					
Financial Assets:					
Cash and cash equivalents	\$ 66,518,643	\$ 66,518,643	\$ 66,518,643	\$ -	\$ -
Certificates of deposit	260,497	260,497	-	260,497	-
Accrued interest receivable	2,295,872	2,295,872	2,295,872	-	-
Debt securities available for sale	93,451,248	93,451,248	10,340,215	83,111,033	-
Loans, net	451,940,496	441,044,000	-	-	441,044,000
Other investments	2,545,540	2,545,540	-	626,800	1,918,740
Bank-owned life insurance	9,559,020	9,559,020	9,559,020	-	-
<b>Total</b>	<b>\$ 626,571,316</b>	<b>\$ 615,674,820</b>	<b>\$ 88,713,750</b>	<b>\$ 83,998,330</b>	<b>\$ 442,962,740</b>
<b>2023</b>					
Financial Liabilities:					
Deposits	\$ 510,012,956	\$ 460,695,984	\$ 400,244,984	\$ -	\$ 60,451,000
Accrued interest payable	1,278,973	1,278,973	1,278,973	-	1,278,973
Borrowed funds	60,816,821	55,677,000	-	-	55,677,000
Lease obligations - Finance leases	32,068	32,068	-	-	32,068
<b>Total</b>	<b>\$ 572,140,818</b>	<b>\$ 517,684,025</b>	<b>\$ 401,523,957</b>	<b>\$ -</b>	<b>\$ 117,439,041</b>

# First Berlin Bancorp, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

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### Note 12: Fair Value Measurements (Continued)

*Limitations* - The fair value of a financial instrument is the current amount that would be exchanged between market participants, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Company.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the consolidated balance sheets. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.