FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2020

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FDIC Certificate Number: 29143

SYSTEMATIC SAVINGS BANK

(Exact name of registrant as specified in its charter)

Missouri	44-0456185
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. Number)
318 South Avenue, Springfield, Missouri	65806
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (417) 862-5036

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, $.01 par value per share
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☒ Emerging growth company ☒

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

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

There was no market value of the registrant's common stock at June 30, 2020 since it had not completed its mutual to stock conversion by that date. As of March 12, 2021, there were 595,125 issued and outstanding shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's Definitive Proxy Statement for the 2020 Annual Meeting of Stockholders (Part III).

Table of Contents

Forward-Looking Statements

This report contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect," "will," "may" and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on our current beliefs and expectations and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this report.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market area, that are worse than expected on international trade (including supply chain and export levels);
- the effect of the COVID-19 pandemic, including on the Savings Bank's credit quality and business operations, as well as its impact on general economic and financial market conditions and other uncertainties resulting from the COVID-19 pandemic, such as the extent and duration of the impact on public health, the U.S. and global economies, and consumer and corporate customers, including economic activity, employment levels and market liquidity;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- changes in monetary and fiscal policy of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve and changes in the level of government support of housing finance;
- our ability to capitalize on growth opportunities;
- our ability to successfully integrate acquired entities or acquired branches, if any;
- changes in consumer spending, borrowing and savings habits;

- the inability of third-party providers to perform their obligations to us;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board;
- changes in our organization, compensation and benefit plans;
- changes in the financial condition or future prospects of issuers of securities that we own; and
- other economic, competitive, governmental, regulatory, and technical factors affecting our operations, pricing, products, and services, including the potential effects of coronavirus on international trade (including supply chains and export levels), and other risks described elsewhere in this report.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please see “Risk Factors.”

PART I

Item 1. Business

BUSINESS

General

Systematic Savings Bank ("Systematic" or "Savings Bank") is a Missouri-chartered mutual savings and loan association headquartered in Springfield, Missouri. Systematic was organized in 1923 and has operated continuously in Springfield, Missouri since its founding. We offer financial services to individuals, families and businesses through our office located in Springfield, Missouri. We are a community-oriented bank offering a variety of financial products and services to meet the needs of our customers. We believe that our community orientation and personalized service distinguishes us from larger banks that operate in our market area.

The Savings Bank consummated its conversion and stock offering on October 13, 2020. In the offering, the Savings Bank sold 595,125 shares of its common stock, par value $.01 per share, at a price of $10.00 per share, to depositors and borrowers from the Savings Bank in a subscription offering and to members of the general public in a community offering.

Our business consists primarily of accepting deposits from the general public and investing those deposits, together with funds generated from operations, and to a lesser extent borrowings, in one- to four-family owner occupied and non-owner occupied real estate loans, commercial real estate loans, agriculture real estate loans, commercial business loans and consumer loans. We offer a variety of deposit accounts, including checking accounts, money market accounts, passbook savings accounts and certificates of deposit.

Market Area

We conduct our operations from our office located in Springfield, Missouri, which is the county seat of Greene County, Missouri. We consider Greene County, Missouri and contiguous counties to be our primary market area.

Springfield is the third largest city in the state of Missouri. Springfield has developed a diverse economy, with concentrations in health care, manufacturing, retail, education and tourism. The relatively low cost of living and related lower incomes in comparison to larger metropolitan areas makes the region attractive for manufacturing companies and for employees as well. The Savings Bank's primary market area has an employment base concentrated in services, education, healthcare, social services, wholesale/retail trade and manufacturing. The distribution of employment in the primary market area is indicative of a relatively diverse economic environment with a level of dependence on manufacturing, which typically has higher overall wages compared to other economic sectors. The top two employers are health care systems with employment well above other large employers. Education employment is supported by the presence of four large colleges or universities, including Missouri State University, Ozarks Technical Community College, Drury University and Evangel University. Companies that maintain national headquarters in Springfield include Positronic, Bass Pro Shops, Springfield Remanufacturing, O'Reilly Auto Parts and Prime, Inc.

The size and scope of the market area is evidenced by the demographic data, which shows as of 2020 the Springfield MSA population was 473 thousand, with the Springfield region the population center of southwestern Missouri. Greene County, the center of the MSA and location of the Savings Bank's office, reported a total population of 295 thousand, or 62% of the MSA population. The data also indicates the growth characteristics of the market area. The State of Missouri recorded annual population growth of 0.3% over the last ten years, lower than the national growth rate of 0.7%. Over the same time period, the Springfield MSA recorded a population growth rate of 0.8%, slightly higher than the national rate and almost three times the state rate, indicating a relatively positive environment in terms of demographic trends. Management believes this historical population growth data supports the potential for future growth for financial institutions in our market area, given the implied growth of the potential customer base and resulting higher demand for housing and other related products and services in our market area.

The 2020 estimated median household income for Greene County was approximately $49,389, which was somewhat lower than the MSA average and notably lower than the state and national averages. The Missouri state median household income was lower than the national average, given the midwestern location and being a more rural state, while Greene County's even lower income levels reflected the location away from the state population centers of St. Louis and Kansas City.

Competition

We face intense competition in our market area both in making loans and attracting deposits. A recent study by Center State Correspondent Bank shows Springfield, Missouri as the ninth most competitive MSA with a population over 350,000, with 2,182 people per the 49 institutions in the MSA. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds insurance companies and online banks. Some of our competitors have greater name recognition and market presence, and offer certain services that we do not or cannot provide.

Our deposit sources are primarily concentrated in the communities surrounding our banking office in Springfield, Missouri. As of June 30, 2020 (the latest date for which information is publicly available), we ranked 33rd in deposit market share out of 36 banks and thrift institutions with offices in Greene County, Missouri with a market share of approximately 0.26%, which does not reflect deposits held by credit unions.

Lending Activities

Our primary lending activities are the origination of one- to four-family residential real estate loans, including both owner and non-owner occupied, commercial real estate loans, including both owner and non-owner occupied and multi-family real estate loans, agricultural real estate and to a much lesser extent, construction loans for each category and consumer loans.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated. Other than as disclosed herein, there are no other loan concentrations that would exceed 10% of our loan portfolio.

	At December 31, 2020		At December 31, 2019	
	Amount	**Percent**	**Amount**	**Percent**
	(Dollars in Thousands)			
Residential real estate	$ 25,479,976	67.1%	$ 19,462,053	67.0%
Commercial real estate	7,315,193	19.3%	6,644,183	22.9%
Commercial business	3,257,136	8.6%	2,022,715	7.0%
Consumer	233,554	0.6%	150,336	0.5%
Agriculture real estate	1,684,105	4.4%	754,129	2.6%
Total loans	37,969,964	100.0%	29,033,416	100.0%
Less				
Deferred loan fees and discounts, net	102,927		101,748	
Allowance for loan losses	406,850		410,890	
Net loans	$ 37,460,187		$ 28,520,778	

Contractual Maturities. The following table sets forth the contractual maturities of our total loan portfolio at December 31, 2020. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. The table presents contractual maturities and does not reflect repricing or the effect of prepayments. Actual maturities may differ due to prepayments.

Due During the Years ending December 31,	Residential Real Estate	Commercial Real Estate	Commercial Business	Consumer	Agriculture Real Estate	Total
			(In Thousands)			
2021	$ 3,553	$ 1,416	$ 1,396	$ 110	$ 1,131	$ 7,606
2022	3,059	249	1,165	45	12	4,531
2023	2,061	235	86	43	12	2,437
2024 to 2025	3,155	448	322	35	23	3,983
2026 to 2030	6,105	889	288	0	51	7,333
2031 to 2035	4,163	1,588	0	0	384	6,135
2036 and beyond	3,385	2,490	0	0	70	5,945
Total	$ 25,481	$ 7,315	$ 3,257	$ 233	$ 1,683	$37,970

The following table sets forth our fixed- and adjustable-rate loans at December 31, 2020.

	Fixed	Adjustable	Total
		(In Thousands)	
Residential real estate	$ 12,815	$ 12,665	$ 25,480
Commercial real estate	1,424	5,891	7,315
Commercial business	1,918	1,249	3,167
Consumer	234	0	234
Agriculture real estate	1,512	171	1,684
Agriculture		91	91
Total loans	$ 17,903	$ 20,067	$ 37,970

Loan Approval Procedures and Authority. We make loans according to written, non- discriminatory underwriting standards and loan origination procedures established by our board of directors through a Board approved General Loan Policy. The loan approval process is intended to assess the borrower's ability to repay the loan and value of the property that will secure the loan. To assess the borrower's ability to repay, we review the borrower's employment, credit history and information on the historical and projected income and expenses of the borrower. We require "full documentation" on all of our loan applications.

The aggregate amount of loans that we are permitted to make to any one borrower or a group of related borrowers is $1.6 million. At December 31, 2020, we did not have any borrowers with outstanding balances in excess of this amount. As of December 31, 2020, the largest dollar amount outstanding to one borrower, or group of related borrowers, was $1.5 million and was secured by residential real estate. This loan relationship was performing according to its contractual terms at December 31, 2020.

While our loan policy provides for individual lending authorities, our general practice is that all loans, regardless of size, are reviewed and approved by our Directors Loan Committee, which consists of certain directors, the CEO and Chief Lending Officer. Our Board of Directors also reviews all loans, renewals and lines of credit as well as loans that have unique risk factors or circumstances that are originated including any exceptions to General Loan Policy.

One- to Four-Family Real Estate Loans – Owner Occupied. At December 31, 2020, $8.0 million, or 21.2%, of our total loan portfolio, consisted of one- to four-family owner occupied residential real estate loans. We do not originate fixed rate one- to four-family loans, rather we refer them to a third party and we receive a fee on closing of the loan. Historically we have also offered owner occupied adjustable-rate residential mortgage loans. Under the regulations of the Missouri Division of Finance, state chartered savings banks, like Systematic, are permitted to make adjustable-rate residential mortgages with rates tied to an index that is not within the control of or rollover mortgages with a rate tied to an index that is not within the control of the savings bank. Adjustable rate residential mortgage loans usually adjust annually at a margin over the constant Maturity Treasury, (CMT), although

there are some legacy loans tied to an internal cost of funds. Adjustable rate loans may have terms from 15-30 years, and are fully amortizing.

One- to four-family, owner occupied residential real estate loans are generally underwritten to terms that incorporate Freddie Mac guideline. We generally originate for our portfolio one- to four-family owner occupied real estate loans in amounts up to the maximum conforming loan limits as established by the Federal Housing Finance Agency, which is generally $510,400 for single-family homes. However, loans in excess of $510,400 (which are referred to as "jumbo loans") may be originated for retention in our loan portfolio. Our maximum loan amount for these loans is generally $510,000. We generally underwrite jumbo loans in the same manner as conforming loans.

Generally, we originate loans with loan-to-value ratios of up to 80% on refinance and an 80% loan to cost on construction or purchase.

Generally, we do not offer "interest only" mortgage loans on one- to four-family residential properties (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan), however, in certain circumstances, we have offered such loans and we evaluate such loans on a case by case basis. We do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not offer "subprime loans" (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (traditionally defined as loans having less than full documentation).

We also offer home equity loans secured by a first or second mortgage on residential property. Our home equity loans are made with fixed or adjustable rates, and with combined loan-to-value ratios up to 90% on an owner-occupied principal residence.

Generally, we do not make second mortgage loans unless we also hold the first mortgage on the borrower's primary residence. For second mortgage loans for which we do not hold the first mortgage, we have greater risk than one- to four-family owner-occupied real estate loans secured by first mortgages.

We face the risk that the collateral will be insufficient to compensate us for loan losses and costs of foreclosure, particularly since holders of the first mortgage would be repaid first from the proceeds of any sale of collateral, before such proceeds are applied to second mortgage loans. When customers default on their loans, we attempt to foreclose on the property and resell the property as soon as possible to minimize foreclosure and carrying costs. Particularly with respect to our second mortgage loans, decreases in real estate values could adversely affect the value of property used as collateral for our loans.

One – to Four Family Real Estate Loans – Non-Owner Occupied. At December 31, 2020, $17.4 million, or 45.9%, of our total loan portfolio, consisted of one- to four-family non-owner occupied real estate loans. Systematic has purchased certain non-owner occupied real estate loans in recent periods in order to build the loan portfolio and increase net interest income. Systematic completed a loan purchase of $2.7 million of non-owner occupied loans for rental property in November 2020. The aggregate outstanding balance on purchased "whole loans" was $5.4 million on December 31, 2020, compared with $3.4 million on December 31, 2019. For additional information see "Business of Systematic – Loan Originations, Purchases, Sales, Participation and Servicing.

Our real estate underwriting policies provide that such loans may be made in amounts of up to 80% of the appraised value or 80% of cost whichever is less of the property. Our one- to four-family non-owner occupied real estate loans are generally variable rate loans adjusting every three to five years to a public index not controlled by the Savings Bank. These loans are generally a maximum maturity of 20 years.

Our loan policy allows us to make one- to four family non-owner occupied loans with balances up to our legal lending limit. At December 31, 2020, our average one- to four family non-owner occupied loan had a balance of $102,000.

In reaching a decision on whether to make one- to four-family non-owner occupied loans, we consider the net operating income of the property, the borrower's expertise and credit history, the global cash flow of the borrowers and the value of the underlying property. In most cases we require that the properties securing these real

estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.2x. Typically, one- to four-family real estate loans made to business entities require the principals to execute the loan agreements in their individual capacity, as well as signing on behalf of such business entity.

A borrower's financial information is monitored on an ongoing basis by requiring periodic financial statement updates, payment history reviews and periodic face-to-face meetings with the borrower. We require borrowers receiving one- to four-family non-owner occupied loans to provide annually updated financial statements and federal tax returns. We also require borrowers with rental investment property to provide an annual report of income and expenses for the property, including a rent roll and copies of leases, as applicable. The largest one- to four-family non-owner occupied loan in our portfolio had an aggregate outstanding balance of $709 thousand at December 31, 2020. This loan was performing according to its contractual terms at December 31, 2020.

Loans secured by one- to four-family non-owner occupied real estate generally involve a greater degree of risk than one- to four-family owner occupied residential mortgage loans. Because payments on loans secured by one- to four-family non-owner occupied properties often depend on successful operation or management of the properties, repayment of such loans may be affected by adverse conditions in the real estate market or the economy. See "Risk Factors – Our non-owner occupied residential real estate and commercial real estate loans may expose us to increased credit risk."

Commercial Real Estate and Multi-Family Loans. At December 31, 2020, $7.3 million, or 19.3%, of our total loan portfolio consisted of commercial real estate and multi-family loans. Properties securing our commercial real estate and multi-family loans primarily include business owner-occupied properties, small office buildings, apartment buildings, retail and mixed-use properties and light industrial properties. Substantially all of our commercial real estate loans are secured by properties located in Greene County, Missouri or one of the six contiguous counties to Greene County. At December 31, 2020, our largest commercial real estate loan relationship had a principal balance of $935,000 and was secured by commercial real estate. This loan relationship was performing in accordance with its contractual terms at December 31, 2020.

Since the update of our lending policies in 2017 and 2018, commercial real estate and multi-family loans generally have a maximum amortization term of 20 years, with five-year adjustment or maturity features that allow for repricing of the loan. There are certain legacy loans remaining in portfolio with terms longer than 20 years and adjustment periods longer than five years. A minor proportion of the portfolio is originated with fixed rate terms and these loans have terms-to-maturity of no more than five years. The maximum loan-to-value of owner-occupied commercial real estate and multi-family loans is generally 80% or less. Interest rates for adjustable rate loans are generally indexed to the prime rate plus a margin, and many adjust on a daily, monthly, quarterly, semi-annual or annual basis, while loans with a balloon feature have five year adjustment terms.

We base our decision to lend primarily on the economic viability of the property and the creditworthiness of the borrower. In evaluating a proposed commercial real estate loan, we emphasize the ratio of the property's projected net cash flow to the loan's debt service requirement (generally requiring a ratio of 1.2x), computed after deduction for a vacancy factor and property expenses we deem appropriate. Personal guarantees are generally obtained from commercial real estate loan borrowers. We require title insurance, fire and extended coverage casualty insurance, and, when necessary, flood insurance, in order to protect our security interest in the underlying property. All of our commercial real estate loans are generated internally by our loan officers.

Commercial real estate loans generally carry higher interest rates and have shorter terms than one- to four-family owner occupied real estate loans. Commercial real estate loans, however, entail greater credit risks compared to the one- to four-family owner occupied real estate loans we originate, as they generally involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment of loans secured by income-producing properties typically depends on the successful operation of the property, as repayment of the loan generally is dependent, in large part, on sufficient income from the property to cover operating expenses and debt service. Changes in economic conditions that are not in the control of the borrower or lender could affect the value of the collateral for the loan or the future cash flow of the property. Additionally, any decline in real estate values may be more pronounced for commercial real estate properties than residential properties.

Commercial Business Loans. We originate commercial business loans to borrowers located in our market area which are either unsecured or secured by collateral other than real estate. Commercial business loans totaled $3.3 million or 8.6%, of our total loan portfolio at December 31, 2020. Commercial business loans are

generally secured by equipment and inventory. These loans have various maturities, from one year (generally, for a line of credit) to five years, generally fully amortizing. Commercial business loans for agriculture consist of term loans used to fund the purchase of equipment and livestock, and seasonal operating lines of credit to grain and livestock farmers. Specific underwriting standards have been established for commercial business loans related to agriculture including the establishment of projections for the upcoming operating year based on industry estimates. Operating lines of credit are typically written for one year and are secured by the crop to be harvested and other farm assets. On a limited basis, we will originate short-term unsecured commercial business loans in those instances where the applicant's financial strength and creditworthiness has been established. Commercial business loans generally bear higher interest rates than residential mortgage loans, but they also may involve a higher risk of default since their repayment is generally dependent on the successful operation of the borrower's business. We generally obtain personal guarantees from the borrower or a third-party as a condition to originating a commercial business loan.

At December 31, 2020, our largest commercial business loan relationship had an aggregate principal balance of $618,000 and was performing in accordance with its repayment terms. At December 31, 2020, our largest agriculture related commercial business loan was a line of credit of $91,000. Principal and interest is due at the maturity date of December 20, 2021.

Our underwriting standards for commercial business loans include a determination of the applicant's ability to meet existing obligations and payments on the proposed loan from normal cash flows generated in the applicant's business. We assess the financial strength of each applicant through the review of financial statements and tax returns provided by the applicant. The creditworthiness of an applicant is derived from a review of credit reports as well as a search of public records. We periodically review business loans following origination. We request financial statements at least annually and review them for substantial deviations or changes that might affect repayment of the loan. Our loan officers also visit the premises of borrowers to observe the business premises, facilities, and personnel and to inspect the pledged collateral.

Agricultural Real Estate Loans. At December 31, 2020, $1.6 million, or 4.4% of our total loan portfolio, consisted of agricultural real estate loans which are loans to finance the acquisition, development or refinancing of agricultural real estate. The primary farming commodities in our market area are livestock and livestock feed. We consider a number of factors in originating agricultural real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the agricultural property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service). Many of our agricultural real estate loans are made to borrowers who derive the majority of their income from non-farming related sources but do derive a portion of their income from the property they are financing. Many of these loans include the borrower's primary residence but are classified as an agricultural loan, as opposed to a one- to four-family residential real estate loan, because the value of the land is greater than the residence.

Our agricultural real estate loans generally are originated with loan to value ratios that do not exceed 80% and typically amortize over a period not exceeding 20 years. At December 31, 2020, our largest agricultural real estate loan relationship had an aggregate principal balance of $456,000 and was performing in accordance with its repayment terms. We utilize the same underwriting procedures and criteria in the origination of agricultural real estate loans as we utilize for the origination of our commercial real estate, multi-family and land loans.

Agricultural real estate lending affords us the opportunity to earn potentially higher yields than those obtainable on one- to four-family residential lending. Nevertheless, agricultural real estate lending may involve greater risk than one- to four-family residential real estate loans because the loans generally have larger principal balances and repayment of agricultural real estate loans is dependent on the successful operation or management of the farm property securing the loan. The success of the loan may also be affected by many factors outside the control of the borrower.

Weather presents one of the greatest risks to agricultural real estate lending as hail, drought, floods, or other conditions, can severely limit crop yields and thus impair loan repayments and the value of the underlying collateral. This risk can be mitigated by the farmer with crop insurance that can help to ensure loan repayment. For instance, farmers are able to obtain multi-peril crop insurance through a program partially subsidized by the Federal government. Grain and livestock prices also present a risk as prices may decline prior to sale resulting in a failure to cover production costs. These risks may be reduced by the fanner with the use of futures contracts or options to mitigate price risk. Another risk is the uncertainty of government programs and other regulations. During periods of low commodity prices, the income from government programs can be a significant source of cash to make loan payments and if these programs are discontinued or significantly changed, cash flow problems or defaults could result. Finally, the success of many farms depends on the presence of a limited number of key individuals.

Loan Originations, Purchases, Sales, Participations and Servicing

Lending activities are conducted by our loan personnel operating at our office. All loans that we originate are underwritten pursuant to our standard policies and procedures. In addition, our one- to four- family residential real estate loans generally incorporate underwriting guidelines of Freddie Mac. Our ability to originate loans is dependent upon the relative customer demand for such loans and competition from other lenders, which is affected by market interest rates as well as anticipated future market interest rates. Our loan origination and sales activity may be adversely affected by a rising interest rate environment which typically results in decreased loan demand. Our originations of our loans are generated by our loan personnel, existing customers, referrals from realtors, residential home builders and walk-in business.

From time to time, we have entered into loan participations with other banks and borrowers. In these circumstances, we will generally follow our customary loan underwriting and approval policies. At December 31, 2020 we participated in thirteen loans with an aggregate principal balance of $6.7 million.

In November 2020 we purchased 53 loans totaling approximately $2.7 million. The company we purchased these loans from originates non-recourse loans for self-directed IRA accounts to fund one- to four-family rental property purchases. The requested loan amounts are for 50% loan to value of a rehabilitated rental property and are diversified among eight geographic areas with the loans located in Tennessee and Missouri. The Systematic board of directors established a policy limit of 100% of capital for this type of investment and incorporated the information into internal monitoring reports. At December 31, 2020 the aggregate portfolio of these types of loans is $5.3 million.

The following table sets forth our loan origination, purchase, sale and principal repayment activity during the years indicated.

	Years Ended December 31,	
	2020	2019
Total loans receivable, net, at beginning of year	$ 28,701	$ 30,840
Loans originated:		
Residential real estate	5,573	1,736
Commercial real estate	1,731	1,667
Commercial business	1,195	1,340
Consumer	168	72
Agriculture real estate	753	221
Total loans originated	9,420	5,035
Loans purchased	7,268	5,657
Loans sold:	-	-
Real estate loans:	-	-
One- to four-family, owner occupied (1)	-	162
Total loans sold	-	1,543
Other:		
Principal repayments and other	7,929	11,289
Net loan activity	8,759	(2,139)
Total loans receivable, net, at end of year	$ 37,460	$ 28,701

(1) These amounts are participations sold. We did not sell any loans on the secondary market in 2019 and 2020.

Non-Performing and Problem Assets

Delinquency Procedures. When a borrower fails to make a required monthly loan payment, a late notice is generated, generally on the 15th day after the payment due date, stating the payment and late charges due. A follow-up notice is sent every 15 days thereafter. On a case-by-case basis, we will also include follow-up phone calls. Generally, after a loan is 90 days past due it is placed on nonaccrual status. Our Chief Executive Officer and/or our Board of Directors determines on a case-by-case basis further actions. Generally, we will contact our attorney to initiate foreclosure procedures. If the loan is reinstated, foreclosure proceedings will be discontinued, and the borrower will be permitted to continue to make payments. The loan will remain on nonaccrual status until a timely repayment history of at least six months has been established. The past due report is reviewed and discussed at the monthly loan committee meeting, which is attended by all members of the loan committee.

When we acquire real estate as a result of foreclosure, the real estate is classified as foreclosed real estate held for sale until it is sold. The real estate is recorded at estimated fair value at the date of acquisition less estimated costs to sell, and any write-down resulting from the acquisition is charged to the allowance for loan losses. Estimated fair value is based on a new appraisal or an in-house evaluation which is obtained as soon as practicable, typically at the start of the foreclosure proceeding and every six months thereafter until the property is sold. Subsequent decreases in the value of the property are charged to operations. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized at estimated fair value less estimated costs to sell.

Non-Performing Assets. We generally cease accruing interest on our loans when contractual payments of principal or interest have become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. When a loan is placed on nonaccrual status, unpaid interest credited to income is reversed. Interest received on nonaccrual loans is recorded as income or applied against principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectibility of the total contractual principal and interest is no longer in doubt. Restructured loans are restored to accrual status when the obligation is brought current, has performed in accordance with the revised contractual terms for a reasonable period of time (typically six months) and the ultimate collectibility of the total contractual principal and interest is reasonably assured.

The following table sets forth information regarding our non-performing assets at the dates indicated. We had no troubled debt restructurings at the dates indicated.

	At December 31,	
	2020	**2019**
	(Dollars in Thousands)	
Residential real estate	$ -	$ -
Commercial real estate	-	-
Commercial business	171	-
Consumer	-	-
Agriculture real estate	-	-
Total loans	171	-
Loans delinquent 90 days or more and still accruing:		
Residential real estate	-	-
Commercial real estate	-	-
Consumer	-	-
Agriculture real estate	-	-
Total loans		
Total loans delinquent 90 days or more and still accruing	-	-
Total non-performing loans	171	-
Foreclosed real estate	-	-
Total non-performing assets	$ 171	$ -
Ratios:		
Non-performing loans to total loans	0.45%	0.00%
Non-performing assets to total assets	0.33%	0.00%

For the year ended December 31, 2020 and 2019, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms and interest income recognized on such loans was immaterial.

At December 31, 2020, we had $171,000 of loans that were currently classified as nonaccrual, 90 days past due or troubled debt restructurings. This is a single loan, and is SBA guaranteed at 75%, so principal at risk to Systematic is $43,000, for which Systematic created a specific reserve, prior to December 31, 2020.

Troubled Debt Restructurings. Troubled debt restructurings are defined under ASC 310-40 to include loans for which either a portion of interest or principal has been forgiven, or for loans modified at interest rates or on terms materially less favorable than current market rates. At December 31, 2020 and December 31, 2019 we had no loans that were classified as a troubled debt restructuring.

Delinquent Loans. The following table sets forth our loan delinquencies by type and amount, at the dates indicated.

	Loans Delinquent For					
	30 to 89 Days		90 Days or Over		Total	
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
At December 31, 2020:						
Residential real estate	1	$ 84	--	$ –	1	$ 84
Commercial real estate	--	–	--	–	--	--
Commercial business	--	–	1	171	1	171
Consumer	1	23	--	–	1	23
Agriculture real estate	--	–	--	–	--	--
Total loans	2	$ 107	1	$ 171	3	$ 279
At December 31, 2019:						
Residential real estate	3	$ 135	--	$ –	3	$ 135
Commercial real estate	--	--	--	–	--	--
Commercial business	2	32	--	--	2	32
Consumer	--	--	--	--	--	--
Agriculture real estate	--	--	--	--	--	--
Total loans	5	$ 167	--	$ --	--	$ 167

Foreclosed Real Estate Held for Sale. At December 31, 2020, we did not have any foreclosed real estate held for sale.

Classified Assets. Federal regulations provide that loans and other assets of lesser quality should be classified as "substandard", "doubtful" or "loss" assets. An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as "special mention" by our management.

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover probable accrued losses. General allowances represent loss allowances which have been established to cover probable accrued losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required to charge-off the amount of such assets. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional loss allowances.

In connection with the filing of our periodic regulatory reports and in accordance with our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification in accordance with applicable regulations. Loans are listed on the "watch list" initially because of emerging financial weaknesses even though the loan is currently performing as agreed, or because of delinquency status, or if the loan possesses weaknesses although currently performing. Management reviews the status of each impaired loan on our watch list with the Loan Committee and then with the full board of directors at the next regularly scheduled board meeting. If the asset quality of a loan deteriorates, the classification is changed to "special mention," "substandard," "doubtful" or "loss" depending on the circumstances and the evaluation. Generally, loans 90 days or more past due are placed on nonaccrual status and classified "substandard."

The following table sets forth our amounts of classified assets and assets designated as special mention as of the dates indicated. We did not have any special mention loans or foreclosed real estate held for sale at December 31, 2020 or and had one special mention loan at December 31, 2019, of $97,000.

	At December 31,	
	2020	2019
	(In Thousands)	
Substandard assets	$ 416	$ 364
Doubtful assets		
Loss assets		
Total classified assets	$ 416	$ 364
Special mention assets	-	97
Total classified and criticized assets	$ 416	$ 461

Allowance for Loan Losses

Analysis and Determination of the Allowance for Loan Losses. Our allowance for loan losses is the amount considered necessary to reflect probable incurred losses in our loan portfolio. We evaluate the need to establish allowances against losses on loans on a quarterly basis. When additional allowances are necessary, a provision for loan losses is charged to operations.

Our methodology for assessing the appropriateness of the allowance for loan losses consists of two key elements: (1) allocated allowances for impaired loans, and (2) a general valuation allowance for non-impaired loans. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available for the entire portfolio.

Allocated Allowances on Impaired Loans. We establish an allocated allowance when loans are determined to be impaired. Loss is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. Factors in identifying a specific problem loan include: (1) the strength of the customer's personal or business cash flows; (2) the availability of other sources of repayment; (3) the amount due or past due; (4) the type and value of collateral; (5) the strength of our collateral position; (6) the estimated cost to sell the collateral; and (7) the borrower's effort to cure the delinquency. In addition, for loans secured by real estate, we consider the extent of any past due and unpaid property taxes applicable to the property serving as collateral for the mortgage.

General Valuation Allowance on Non-impaired Loans. We establish a general allowance for non-impaired loans to recognize the probable losses associated with lending activities. This general valuation allowance is determined by segregating the loans by loan category and assigning allowance percentages based on our historical loss experience for the last three years, adjusted for qualitative factors that could impact the allowance for loan losses. These qualitative factors may include changes in lending policies and procedures, existing general economic and business conditions affecting our primary market area, volume and severity of non-performing loans, collateral value, nature and volume of the loan portfolio and existence and effect of any concentrations of credit and the level of such concentrations, recent loss experience in particular segments of the portfolio, duration of the current business cycle and bank regulatory examination results. The applied loss factors are re-evaluated quarterly to ensure their relevance in the current real estate environment.

Allowance for Loan Losses. The following table sets forth activity in our allowance for loan losses for the periods indicated.

	At or For the Years Ended December 31,	
	2020	2019
	(Dollars in thousands)	
Balance at beginning of year	$ 411	$ 447
Charge-offs	(9)	(37)
Recoveries	-	-
Net recoveries (charge-offs)	(9)	(37)
Provision for loan losses	5	-
Balance at end of year	$ 407	$ 411
Ratios:		
Net charge-offs to average loans outstanding	0.00%	-0.14%
Allowance for loan losses to non-performing loans at the end of year	237.28%	112.75%
Allowance for loan losses to total loans at end of year	1.07%	1.41%

Allocation of Allowance for Loan Losses. The following table sets forth the allowance for loan losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At December 31,					
	2020			2019		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)					
Residential real estate	$ 241	59.13%	67.11%	$ 165	40.15%	67.24%
Commercial real estate	79	19.37%	19.27%	100	24.33%	22.74%
Commercial business	62	15.20%	8.58%	17	4.14%	6.92%
Consumer	1	0.44%	0.62%	3	0.73%	0.51%
Agriculture real estate	20	4.96%	4.44%	10	2.43%	2.58%
Classified assets net	4	0.90%	NA	116	28.22%	N/A
			100.00%			100.00%
Total allowance for loan losses	$ 407	100.00%		$ 411	100.00%	

Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Because future events affecting borrowers and collateral cannot be predicted with certainty, the existing allowance for loan losses may not be adequate and management may determine that increases in the allowance are necessary if the

quality of any portion of our loan portfolio deteriorates as a result. Furthermore, the FDIC and Missouri Division of Finance periodically reviews our allowance for loan losses and as a result of such reviews, we may have to adjust our allowance for loan losses or recognize further loan charge-offs. However, the FDIC and Missouri Division of Finance is not directly involved in the process of establishing the allowance for loan losses, as the process is our responsibility, and any adjustment of the allowance is the responsibility of management. Material additions to the allowance would materially decrease our results of operations.

Investments

General. We have the authority to invest in various types of liquid assets, including United States government and government agency obligations, securities of various federal agencies and government-sponsored entities (including securities collateralized by mortgages), certificates of deposits of insured banks and savings institutions, municipal and corporate debt securities, and any other securities authorized for investment by a federal savings association.

U.S. GAAP requires that debt securities be categorized as "held to maturity," "trading securities" or "available for sale," based on management's intent as to the ultimate disposition of each security. U.S. GAAP allows debt securities to be classified as "held to maturity" and reported in financial statements at amortized cost only if the reporting entity has the positive intent and ability to hold these securities to maturity. Securities that might be sold in response to changes in market interest rates, changes in the security's prepayment risk, increases in loan demand, or other similar factors cannot be classified as "held to maturity."

Our investment objectives are to: (i) ensure adequate liquidity for loan demand, deposit fluctuations, and other changes in balance sheet mix; (ii) manage interest rate risk; (iii) maximize our overall return; (iv) ensure collateral is available for pledging; and (v) manage asset-quality diversification of our assets. Our board of directors has the overall responsibility for the investment portfolio, including approval of our investment policy. Our board of directors also has the responsibility for the approval of investment strategies and for monitoring our investment performance. Our President and Chief Executive Officer is the institution's investment manager and is responsible for proposing investment strategies and for executing approved portfolio strategies as set forth by the board of directors. Our board of directors reviews the status of our investment portfolio on a quarterly basis, or more frequently if warranted.

The following table sets forth the amortized cost and fair value of our securities portfolio (excluding FHLB of Des Moines common stock) at the dates indicated. At the dates indicated, all of our investment securities were held as available for sale.

	At December 31,			
	2020		2019	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Corporate Bonds	$ 999	$ 1,010	$ --	$ --
Government sponsored mortgage-backed securities	964	988	2,092	2,104
Total securities available for sale	$ 1,963	$ 1,998	$ 2,092	$ 2,104

Portfolio Maturities and Yields.

	Corporate Bonds			Government Sponsored Mortgage Backed			Total		
As of December 31, 2020	Amortized Cost	Approximate Fair Value	Weighted Average Yield	Amortized Cost	Approximate Fair Value	Weighted Average Yield	Amortized Cost	Approximate Fair Value	Weighted Average Yield
One Year Or Less	$ -	$ -	0.00%	$ -	$ -	0.00%	$ -	$ -	0.00%
More Than One Year Through Five Years	504	505	3.78%	-	-	0.00%	504	505	3.78%
More Than Five Years Through Ten Years	495	505	4.50%	-	-	0.00%	495	505	4.50%
More Than Ten Years	-	-	0.00%	-	-	0.00%	-	-	0.00%
Securities With No Final Maturity	-	-	0.00%	964	988	1.61%	964	988	1.61%
Total	$ 999	$ 1,010	4.14%	$ 964	$ 988	1.61%	$ 1,963	$ 1,998	2.90%

Investment securities held at December 31, 2020, were grouped into two categories, corporate bonds, in the form of subordinated bank debt, and government sponsored mortgage-backed securities. Corporate bonds tend to be ten years in final maturity with a five year call option. These securities have a weighted average yield of 4.14%. The other category, government sponsored mortgage-backed securities are not due on a single maturity date, as they are repaid as the underlying mortgages are repaid. The weighted average yield of these securities was 1.61% at December 31, 2020.

Sources of Funds

General. Deposits traditionally have been our primary source of funds for our lending activities and, as applicable, other investments. We also occasionally borrow from the FHLB of Des Moines to supplement cash flow needs. Our additional sources of funds are scheduled loan repayments, loan prepayments, retained earnings and the proceeds of loan sales.

Deposits. We accept deposits primarily from individuals who reside in, and businesses located in, Greene County, Missouri. We rely on our competitive pricing and products, convenient location and quality customer service to attract and retain deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of checking accounts, money market accounts, savings accounts and certificates of deposit.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements and our deposit growth goals. At December 31, 2020 we had $10.7 million in total internet and brokered deposits, compared to $15.1 million in total brokered deposits and Internet deposits at December 31,2019. These amounts are 26.3% and 46.8% of total deposits, at December 31, 2020 and 2019, respectively.

The following table sets forth the distribution of average total deposits by account type, for the periods indicated.

	For The Year Ended December 31,					
	2020			2019		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
Deposit type:	(Dollars in thousands)					
Non-interest bearing checking accounts	$ 1,608	4.6%	--%	$ 883	2.8%	--%
Checking and MMDA accounts	9,979	28.5%	1.04%	6,492	20.6%	0.98%
Savings accounts	120	0.3%	0.23%	228	0.7%	0.25%
Certificates of deposit	23,350	66.6%	1.74%	23,844	75.8%	1.82%
Total deposits	$ 35,057	100.0%	1.45%	$ 31,447	100.0%	1.59%

As of December 31, 2020, and 2019 the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $250,000 was $4.4 million and $5.0 million, respectively. At both December 31, 2020 and 2019, $3.5 million was brokered certificates of deposit. The following table sets forth the maturity of those certificates as of the dates indicated.

	At December 31, 2020	At December 31, 2019
	(In thousands)	
Three months or less	$ --	$ 753
Over three months through six months	--	--
Over six months through one year	1,500	--
Over one year to three years	2,615	4,250
Over three years	250	--
Total	$ 4,365	$ 5,003

Borrowings. We may obtain advances from the FHLB of Des Moines utilizing the security of the common stock we own in the FHLB of Des Moines and qualifying residential mortgage loans as collateral, provided certain standards related to creditworthiness are met. These advances are made pursuant to several credit programs, each of which has its own interest rate and range of maturities. FHLB of Des Moines advances are generally available to meet seasonal and other withdrawals of deposit accounts and to permit increased lending. The following table sets forth information concerning balances and interest rates on our borrowings at and for the periods shown:

	At or For the Years Ended December 31,	
	2020	2019
Balance at end of year	$ 423	$ 423
Average balance during year	552	222
Maximum outstanding at any month end	1,598	423
Weighted average interest rate at end of year	1.97%	1.97%
Average interest rate during year	1.64%	2.03%

Properties

We operate from our main office located at 318 South Avenue, Springfield, Missouri 65806, which we own. The net book value of our premises, land and equipment was $595,000 at December 31, 2020.

Legal Proceedings

At December 31, 2020, we were not involved in any legal proceedings the outcome of which we believe would be material to our financial condition, results of operations, cash flow or capital.

Personnel

As of December 31, 2020, we had eight full-time equivalent employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

Subsidiary Activity

Systematic does not have any subsidiaries.

Competition

We face intense competition in our market area both in making loans and attracting deposits. A recent study by Center State Correspondent Bank shows Springfield, Missouri as the ninth most competitive MSA with a population over 350,000, with 2,182 people per the 49 institutions in the MSA. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds insurance companies and online banks. Some of our competitors have greater name recognition and market presence, and offer certain services that we do not or cannot provide.

Our deposit sources are primarily concentrated in the communities surrounding our banking office in Springfield, Missouri. As of June 30, 2020 (the latest date for which information is publicly available), we ranked 33rd in deposit market share out of 36 banks and thrift institutions with offices in Greene County, Missouri with a market share of approximately 0.26%, which does not reflect deposits held by credit unions.

Executive Officers. The following table sets forth certain information regarding the executive officers of Systematic:

Name	Age [1]	Position
Derek Fraley	45	President, Chief Executive Officer, Chief Financial Officer and Director
R. Bradley Weaver.	65	Senior Vice President, Chief Lending Officer and Director
Terri McFarland	46	Senior Vice President and Chief Operations Officer

[1] At December 31, 2020

Derek Fraley has been President and CEO of Systematic Savings Bank since July 27, 2017 and has served as Chairman and Chief Financial Officer since March 2019. He became a director of Systematic in July 2017. Prior to joining Systematic, he served as a commercial banking lender with BancorpSouth, where he developed, underwrote, and managed large client relationships for three years. From 2008 through 2014, he served as treasurer of Guaranty Bank, where he ran the ALCO Committee and was responsible for deposit pricing, financial modeling, capital planning and liquidity management; he also implemented and maintained customer level profitability reporting, funds transfer pricing, and managed a $100+ million bond portfolio. He began his banking career in 2001 at UMB Bank's Management Training Program and served as a commercial credit analyst, and subsequently served

in UMB's investment banking division, acting as liaison and technical expert between investment banking institutional sales staff, correspondent bank clients, and regulatory agencies regarding asset/liability management, accounting, investment, and regulatory issues. He also served as the assistant treasurer for UMB Financial Corporation where he built implemented, and maintained the funds transfer pricing process and was responsible for monthly ALCO reporting, and worked with interest rate risk, economic value of equity, liquidity, capital planning, and budget projections, as well as position reporting and forecasting. Mr. Fraley has a B.S. in Finance from Missouri State University and an MBA from Rockhurst University, Kansas City, Missouri. He is a graduate of Leadership Springfield, a recipient of the 2011 40 under 40 award, and a recipient of the 2015 Trusted Advisor Award, as well as a board member of many local organizations. Derek has taught Banking, financial modeling, and Microsoft Excel.

R. Bradley Weaver was appointed to the Systematic Board in January 2018 and also has served as the Bank's chief lending officer since February 2018. Prior to joining Systematic, he was Chairman and Chief Executive Officer First Bancshares, Inc. of Mountain Grove, Missouri from 2011 to 2017 and a member of the board of directors from 2011 to 2018. From 2008 until May 2011, Mr. Weaver was Senior Vice President Commercial Lending at BancorpSouth Bank in Springfield, Missouri. He previously held positions of increasing responsibility at Mid Missouri Bancshares, where he became President and Chief Executive Officer, and at UMB Financial Corporation, where he held the position of CEO with two community banks before holding the office of Regional President of UMB Bank, N.A.

Terri McFarland began her banking career in July 2000 as a teller at Southern Bank and became a Customer Service Manager in 2002. In 2006, Ms. McFarland accepted a position at First Home Bank as Branch Coordinator and in 2011 became the Chief Operations Officer. She has been Senior Vice President, Chief Operations Officer of Systematic since July 2014. Her primary responsibilities include all daily operations including but not limited to managing Retail Deposit Operations, Human Resources Director and Bank Secrecy Compliance. Throughout her career she has been part of many Chamber of Commerce Committees as well as charitable organizations. She also continues her banking education through Missouri Bankers Association.

REGULATION

General. As a state-chartered savings bank, the Savings Bank is subject to regulation and oversight by the Missouri Division of Finance and the applicable provisions of Missouri law and regulations of the Missouri Division of Finance adopted thereunder. The Savings Bank also is subject to regulation and examination by the FDIC, which insures the deposits of the Savings Bank to the maximum extent permitted by law, and requirements established by the Federal Reserve. State law and regulations govern the Savings Bank's ability to take deposits and pay interest thereon, to make loans on or invest in residential and other real estate, to make consumer loans, to invest in securities, to offer various banking services to its customers and to establish branch offices. The Savings Bank is subject to periodic examination and reporting requirements by and of the Missouri Division of Finance and the FDIC. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") established the Consumer Financial Protection Bureau ("CFPB") as an independent bureau of the Federal Reserve with responsibility for the implementation of federal financial consumer protection and fair lending laws and regulations. The Savings Bank is subject to consumer protection regulations issued by the CFPB, but as a smaller financial institution, is generally subject to supervision and enforcement by the FDIC and the Missouri Division of Finance with respect to its compliance with federal and state consumer financial protection laws and regulations.

The following is a brief description of certain laws and regulations applicable to the Savings Bank. Descriptions of laws and regulations here and elsewhere in this report do not purport to be complete and are qualified in their entirety by reference to the actual laws and regulations. Legislation is introduced from time to time in the U.S. Congress or the Missouri State Legislature that may affect the operations of the Savings Bank. In addition, the regulations governing the Savings Bank may be amended from time to time by the FDIC, Missouri Division of Finance, Federal Reserve and the CFPB. Any such legislation or regulatory changes in the future could adversely affect the Savings Bank's operations and financial condition. We cannot predict whether any such changes may occur.

Regulation of the Savings Bank

The Savings Bank, as a state-chartered savings bank, is subject to regulation and oversight by the FDIC and the Missouri Division of Finance extending to all aspects of its operations.

Missouri Regulation

General. As a Missouri-chartered savings bank, Systematic derives its authority from, and is governed by, the provisions of the Missouri Savings and Loan Law and regulations of the Missouri Division of Finance. The Director of the Missouri Division of Finance proposes regulations which must then be approved, amended, modified or disapproved by the State Banking Board and Savings and Loan Board. Missouri Law and the resulting regulations are administered by the Director.

Investments and Accounts. Missouri law and regulations establish the authority for the investments and loans that may be made by a Missouri-chartered savings bank. Missouri law authorizes the promulgation of regulations designed to make the powers of Missouri savings banks comparable to those applicable to federal savings bank. The manner of establishing and evidencing accounts is prescribed, as are the obligations of the institution with respect to withdrawals from accounts and redemption of accounts. The Director may also impose or grant the same restrictions, duties and powers concerning deposits as are applicable to federal institutions under federal rules and regulations.

Loans-to-One Borrower Limitations. A state savings bank may lend to a single or related group of borrowers an amount up to 15% of its unimpaired capital and surplus. As of December 31, 2020, Systematic's largest lending relationship with a single or related group of borrowers totaled $1.5 million, which represented 14.5% of unimpaired capital and surplus. Therefore, Systematic was in compliance with the loans-to-one borrower limitation.

Branch Offices. Under Missouri Law, no institution may establish a branch office or agency without the prior written approval of the Director. The Director reviews the proposed location, the functions to be performed at the office, the estimated volume of business, the estimated annual expense of the office and the mode of payments. Decisions of the Director may be appealed to the Board. The relocation or closing of any office is subject to additional regulation and in certain circumstances may require prior approval.

Merger or Consolidation. Missouri Law permits the merger or consolidation of savings institutions, subject to the approval by the Director, when the Director finds that such merger or consolidation is equitable to the members or account holders of the institutions and will not impair the usefulness and success of other properly conducted institutions in the community. Mergers or consolidations of mutual institutions must also be approved by a majority of the members of each institution. Stock institutions must obtain stockholder approval pursuant to the Missouri statutes relating to general and business corporations.

Examination. Periodic reports to the Missouri Division of Finance must be made by each Missouri-chartered institution. The Division conducts and supervises the examination of state-chartered institutions.

Supervision. The Director has general supervisory authority over Missouri-chartered institutions, including enforcement powers. Upon the Director's finding that an institution is engaging in an unsafe and unsound practice or violating laws, regulations or written conditions, the Director may issue cease and desist orders. The Director also has authority to remove directors and officers under certain circumstances. The Director may demand and take possession of the institution, if the institution fails to comply with the Director's order, if the Director determines that the institution is insolvent, in an unsafe condition or conducting business in an unsafe manner, or if the institution refuses to submit to examination or inspection by the Division.

Federal Regulation

Federal and State Enforcement Authority and Actions. As part of its supervisory authority over Missouri-chartered savings banks, the Missouri Division of Finance may initiate enforcement proceedings to obtain a consent order to cease and desist against an institution believed to have engaged in unsafe and unsound practices or to have violated a law, regulation, or other regulatory limit, including a written agreement. The FDIC also has the authority to initiate enforcement actions against insured institutions for similar reasons and may terminate the deposit insurance if it determines that an institution has engaged in unsafe or unsound practices or is in an unsafe or unsound condition. Both of these agencies may utilize less formal supervisory tools to address their concerns about the condition, operations or compliance status of a savings bank.

Insurance of Accounts and Regulation by the FDIC. The deposit insurance fund (the "DIF") of the FDIC insures deposit accounts in the Savings Bank up to $250,000 per separately insured deposit ownership right or category. As insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. The Savings Bank's deposit insurance premiums for the year ended December 31, 2020 were $17,000.

Under the FDIC's system for assessing insurance premiums, insured institutions that do not have assets of $10 billion are assessed based on CAMELS component ratings and certain financial ratios. For these institutions, total base assessment rates range from 3 to 30 basis points, subject to adjustment. Stronger institutions pay lower rates, while riskier institutions pay higher rates. Assessments are applied to an institution's assessment base, which is its average total assets minus average tangible equity. The FDIC has authority to increase insurance assessments, and any significant increases would have an adverse effect on the operating expenses and results of operations of the Savings Bank. Management cannot predict what assessment rates will be in the future.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the Missouri Division of Finance. The FDIC also has the authority to take enforcement actions against banks, savings banks and savings associations. Management is not aware of any existing circumstances which would result in termination of the Savings Bank's deposit insurance.

A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Savings Bank.

Capital Requirements. In September 2019, the regulatory agencies, including the FDIC and Federal Reserve adopted a final rule, effective January 1, 2020, creating a community bank leverage ratio ("CBLR") for institutions with total consolidated assets of less than $10 billion, and that meet other qualifying criteria related to off-balance sheet exposures and trading assets and liabilities. The CBLR provides for a simple measure of capital adequacy for qualifying institutions. Management will elect to adopt the CBLR in the first quarter of 2021.

The CBLR is calculated as Tier 1 Capital to average consolidated assets as reported on an institution's regulatory reports. Tier 1 Capital, for the Bank, generally consists of common stock plus related surplus and retained earnings, adjusted for goodwill and other intangible assets and accumulated and other comprehensive amounts (“AOCI”) related amounts. Qualifying institutions that elect to use the CBLR framework and that maintain a leverage ratio of greater than 9% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the regulatory agencies' capital rules, and to have met the well-capitalized ratio requirements. In April 2020, as directed by Section 4012 of the CARES Act, the regulatory agencies introduced temporary changes to the CBLR. These changes, which subsequently were adopted as a final rule, temporarily reduced the CBLR requirement to 8% through the end of 2020. Beginning in 2021, the CBLR requirement will increase to 8.5% for the calendar year before returning to 9% in 2022. A qualifying institution utilizing the CBLR framework whose leverage ratio does not fall more than one percent below the required percentage is allowed a two-quarter grace period in which to increase its leverage ratio back above the required percentage. During the grace period, a qualifying institution will still be considered well capitalized so long as its leverage ratio does not fall more

than one percent below the required percentage. If an institution either fails to meet all the qualifying criteria within the grace period or has a leverage ratio that falls more than one percent below the required percentage, it becomes ineligible to use the CBLR framework and must instead comply with generally applicable capital rules, sometimes referred to as Basel III rules. A bank may also opt out of the framework at any time, without restriction, by reverting to the generally applicable capital rules.

At December 31, 2020, Systematic was categorized as well capitalized under the prompt corrective action regulations of the FDIC. For a complete description of the Bank's required and actual capital levels on December 31, 2020, see "Note 9 - Regulatory Capital" of the Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data," of this Form 10 K.

The FASB has adopted a new accounting standard for U.S. GAAP that will be effective for us for our first fiscal year beginning after December 15, 2022. This standard, referred to as Current Expected Credit Loss, or CECL, requires a company to recognize credit losses expected over the life of certain financial assets. Upon adoption of CECL, a banking organization must record a one-time adjustment to its credit loss allowances as of the beginning of the fiscal year of adoption equal to the difference, if any, between the amount of credit loss allowances under the current methodology and the amount required under CECL. Implementation of CECL may reduce retained earnings and affect other items in a manner that reduces its regulatory capital. The federal banking regulators (the Federal Reserve, the Office of the Comptroller of the Currency and the FDIC) have adopted a rule that gives a banking organization the option to phase in over a three-year period the day-one adverse effects of CECL on its regulatory capital.

The FDIC also has authority to establish individual minimum capital requirements in appropriate cases upon a determination that an institution's capital level is or may become inadequate in light of particular risks or circumstances.

Federal Home Loan Bank System. The Savings Bank is a member of the FHLB, one of 11 regional Federal Home Loan Banks that administer the home financing credit function of savings institutions, each serving as a reserve or central bank for its members within its assigned region. The FHLB is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members in accordance with policies and procedures, established by the Board of Directors of the FHLB, which are subject to the oversight of the Federal Housing Finance Board. All borrowings from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term borrowings are required to provide funds for residential home financing. See "Deposit Activities and Other Sources of Funds – Borrowings" above.

As a member, the Savings Bank is required to purchase and maintain stock in the FHLB based on the Savings Bank's asset size and level of borrowings from the FHLB. At December 31, 2020, the Savings Bank had $62,100 in FHLB stock, which was in compliance with this requirement. The FHLB pays dividends quarterly, and the Savings Bank received $3,000 in dividends during the year ended December 31, 2020 and $3,000.

The Federal Home Loan Banks continue to contribute to low- and moderately-priced housing programs through direct loans or interest subsidies on borrowings targeted for community investment and low- and moderate-income housing projects. These contributions have adversely affected the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of the Savings Bank's FHLB stock may result in a decrease in net income and possibly capital.

Standards for Safety and Soundness. The federal banking regulatory agencies have prescribed, by regulation, guidelines for all insured depository institutions relating to: internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, compensation, fees and benefits. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. Each insured depository institution must implement a comprehensive written information security program that includes administrative, technical and physical safeguards appropriate to the institution's size

and complexity and the nature and scope of its activities. The information security program also must be designed to ensure the security and confidentiality of customer information, protect against any unanticipated threats or hazards to the security or integrity of such information, protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer, and ensure the proper disposal of customer and consumer information. Each insured depository institution must also develop and implement a risk-based response program to address incidents of unauthorized access to customer information in customer information systems. If the FDIC determines that the Savings Bank fails to meet any standard prescribed by the guidelines, it may require the Savings Bank to submit to the agency an acceptable plan to achieve compliance with the standard. FDIC regulations establish deadlines for the submission and review of such safety and soundness compliance plans. Management of the Savings Bank is not aware of any conditions relating to these safety and soundness standards which would require submission of a plan of compliance.

Real Estate Lending Standards. FDIC regulations require the Savings Bank to adopt and maintain written policies that establish appropriate limits and standards for real estate loans. These standards, which must be consistent with safe and sound banking practices, must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value ratio limits) that are clear and measurable, loan administration procedures, and documentation, approval and reporting requirements. The Savings Bank is obligated to monitor conditions in its real estate markets to ensure that its standards continue to be appropriate for current market conditions. The Savings Bank's Board of Directors is required to review and approve the Savings Bank's standards at least annually. The FDIC has published guidelines for compliance with these regulations, including supervisory limitations on loan-to-value ratios for different categories of real estate loans. Under the guidelines, the aggregate amount of all loans in excess of the supervisory loan-to-value ratios should not exceed 100% of total capital, and the total of all loans for commercial, agricultural, multi-family or other non-one- to four-family residential properties in excess of the supervisory loan-to-value ratio should not exceed 30% of total capital. Loans in excess of the supervisory loan-to-value ratio limitations must be identified in the Savings Bank's records and reported at least quarterly to the Savings Bank's Board of Directors. The Savings Bank is in compliance with the record and reporting requirements.

Activities and Investments of Insured State-Chartered Financial Institutions. Federal law generally limits the activities and equity investments of FDIC-insured state-chartered banks to those that are permissible for national banks. An insured state bank is not prohibited from, among other things, (i) acquiring or retaining a majority interest in a subsidiary, (ii) investing as a limited partner in a partnership, the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets, (iii) acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions, and (iv) acquiring or retaining the voting shares of a depository institution owned by another FDIC-insured institution if certain requirements are met.

Environmental Issues Associated With Real Estate Lending. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") is a federal statute that generally imposes strict liability on all prior and present "owners and operators" of sites containing hazardous waste. However, Congress acted to protect secured creditors by providing that the term "owner and operator" excludes a person whose ownership is limited to protecting its security interest in the site. Since the enactment of the CERCLA, this "secured creditor exemption" has been the subject of judicial interpretations which have left open the possibility that lenders could be liable for cleanup costs on contaminated property that they hold as collateral for a loan.

To the extent that legal uncertainty exists in this area, all creditors, including the Bank, that have made loans secured by properties with potential hazardous waste contamination (such as petroleum contamination) could be subject to liability for cleanup costs, which costs often substantially exceed the value of the collateral property.

Federal Reserve System. The Federal Reserve requires that all depository institutions maintain reserves on transaction accounts or non-personal time deposits. These reserves may be in the form of cash or non-interest-bearing deposits with the regional Federal Reserve Bank. Negotiable order of withdrawal ("NOW") accounts and

other types of accounts that permit payments or transfers to third parties fall within the definition of transaction accounts and are subject to reserve requirements, as are any non-personal time deposits at a savings bank.

Affiliate Transactions. Federal laws strictly limit the ability of banks to engage in certain transactions with their affiliates, including their bank holding companies. Transactions deemed to be a "covered transaction" under Section 23A of the Federal Reserve Act and between a subsidiary bank and its parent company or the nonbank subsidiaries of the bank holding company are limited to 10% of the bank subsidiary's capital and surplus and, with respect to the parent company and all such nonbank subsidiaries, to an aggregate of 20% of the bank subsidiary's capital and surplus. Further, covered transactions that are loans and extensions of credit generally are required to be secured by eligible collateral in specified amounts. Federal law also requires that covered transactions and certain other transactions between a bank and its affiliates listed in Section 23B of the Federal Reserve Act and related regulations must be on terms as favorable to the bank as transactions with non-affiliates.

Community Reinvestment Act. Savings Banks are also subject to the provisions of the Community Reinvestment Act of 1977 ("CRA"), which requires the appropriate federal bank regulatory agency to assess a bank's performance under the CRA in meeting the credit needs of the community serviced by the bank, including low- and moderate-income neighborhoods. The regulatory agency's assessment of the bank's record is made available to the public. Further, a bank's performance must be considered in connection with a bank's application to, among other things, establish a new branch office that will accept deposits, relocate an existing office or merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution. The Bank received a "satisfactory" rating during its most recent examination.

Dividends. Dividends from the Savings Bank constitute the major source of funds available for dividends which may be paid to Savings Bank stockholders. The amount of dividends payable by the Savings Bank depends upon the Savings Bank's earnings and capital position, and is limited by federal and state laws, regulations and policies. According to Missouri law, the Savings Bank may not declare or pay a cash dividend on its capital stock if it would cause its net worth to be reduced below (i) the amount required for liquidation accounts or (ii) the net worth requirements, if any, imposed by the Missouri Division of Finance. In addition, dividends on the Savings Bank's capital stock may not be paid in an aggregate amount greater than the aggregate retained earnings of the Savings Bank, without the approval of the Director of the Division. Dividends payable by the Savings Bank can be limited or prohibited if the Savings Bank does not meet the capital conservation buffer requirement.

The amount of dividends actually paid during any one period will be strongly affected by the Savings Bank's management policy of maintaining a strong capital position. Federal law further provides that no insured depository institution may pay a cash dividend if it would cause the institution to be "undercapitalized," as defined in the prompt corrective action regulations. Moreover, the federal bank regulatory agencies also have the general authority to limit the dividends paid by insured banks if such payments should be deemed to constitute an unsafe and unsound practice.

Other Consumer Protection Laws and Regulations. The Savings Bank is subject to a broad array of federal and state consumer protection laws and regulations that govern almost every aspect of its business relationships with consumers. While the list set forth below is not exhaustive, these include the Truth-in-Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Right to Financial Privacy Act, the Home Ownership and Equity Protection Act, the Consumer Leasing Act, the Fair Credit Billing Act, the Homeowners Protection Act, the Check Clearing for the 21st Century Act, laws governing flood insurance, laws governing consumer protections in connection with the sale of insurance, federal and state laws prohibiting unfair and deceptive business practices, and various regulations that implement some or all of the foregoing. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, collecting loans, and providing other services. Failure to comply with these laws and regulations can subject the Savings Bank to various penalties, including but not limited to, enforcement actions, injunctions, fines, civil liability, criminal penalties, punitive damages, and the loss of certain contractual rights.

2018 Regulatory Reform. In May 2018 the Economic Growth, Regulatory Relief and Consumer Protection Act (the "2018 Act"), was enacted to modify or remove certain financial reform rules and regulations, including some of those implemented under the Dodd-Frank Act. While the 2018 Act maintains most of the regulatory structure established by the Dodd-Frank Act, it amends certain aspects of the regulatory framework for small depository institutions with assets of less than $10 billion and for large banks with assets of more than $50 billion. Many of these changes could result in meaningful regulatory changes for community banks such as the Savings Bank.

The 2018 Act, among other matters, expands the definition of qualified mortgages which may be held by a financial institution and simplifies the regulatory capital rules for financial institutions and their holding companies with total consolidated assets of less than $10 billion by instructing the federal banking regulators to establish a single CBLR of between 8 and 10 percent, as described above. Any qualifying depository institution or its holding company that exceeds the CBLR will be considered to have met generally applicable leverage and risk-based regulatory capital requirements and any qualifying depository institution that exceeds the new ratio will be considered to be "well capitalized" under the prompt corrective action rules.

It is difficult at this time to predict when or how any new standards under the 2018 Act will ultimately be applied to us or what specific impact the 2018 Act and the yet-to-be-written implementing rules and regulations will have on community banks.

Acquisition. Under the Federal Change in Bank Control Act, a notice must be submitted to the FDIC if any person (including a company), or group acting in concert, seeks to acquire direct or indirect "control" of a federal savings association. Under certain circumstances, a change of control may occur, and prior notice is required, upon the acquisition of 10% or more of the association's outstanding voting stock, unless the FDIC has found that the acquisition will not result in control of the association. A change in control definitively occurs upon the acquisition of 25% or more of the association's outstanding voting stock. Under the Change in Bank Control Act, the FDIC generally has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition.

Recent Regulatory Reform. In response to the COVID-19 pandemic, the United States Congress, through the enactment of the CARES Act and the CAA, 2021, and the federal banking agencies, though rulemaking, interpretive guidance and modifications to agency policies and procedures, have taken a series of actions to provide national emergency economic relief measures including, among others, the following:

- The CARES Act, as amended by the CAA, 2021, allows banks to elect to suspend requirements under GAAP for loan modifications related to the COVID-19 pandemic (for loans that were not more than 30 days past due as of December 31, 2019) that would otherwise be categorized as a TDR, including impairment for accounting purposes, until the earlier of 60 days after the termination date of the national emergency or, January 1, 2022. The suspension of GAAP is applicable for the entire term of the modification. The federal banking agencies also issued guidance to encourage banks to make loan modifications for borrowers affected by COVID-19 by providing that short-term modifications made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to the loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification is implemented is not a TDR. The Savings Bank is applying this guidance to qualifying COVID-19 modifications. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – COVID-19 Related Information" for further information about the COVID-19 modifications completed by the Savings Bank.

- Pursuant to the CARES Act, the federal banking agencies authorities adopted in April 2020 an interim rule, effective until the earlier of the termination of the coronavirus emergency declaration by the President and December 31, 2020, to (i) reduce the minimum CBLR from 9% to 8%

percent and (ii) give community banks two-quarter grace period to satisfy such ratio if such ratio falls out of compliance by no more than 1%. Effective October 1, 2020, the final rule adopted by the federal banking agencies authorities lowers the CBLR as set forth in the interim rule and provides a gradual transition back to the prior level. Under the final rule the CBLR was 8% for 2020, and will be 8.5% for 2021, and 9% beginning January 1, 2022. The final rule also retains the grace period. A community banking organization that falls below the CBRL will still be deemed to be well capitalized during a two-quarter grace period so long as the banking organization maintains a CBRL greater than 7.5% during 2021, and greater than 8% thereafter.

As the on-going COVID-19 pandemic evolves, federal regulatory authorities continue to issue additional guidance with respect to the implementation, lifecycle, and eligibility requirements for the various CARES Act programs as well as industry-specific recovery procedures for COVID-19. In addition, it is possible that the United States Congress will enact supplementary COVID-19 response legislation. The Savings Bank continues to assess the impact of the CARES Act and other statues, regulations and supervisory guidance related to the COVID-19 pandemic.

Federal Securities Laws

Systematic's common stock will be registered with the FDIC under the Securities Exchange Act of 1934. Systematic will be subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934, as implemented by the FDIC.

Emerging Growth Company Status

The JOBS Act, which was enacted in 2012, has made numerous changes to the federal securities laws to facilitate access to capital markets. Under the JOBS Act, a company or bank with total annual gross revenues of less than $1.07 billion during its most recently completed fiscal year qualifies as an "emerging growth company." Systematic qualifies as an emerging growth company under the JOBS Act.

An "emerging growth company" may choose not to hold stockholder votes to approve annual executive compensation (more frequently referred to as "say-on-pay" votes) or executive compensation payable in connection with a merger (more frequently referred to as "say-on-golden parachute" votes). An emerging growth company also is not subject to the requirement that its auditors attest to the effectiveness of the company's internal control over financial reporting, and can provide scaled disclosure regarding executive compensation; however, Systematic will also not be subject to the auditor attestation requirement or additional executive compensation disclosure so long as it remains a "smaller reporting company" under Securities and Exchange Commission regulations, as applied by the FDIC, (generally less than $75 million of voting and non-voting equity held by non-affiliates). Finally, an emerging growth company may elect to comply with new or amended accounting pronouncements in the same manner as a private company, but must make such election when the company is first required to file a registration statement. Such an election is irrevocable during the period a company is an emerging growth company. Systematic has elected to comply with new or amended accounting pronouncements in the same manner as a private company.

A company loses emerging growth company status on the earlier of: (i) the last day of the fiscal year of the company during which it had total annual gross revenues of $1.07 billion or more; (ii) the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the company pursuant to an effective registration statement under the Securities Act of 1933; (iii) the date on which such company has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or (iv) the date on which such company is deemed to be a "large accelerated filer" under Securities and Exchange Commission regulations, as applied by the FDIC (generally, at least $700 million of voting and non-voting equity held by non-affiliates).

Item 1A. Risk Factors

An investment in our common stock is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this report and our other filings with the FDIC. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, capital levels, cash flows, liquidity, results of operations, and prospects. The market price of our common stock, to the extent the common stock trades, could decline significantly due to any of these identified or other risks, and you could lose some or all of your investment. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. This report is qualified in its entirety by these risk factors.

Risks Related to General Economic Conditions

The COVID-19 pandemic has adversely impacted our ability to conduct business and is expected to adversely impact our financial results and those of our customers. The ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.

The worldwide COVID-19 pandemic has caused major economic disruption and volatility in the financial markets both in the United States and globally and has negatively affected our operations and the banking and financial services we provide our customers. In our market area, stay-at-home orders, social distancing and travel restrictions, and similar orders imposed across the United States to restrict the spread of COVID-19, resulted in significant business and operational disruptions, including business closures, supply chain disruptions, and significant layoffs and furloughs. While the stay-at-home orders have terminated or been phased-out along with reopening of businesses in certain markets, Springfield, Missouri, the market area in which we operate still applies capacity restrictions and health and safety recommendations that encourage continued social distancing and working remotely, limiting the ability of businesses to return to pre-pandemic levels of activity. As an essential business, we continue to provide banking and financial services to our customers. To further the well-being of staff and customers, we have implemented measures to allow employees to work from home to the extent practicable. Despite these efforts, if the COVID-19 pandemic worsens it could limit, or disrupt, our ability to provide banking and financial services to our customers.

To date, the COVID-19 pandemic has resulted in declines in loan demand and loan originations and has impacted both deposit availability and market interest rates and negatively impacted many of our business and consumer borrowers' ability to make their loan payments. Because the length of the pandemic and the efficacy of the extraordinary measures being put in place to address the economic consequences are unknown, including a continued low targeted federal funds rate, until the pandemic subsides, we expect our net interest income and net interest margin will continue to be adversely affected.

The ultimate impact of the COVID-19 pandemic on our business, results of operations and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic, including recent vaccination efforts. Even after the COVID-19 pandemic subsides, the U.S. economy may experience a recession, and we anticipate our business would be materially and adversely affected by a prolonged recession. To the extent the COVID-19 pandemic adversely affects our business, financial condition, liquidity or results of operations it may also have the effect of heightening many of the other risk factors described in this section.

We are not in a high-growth market area, and continued adverse economic conditions, especially affecting our market area, could adversely affect our financial condition and results of operations.

Our success depends primarily on the general economic conditions in our market area, which we generally consider to be Greene County, Missouri and contiguous counties. Unlike larger banks that are more geographically diversified, we provide banking and financial services to customers primarily in this area. The local economic conditions in our market area, therefore, have a significant impact on our lending, the ability of borrowers to repay their loans and the value of the collateral securing loans.

At December 31, 2020, $8.0 million, or 21.2%, of our total loan portfolio was secured by owner occupied one- to four-family real estate loans. One- to four-family owner occupied real estate lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making losses difficult to predict. A decline in residential real estate values as a result of a downturn in our market area's housing market could reduce the value of the real estate collateral securing these types of loans. As a result, we have increased risk that we could incur losses if borrowers default on their loans because we may be unable to recover all or part of the defaulted loans by selling the real estate collateral. In addition, if borrowers sell their homes, they may be unable to repay their loans in full from the sale proceeds. For these reasons, we may experience higher rates of delinquencies, defaults and losses on our residential mortgage loans.

Risks Related to Our Operations

We may be unable to successfully implement our business strategy. If we fail to grow or fail to manage our growth effectively, our financial condition and results of operations could be negatively affected.

The successful implementation of our strategic plan will require, among other things, that we successfully deploy the capital raised in our recent stock offering in connection with our mutual to stock conversion. In addition, our ability to successfully grow will depend on several factors, including continued favorable market conditions, competition from other financial institutions in our market area, and our ability to maintain high asset quality as we increase our loan originations. While we believe we have the management resources and internal systems in place to successfully manage our future growth, growth opportunities may not be available, and we may not be successful in implementing our business strategy. Further, it will take time to implement our business strategy, especially to originate more loans and to attract more favorably priced deposits to generate the revenue needed to offset the associated expenses. In addition, our strategic plan, even if successfully implemented, may not ultimately produce positive results.

We have experienced a prolonged period of net losses including as recently as 2019 and may struggle to maintain profitability in the future.

We experienced a net losses of $86,000 for the year ended December 31, 2019 and net income of $56,000 for the year ended December 31, 2020. Our profitability suffered due primarily to our elevated noninterest expense and our low loan to asset ratios. Historically, we have been unable to meaningfully reduce our noninterest expense and have faced pressure on our earnings because of our small asset size, low loan to asset ratio, and the ongoing higher cost of compliance with banking and other regulations.

Our operations will depend upon our continued ability to access brokered deposits, Internet deposits and Federal Home Loan Bank advances.

Due to the high level of competition for deposits in our markets, we have from time to time utilized a sizable amount of certificates of deposit obtained through brokered deposits, internet deposits and advances from the Federal Home Loan Bank of Des Moines to help fund our asset base. Brokered deposits are marketed through national brokerage firms that solicit funds from their customers for deposit in banks, including our bank. Brokered

deposits and Federal Home Loan Bank advances may generally be more sensitive to changes in interest rates and volatility in the capital markets than retail deposits attracted through our retail operations, and our reliance on these sources of funds increases the sensitivity of our portfolio to these external factors. Our brokered deposits and Internet deposits totaled $10.7 million and our Federal Home Loan Bank advances totaled $422,500 at December 31, 2020. We expect to continue to utilize brokered deposits, internet deposits, and Federal Home Loan Bank advancement from time to time as a supplemental funding source.

Bank regulators can restrict our access to these sources of funds in certain circumstances. For example, if the Savings Bank's regulatory capital ratios decline, banking regulators would require the Savings Bank to obtain their approval prior to obtaining or renewing brokered deposits. The regulators might not approve our acceptance of brokered deposits in amounts that we desire or at all. In addition, the availability of brokered deposits and the rates paid on these brokered deposits may be volatile as the balance of the supply of and the demand for brokered deposits changes. Market credit and liquidity concerns may also impact the availability and cost of brokered deposits. Similarly, Federal Home Loan Bank advances are only available to borrowers that meet certain conditions. If Systematic were to cease meeting these conditions, our access to Federal Home Loan Bank advances could be significantly reduced or eliminated.

We depend on our entire team, including our senior management team, to implement our business strategy and execute successful operations and we could be harmed by the loss of their services.

We depend upon the services of the members of our team to implement our business strategy and execute successful operations. We have also benefited from our senior management team, with Derek Fraley, our President and Chief Executive Officer and Chief Financial Officer, R. Bradley Weaver, our Senior Vice President and Chief Lending Officer and Terri McFarland our Senior Vice President and Chief Operations Officer, having been employed by Systematic for 3-1/2 years, 3 years and 5-1/2 years, respectively. We do not hold any key person insurance or bank-owned life insurance for any members of our team, and any loss of their services, could impact our ability to implement our business strategy, and could have a material adverse effect on our results of operations and our ability to compete in our market. As a small community bank, we have fewer management-level personnel who are in a position to assume the responsibilities of our executive officers.

Our small size makes it more difficult for us to compete.

Our small asset size makes it more difficult to compete with other financial institutions which are generally larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. At December 31, 2020, we had total assets of $51.4 million, net loans of $37.5 million, total deposits of $40.7 million and total equity of $10.2 million. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our competitors. Our net losses have also made it more difficult to hire additional staff and to offer competitive salaries and benefits. Finally, as a smaller institution, we are disproportionately affected by the ongoing costs of compliance with banking and other regulations.

We may not be able to realize our deferred tax asset, including the reversal of the valuation allowance.

We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities. In 2016, we established a full valuation allowance for our net federal and state deferred tax asset after evaluating the positive and negative evidence in accordance with U.S. GAAP. At December 31, 2020, our valuation allowance was $658,000 and our net deferred tax asset was $0.

Our ability to use our deferred tax asset, including the reversal or partial release of the valuation allowance, depends on our ability to generate future earnings within the operating loss carry-forward periods. Some or all of our deferred tax asset, including the reversal or partial release of the valuation allowance, could expire unused if we are unable to generate sufficient taxable income in the future to utilize the deferred tax asset, or we enter into transactions that limit our right to use it. If a material portion of our deferred tax asset, including the reversal or partial release of the valuation allowance, expires unused, it could have a material adverse effect on our future business, results of operations, financial condition and the value of our common stock. Our ability to realize the deferred tax asset is periodically reviewed and the valuation allowance is adjusted accordingly.

We are subject to extensive regulatory oversight.

We are subject to extensive regulation and supervision. Regulators have intensified their focus on bank lending criteria and controls, and on the USA PATRIOT Act's anti-money laundering and Bank Secrecy Act compliance requirements. There also is increased scrutiny of our compliance practices generally and particularly with the rules enforced by the Office of Foreign Assets Control. It is possible that we are not in full compliance with these requirements. Our failure to comply with these and other regulatory requirements could lead to, among other remedies, administrative enforcement actions and legal proceedings. In addition, future legislation and regulations may significantly affect the financial services industry, and could make regulatory compliance more difficult or expensive for us.

Strong competition within our market area may limit our growth and profitability.

Competition in the banking and financial services industry is intense. In our market area we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage firms operating locally and elsewhere. Many of our competitors have greater name recognition and market presence than Systematic, which helps them in attracting business, and they may offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, which could affect our ability to grow and remain profitable on a long-term basis. Our profitability depends upon our ability to successfully compete in our market area. If we must raise interest rates paid on deposits or lower interest rates charged on our loans, our net interest margin and profitability could be adversely affected. For additional information see "Business of Systematic—Competition."

The financial services industry could become even more competitive as a result of new legislative, regulatory and technological changes and continued industry consolidation. Also, some of our competitors have fewer regulatory constraints and may have lower cost structures than we do. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services than we can as well as better pricing for those products and services.

Risks Related to Our Lending Activities

Because we intend to continue to emphasize commercial real estate, multi-family, land, commercial business and agriculture estate loans, our credit risk will increase and downturns in our local real estate market or economy could adversely affect our earnings.

We intend to continue to originate commercial real estate, multi-family and land loans and commercial business and agriculture estate loans. These loans generally have more risk than the one- to four-family residential real estate loans that we originate. Because the repayment of these types of loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate and multi-family loans may also involve relatively large loan balances to individual borrowers or groups of related borrowers. A downturn in the real market or the local economy could adversely affect the value of properties securing the loan or

the revenues from the borrower's business, thereby increasing the risk of non-performing loans. As our commercial real estate portfolio increases the corresponding risks and potential for losses from these loans may also increase

Our loan portfolio has increased risk due to our agricultural real estate loans and agricultural and commercial non-real estate loans.

At December 31, 2020, 4.4% of our gross loans consisted of agricultural real estate loans and an additional 8.6% consisted of agricultural and commercial non-real estate loans, the repayment of which are vulnerable to local economic conditions. The credit risk associated with these types of loans is considered to be greater than the credit risk associated with the one- to four-family residential real estate loans that we originate because the repayment of agricultural real estate loans and agricultural and commercial non-real estate loans typically depends on the successful operation and income of the borrowers' business, which can be significantly affected by economic conditions. Additionally, these loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one-to four-family residential real estate loans.

Agricultural and commercial non-real estate loans are often secured by collateral that may depreciate over time and be difficult to appraise and fluctuate in value (such as accounts receivable, growing crops, livestock, inventory and equipment). Repossessed collateral for a defaulted loan also may be worth less than the outstanding loan balance because of damage, loss or depreciation of the collateral.

The repayment of agricultural real estate loans depends on the profitable operation or management of the farm property securing the loan. The success of a farm may be affected by many factors outside the control of the borrower, including adverse weather conditions that prevent the planting or harvesting of crops or limit crop yields (such as hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural commodities produced (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies and environmental regulations). If the cash flow from a farming operation is diminished, the borrower's ability to repay the loan may be impaired. The primary agricultural commodities in our market area are livestock, dairy and feed grains. Accordingly, adverse circumstances affecting any of these commodities, including changes in government policies may have a significant adverse effect on our agricultural real estate and agricultural and commercial non-real estate loan portfolio.

Our non-owner-occupied residential real estate and commercial real estate loans may expose us to increased credit risk.

At December, 2020 $17.4 million, or 45.9%, of our total loan portfolio, was secured by non-owner-occupied residential properties consisting of one- to four-family loans. These loans are located in Missouri and various states throughout the Southeastern United States. Loans secured by non-ownership-occupied generally expose a lender to greater risk of nonpayment and loss than loans secured by owner-occupied properties because repayment of such loans depends primarily on the tenant's continuing ability to pay rent to the property owner, who is our borrower, or if the property owner is unable to find a tenant, the property owner's ability to repay the loan without the benefit of a rental income stream. In addition, the physical condition of non-owner-occupied properties is often below that of owner-occupied properties due to lax property maintenance standards, which has a negative impact on the value of collateral properties.

Non-owner occupied commercial real estate loans expose a lender to greater credit risk than loans secured by residential real estate because the collateral securing these loans typically cannot be liquidated as easily as residential real estate. In such cases, we may be compelled to modify the terms of the loan or engage in other potentially expensive work-out techniques. If we foreclose on a non-owner occupied commercial real estate loan, our holding period for the collateral typically is longer than a one- to four-family residential property because there are fewer potential purchasers of the collateral. Additionally, non-owner occupied commercial real estate loans generally have relatively large balances to single borrowers or related groups of borrowers. Accordingly, charge-offs

on non-owner occupied commercial real estate loans may be larger on a per loan basis than those incurred with our residential or consumer loan portfolios. As of December 31, 2020, our non-owner occupied commercial real estate loans totaled $4.6 million (or 12.0% of our total loan portfolio).

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings will decrease.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover probable incurred losses in our loan portfolio, resulting in additions to our allowance. Material additions to our allowance could materially decrease our results of operations.

In addition, the Missouri Division of Finance and FDIC periodically review our allowance for loan losses and as a result of such reviews, we may have to adjust our allowance for loan losses or recognize further loan charge-offs. However, the Missouri Division of Finance and FDIC is not directly involved in the process of establishing the allowance for loan losses, as the process is our responsibility and any adjustment of the allowance is the responsibility of management. Material additions to the allowance would materially decrease our results of operations.

Risks Related to Changes in Market Interest Rates

Our net interest margin, and consequently our net earnings, are significantly affected by interest rate levels.

Our profitability is dependent to a large extent on net interest income, which is the difference between interest income earned on loans, leases and investment securities and interest expense paid on deposits, other borrowings, senior debt and subordinated notes. The absolute level of interest rates as well as changes in interest rates, including changes to the shape of the yield curve, may affect our level of interest income, the primary component of our gross revenue, as well as the level of our interest expense. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets, impacting our net interest income. Interest rate fluctuations are caused by many factors which, for the most part, are not under our control. For example, national monetary policy implemented by the Federal Reserve plays a significant role in the determination of interest rates. Additionally, competitor pricing and the resulting negotiations that occur with our customers also impact the rates we collect on loans and the rates we pay on deposits. In addition, the discontinuance of LIBOR as a reference rate, and the uncertainty related to such potential changes, may adversely affect the value of reference rate-linked debt securities and derivatives that we hold or issue, which could further impact our interest rate spread.

Changes in the level of interest rates also may negatively affect demand for, and thus our ability to originate, loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our results of operations and financial condition. A decline in the market value of our assets may limit our ability to borrow additional funds. As a result, we could be required to sell some of our loans and investments under adverse market conditions, upon terms that are not favorable to us, in order to maintain our liquidity. If those sales are made at prices lower than the amortized costs of the investments, we will incur losses.

Because of significant competitive pressures in our markets and the negative impact of these pressures on our deposit and loan pricing, coupled with the fact that a significant portion of our loan portfolio has variable rate pricing that moves in concert with changes to the Federal Reserve's federal funds rate or LIBOR (both of which are at relatively low levels as a result of macroeconomic conditions), our net interest margin may be negatively impacted if these short-term rates remain at their low levels or decrease further. However, if short-term interest rates rise, our results of operations may also be negatively impacted if we are unable to increase the rates we charge on loans or earn on our investment securities in excess of the increases we must pay on deposits and our other funding

sources. As interest rates change, we expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than our interest-earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to our position, this "gap" may work against us, and our results of operations and financial condition may be negatively affected.

Future changes in interest rates could reduce our profits.

Our ability to make a profit largely depends on our net interest income, which could be negatively affected by changes in interest rates. Net interest income is the difference between:

- the interest income we earn on our interest-earning assets, such as loans and securities; and
- the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings.

As a result of our historical focus on originating loans with fixed interest rates, 47.1% of our loans have fixed interest rates. Like many savings institutions, deposit accounts are our primary source of funds, and such accounts have no stated maturity date or have shorter contractual maturities than loans, which results in our liabilities having a shorter duration than our assets. For example, as of December 31, 2020, 15.7% of our loans had maturities of 15 years or longer, while 22.3% of our certificates of deposit had maturities of one year or less. This imbalance can create significant earnings volatility because market interest rates change over time. In a period of rising interest rates, the interest income earned on our assets, such as loans and investments, may not increase as rapidly as the interest paid on our liabilities, such as deposits. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities, as borrowers prepay mortgage loans, thereby requiring us to reinvest these cash flows at lower interest rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations— Management of Market Risk."

Changes in interest rates creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans in a declining interest rate environment. Additionally, increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable-rate loans.

We monitor interest rate risk through the use of simulation models, including estimates of the amounts by which the fair value of our assets and liabilities (our economic value of equity or "EVE") and our net interest income would change in the event of a range of assumed changes in market interest rates. At December 31, 2020, the analysis indicated that our EVE would decrease by $1.1 million, or 10.4%, if there was an instantaneous 200 basis point increase in market interest rates. Our EVE would decrease $127,000, or 1.2%, if there was an instantaneous 100 basis point increase in market interest rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations— Management of Market Risk."

If the prolonged low interest rate environment continues in the future, the average yield on our one- to four-family residential – owner occupied loan portfolio is likely to continue to decrease.

Historically, a significant portion of our loans has consisted of longer-term (up to 30 years) fixed-rate one- to four-family residential – owner occupied mortgage loans. At December 31, 2020, our one- to four-family residential – owner occupied real estate loan portfolio totaled $8.0 million, or 21.2% of total loans. Traditionally one- to four-family residential – owner occupied mortgage loans have lower yields than commercial real estate or

consumer loans because one- to four-family residential mortgage loans have less credit risk. Due to the prolonged low interest rate environment, the average yield on our one- to four-family residential – owner occupied mortgage loans originated for our portfolio in the past two years has decreased to 4.66%. In the future, as higher yielding one- to four-family residential mortgage loans that we currently hold in our portfolio are paid off or if they are refinanced to lower rates, the average yield on our one- to four-family residential – owner occupied mortgage loan portfolio would decrease if market interest rates remain at their current historically low levels.

Risks Related to Cybersecurity, Third Parties and Technology

Cyber-attacks or other security breaches could adversely affect our operations, net income or reputation.

We regularly collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf.

Information security risks have generally increased in recent years because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial and other transactions and the increased sophistication and activities of perpetrators of cyber-attacks and mobile phishing. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e-mail, text or voice mail, is an emerging threat targeting the customers of popular financial entities. A failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches or due to employee error, malfeasance or other disruptions, could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our operating costs or cause losses.

If this confidential or proprietary information is mishandled, misused or lost, we could be exposed to significant regulatory consequences, reputational damage, civil litigation and financial loss.

Physical, procedural and technological safeguards designed to protect confidential and proprietary information from mishandling, misuse or loss, do not provide absolute assurance that mishandling, misuse or loss of information will not occur, and if mishandling, misuse or loss of information does occur, that those events will be detected promptly and addressed. Similarly, when confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf, our policies and procedures require that the third party agree to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit us to confirm the third party's compliance with the terms of the agreement. As information security risks and cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur and may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide the security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource the majority of our data processing to third-party providers. If these third-party providers encounter difficulties, or if we cannot effectively communicate with them, we may be unable to adequately process and account for transactions, which would adversely affect our business operations. Threats to information security also exist in the processing of customer information through various other vendors. The occurrence of any system failures, interruptions, or breaches of security could damage our reputation and result in a loss of customers and business, subject us to additional regulatory scrutiny or expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At December 31, 2020, we had our main office that includes a full-service branch with an aggregate net book value of $469,332. We own the main office on which we pay property taxes and operating expenses. See also Note 4 of the Notes to Financial Statements for additional information. In the opinion of management, the facilities are adequate and suitable for our current needs.

Item 3. Legal Proceedings

Periodically, there have been various claims and lawsuits involving the Savings Bank, such as claims to enforce liens, condemnation proceedings on properties in which the Savings Bank holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Savings Bank's business. The Savings Bank is not a party to any pending legal proceedings that it believes would have a material adverse effect on the financial condition, results of operations or liquidity of the Savings Bank.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

At December 31, 2020, there were 595,125 shares of Systematic common stock issued and outstanding, 79 stockholders of record and an estimated seven holders in nominee or "street name."

Any dividends declared and paid in the future would depend upon a number of factors, including capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. No assurances can be given that any dividends will be paid or that, if paid, will not be reduced or eliminated in future periods. Our future payment of dividends may depend, in part, upon receipt of dividends from the Bank, which are restricted by federal regulations. During the three-year period immediately following the closing date of the Offering (October 13, 2023), the Bank may not declare any distributions of capital to stockholders, including cash dividends or any other retirement or return of capital, except in accordance with applicable laws and regulations and as provided for in the Business Plan, without the prior written approval of the FDIC Kansas City Regional Director if such action would cause the Bank's Leverage and Total Capital ratios to fall below 8.0 percent and 12.0 percent, respectively.

Item 6. Selected Financial Data

Contained in the Annual Report filed as an exhibit hereto and incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Contained in the Annual Report filed as an exhibit hereto and incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises principally from interest rate risk inherent in our lending, investing, deposit and borrowings activities. Management actively monitors and manages its interest rate risk exposure. In addition to other risks that we manage in the normal course of business, such as credit quality and liquidity, management considers interest rate risk to be a significant market risk that could have a potential material effect on our financial condition and result of operations. The information contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Asset and Liability Management and Market Risk" in this Form 10-K is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm*
Statements of Financial Condition at December 31, 2020 and December 31, 2019*
Statements of Operations For the Years Ended December 31, 2020 and 2019*
Statements of Comprehensive Income (Loss) For the Years Ended December 31, 2020 and 2019*
Statements of Changes in Stockholders' Equity For the Years Ended December 31, 2020 and 2019*
Statements of Cash Flows For the Years Ended December 31, 2020 and 2019*
Notes to Financial Statements*

* Contained in the Annual Report filed as an exhibit hereto and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures: An evaluation of Systematic's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 ("Exchange Act")) was carried out under the supervision and with the participation of Systematic's Chief Executive Officer, Chief Financial Officer and several other members of Systematic's senior management as of the end of the period covered by this annual report. Systematic's Chief Executive Officer/Chief Financial Officer concluded that as of December 31, 2020, Systematic's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by Systematic in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to Systematic's management (including the Chief Executive Officer/Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

While Systematic believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause Systematic to modify its disclosure controls and procedures. Systematic does not expect that its disclosure controls and procedures and internal control over financial

reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Systematic have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns in controls or procedures can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements attributable to errors or fraud may occur and not be detected.

(b) Changes in Internal Controls: There was no change in Systematic's internal control over financial reporting during Systematic's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, Systematic's internal control over financial reporting.

(c) Management's Annual Report on Internal Control Over Financial Reporting: The management of Systematic is responsible for establishing and maintaining adequate internal control over financial reporting. This internal control system has been designed to provide reasonable assurance to Systematic's management and board of directors regarding the preparation and fair presentation of Systematic's published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The management of Systematic. has assessed the effectiveness of Systematic's internal control over financial reporting as of December 31, 2020. To make the assessment, we used the criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we have concluded that, as of December 31, 2020, Systematic's internal control over financial reporting was effective based on those criteria.

This annual report does not include an attestation report of Systematic's registered public accounting firm. We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. As a result, for the year ended December 31, 2020 we were not required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

Item 9B. Other Information

There was no information to be disclosed by Systematic in a report on Form 8-K during the fourth quarter of fiscal year 2020 that was not so disclosed.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information contained under the section captioned "Proposal I - Election of Directors" contained in Systematic's Proxy Statement for the 2020 Annual Meeting of Stockholders, and "Part I - Business -- Executive Officers" of this Form 10-K, is incorporated herein by reference.

Code of Ethics

On February 17, 2021, the board of directors adopted the Officer and Director Code of Ethics. The Code of Ethics is applicable to each of Systematic's officers, including the principal executive officer and senior financial officers, and requires individuals to maintain the highest standards of professional conduct. A copy of the Code of Ethics is attached hereto as Exhibit 14.

Audit Committee Matters and Audit Committee Financial Expert

Systematic has a separately-designated standing Audit Committee, composed of Directors Kim Kollmeyer (Chairperson), Ryan DeBoef, and Trevor Crist. Systematic's board of directors has designated Kim Kollmeyer, Audit Committee Chairman, as its financial expert, as defined in SEC's Regulation S-K.

Nomination Procedures

There have been no material changes to the procedures by which shareholders may recommend nominees to Systematic's board of directors.

Item 11. Executive Compensation

The information set forth under the sections captioned "Executive Compensation" and "Directors' Compensation" in Systematic's Proxy Statement for the 2021 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in Systematic's Proxy Statement for the 2021 Annual Meeting of Stockholders is incorporated herein by reference. Systematic is not aware of any arrangements, including any pledge by any person of securities of Systematic, the operation of which may at a subsequent date result in a change in control of Systematic.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information set forth under the headings "Related Party Transactions" and "Director Independence" under the heading "Meetings and Committees of the Board of Directors and Corporate Governance Matters – Corporate Governance" in Systematic's Proxy Statement for the 2021 Annual Meeting of Stockholders is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information set forth under the section captioned "Independent Registered Public Accounting Firm" in Systematic's Proxy Statement for the 2021 Annual Meeting of Stockholders (excluding the information contained under the heading of "Report of the Audit Committee") is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements
See "Part II –Item 8. Financial Statements and Supplementary Data."

2. Financial Statement Schedules
All schedules are omitted because they are not required or applicable, or the required information is shown in the financial statements or the notes thereto.

Exhibits:

3.1	Amended and Restated Articles of Incorporation of Systematic Savings Bank. (1)
3.2	Bylaws of Systematic Savings Bank (1)
4.1	Form of Common Stock Certificate of Systematic Savings Bank (1)
4.2	Description of Capital Stock of Systematic Savings Bank
10.1	Employment Agreement by and between Systematic Savings Bank and Derek Fraley (1)
13	Annual Report to Stockholders
14	Code of Ethics
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer
101	The following materials from Systematic's Annual Report on Form 10-K for the year ended December 31, 2020,: (i) the Statements of Financial Condition, (ii) the Statements of Operations, (iii) the Statements of Comprehensive Loss, (iv) the Statements of Shareholders' Equity, (v) the Statements of Cash Flows and (vi) the Notes to the Financial Statements.

(1) Filed as exhibits to Systematic Savings Bank's Registration Statement on Form 10 filed with the Federal Deposit Insurance Corporation and effective on October 3, 2020.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYSTEMATIC SAVINGS BANK

Date: March 30, 2021

By: /s/Derek Fraley
Derek Fraley
President and Chief Executive Officer
Director
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Derek Fraley
Derek Fraley
President and Chief Executive and
Financial Officer Director
(Principal Executive and Financial Officer)

Date: March 30, 2021

By: /s/Travor J. Crist
Trevor J. Crist
Director

Date: March 30, 2021

By: /s/Ryan DeBoef
Ryan DeBoef
Director

Date: March 30, 2021

By: /s/Dianna A. Devore
Dianna A. Devore
Director

Date: March 30, 2021

By: /s/ Kim D. Kollmeyer
Kim D. Kollmeyer
Director

Date: March 30, 2021

By: /s/Jeff Seifried
Jeff Seifried
Director

Date: March 30, 2021

By: /s/R. Bradley Weaver
R. Bradley Weaver
Director

Date: March 30, 2021

Exhibit 4.2

DESCRIPTION OF CAPITAL STOCK

General

Under its proposed stock charter, Systematic is authorized to issue 10,000,000 shares of common stock, par value of $0.01 per share, and 1,000,000 shares of preferred stock, par value $0.01 per share.. Each share of Systematic common stock will have the same relative rights as, and will be identical in all respects to, each other share of common stock.

The shares of common stock of Systematic represent nonwithdrawable capital, are not an account of an insurable type, and are not insured by the FDIC or any other government agency.

Common Stock

Dividends. Subject to limitations contained in the FDIC letter approving the mutual to stock conversion, Systematic may pay dividends up to an amount equal to the excess of our capital surplus over payments that would be owed upon dissolution to stockholders whose preferential rights upon dissolution are superior to those receiving the dividend, and to an amount that would not make us insolvent, as and when declared by our board of directors. Systematic is also prohibited from paying dividends that would reduce Systematic's capital below the then adjusted balance of its liquidation account. The holders of common stock of Systematic will be entitled to receive and share equally in dividends as may be declared by our board of directors out of funds legally available therefor. If Systematic issues shares of preferred stock, the holders thereof may have a priority over the holders of the common stock with respect to dividends.

Voting Rights. Upon consummation of the conversion, the holders of common stock of Systematic will have exclusive voting rights in Systematic. They will elect Systematic's board of directors and act on other matters as are required to be presented to them under Missouri law or as are otherwise presented to them by the board of directors. Generally, each holder of common stock will be entitled to one vote per share and will not have any right to cumulate votes in the election of directors. Generally, however, any person who beneficially owns more than 10% of the then-outstanding shares of Systematic's common stock will not be entitled or permitted to vote any shares of common stock held in excess of the 10% limit. If Systematic issues shares of preferred stock, holders of the preferred stock may also possess voting rights. Certain matters require an 80% stockholder vote.

As a Missouri-chartered stock savings association, corporate powers and control of Systematic are vested in its board of directors, who elect the officers of Systematic and who fill any vacancies on the board of directors. Voting rights of Systematic will be vested exclusively in the owners of the shares of Systematic's capital stock.

Liquidation. In the event of liquidation, dissolution or winding up of Systematic, the holders of Systematic's common stock would be entitled to receive, after payment or provision for payment of all debts and liabilities of Systematic, including all deposit accounts and accrued interest thereon, and after distribution of the balance in the liquidation account for Eligible Account Holders and Supplemental Eligible Account Holders, all of the assets of Systematic available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the common stock in the event of liquidation or dissolution.

Preemptive Rights. Holders of the common stock of Systematic will not be entitled to preemptive rights with respect to any shares that may be issued, unless such preemptive rights are approved by the board of directors. The common stock is not subject to redemption.

Preferred Stock

Preferred stock may be issued with preferences and designations as our board of directors may from time to time determine. Our board of directors may, without stockholder approval, issue shares of preferred stock with voting, dividend, liquidation and conversion rights that could dilute the voting strength of the holders

of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

Annual Report

December 31, 2020

Systematic Savings Bank

Dear Shareholders,

Welcome to Systematic Savings Bank's first Annual Report as a public company. We are pleased to present highlights from the remarkable and bizarre year of 2020.

Financial Highlights:

- Net Income of $55,787, an improvement over 2019 of $141,939.
- Average Earning Assets increased $5.6 million, or 15.8%.
- Because much of our growth occurred in the fourth quarter, Earning Assets period over period of $13.7 million, or 37.2%, though, much of this remains in cash, where it earns 0.03%, until it can be deployed to loans.
- Demutualization and earnings caused capital to increase $5.2 million, or 103%.
- Total Net Interest Income before provision increased $69,800, or 5.8%, despite market rates falling 150 basis points.

Balance Sheet Highlights:

- Total assets of $51.4 million is the largest the Bank has been since December 2010 when total assets were $51.6 million.
- Total capital of $10.2 million is the most capital the Bank has had in recent history.
- Net loans increased $8.8 million, or 30.5%, year over year.
- Total deposits increased $8.5 million, despite purposefully reducing reliance on brokered and internet CDs by $3.9 million, or 26.6%, implying customer deposits are up $12 million year over year.
- Book value per common share was $17.06 at December 31, 2020.

Credit Quality Highlights:

- Provision for loan losses was $4,500 with no need for provision the prior year.
- Non-performing assets consisted of one loan totaling $171,000 at December 31, 2020, which is 75% SBA Guaranteed. We provisioned for this loan in 2020, so we will not see an impact to earnings in 2021.
- Total classified and criticized assets totaled $287,000 at year end 2020, down from $461 thousand at year end 2019, a decline of 37.7%

Annual Interesting Facts:

- Net Income of $55,787 is the first year of positive net income since 2012.
- Q4 2020 marks six quarters in a row of pretax net operating income, the first time this has happened since Q4 2007 to Q1 2009.
- Retired our Cease and Desist in February 2020 and the subsequent Memorandum of Understanding only 165 days later.
- Reduced non-interest expense for third straight year.

As we approach our 100th year, we are proud to be one of only six banks still locally owned in Greene County and are pleased you have chosen to be part of our history and heritage. Since 1923, Systematic (Fidelity, at its inception) has been proud to be part of downtown Springfield and looks forward to many more years here. We will continue to focus on a strong credit, low overhead model and look forward to deploying our liquidity in a prudent manner, and telling you all about our efforts for years to come.

Systematic has a full product range which belies its size. From Ag lending to Treasury Management, we have tools not generally found at a $50 million bank. At our core though, we focus on unmatched customer service, one customer at a time, providing great deposit products and finding ways to put borrowers into the best loan structure to facilitate their goals. All banks will say they are nimble and flexible, we are one of only a few that has the size and staffing to truly be so.

2020 was a truly exceptional year, in every way, and during all that came the extraordinary list of achievements found on the prior page. These feats came from the hands of only nine full-time employees. With this solid foundation now in place, we look forward to reporting to you this group's future accomplishments as we focus on business development and customer service.

Each of our employees look forward to hearing from you and finding ways that Systematic can facilitate your needs.

Derek Fraley
Chairman and CEO
Systematic Savings Bank

SYSTEMATIC SAVINGS BANK
Selected Financial Data

The summary financial information presented below is derived in part from the financial statements of Systematic. The following is only a summary and you should read it in conjunction with the financial statements and notes beginning on page F-1. The information at December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019 is derived in part from the audited financial statements of the Savings Bank that appear in this Annual Report. The following information is only a summary and you should read it in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and notes thereto contained elsewhere in this Annual Report.

	At December 31,	
	2020	**2019**
Summary of Selected Balance Sheet Data:	**(Dollars in thousands)**	
Total assets	$ 51,353	$ 37,678
Cash and cash equivalents	9,699	3,254
Available for sale securities	1,998	2,104
Loans receivable, net	37,460	28,701
Premises and equipment, net	595	608
Prepaid expenses and other assets (1)	149	209
Deposits	40,664	32,174
FHLB advances	423	423
Total equity	10,151	4,997

(1) Includes accrued interest receivable, prepaid expenses, deferred tax asset, and other assets.

	Years Ended December 31,	
	2020	**2019**
	(In thousands)	
Selected Operating Data:		
Interest income	$ 1,791	$ 1,706
Interest expense	519	504
Net interest income	1,272	1,202
Provision for loan losses	5	--
Net interest income after provision for loan losses	1,268	1,202
Noninterest income	40	72
Noninterest expense	1,253	1,361
Income taxes	--	--
Net income (loss)	$ 56	$ (86)

SYSTEMATIC SAVINGS BANK
Selected Financial Data

Selected Financial Ratios and Other Data:	**At or For the Years Ended December 31,**	
Performance Ratios:	**2020**	**2019**
Return on average assets (ratio of net income (loss) to average total assets)	0.13%	(0.24)%
Return on average equity (ratio of net income (loss) to average total equity)	0.91%	(1.77)%
Interest rate spread (1)	2.81%	3.15%
Net interest margin (2)	3.08%	3.37%
Efficiency ratio (3)	95.50%	106.50%
Average equity to average total assets	14.68%	13.10%
Asset Quality Ratios:		
Non-performing assets to total assets	0.33%	--%
Non-performing loans to total loans	0.45%	--%
Allowance for loan losses to nonperforming loans	2.37%	--%
Allowance for loan losses to total loans	1.07%	1.43%
Net charge-offs to average loans outstanding	0.03%	0.13%
Capital Ratios:		
Total capital (to risk-weighted assets)	38.75%	24.30%
Tier 1 capital (to risk-weighted assets)	37.50%	23.07%
Common equity Tier 1 capital (to risk-weighted assets)	38.75%	23.07%
Tier 1 capital (to average assets)	24.13%	13.30%
Other Data:		
Number of offices	1	1
Full-time equivalent employees	8	9

(1) The interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the year.
(2) The net interest margin represents net interest income as a percentage of average interest-earning assets for the year.
(3) The efficiency ratio represents noninterest expense divided by the sum of net interest income and noninterest income.

This section is intended to help potential investors understand our financial performance through a discussion of the factors affecting our financial condition at December 31, 2020 and 2019 and our results of operations for the years ended December 31, 2020 and 2019. This section should be read in conjunction with the financial statements and notes to the financial statements that appear elsewhere in this report.

Overview

Our profitability is highly dependent on our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowed funds. Results are also influenced by our provision for loan losses, and noninterest income and noninterest expense. Noninterest expense consists primarily of employee compensation and benefits, occupancy expense, data processing and regulatory costs. Our principal business is accepting deposits from individuals and businesses in the communities surrounding our office and using such deposits to fund loans. We focus on providing our products and services to two segments of customers: individuals and small businesses.

We experienced a net loss of $86,000 for the year ended December 31, 2019 while we experienced net income of $56,000 for the year ended December 31, 2020, a $142,000 improvement. In prior periods, our profitability suffered due primarily to our elevated noninterest expense. The two largest components of our noninterest expense are our equipment and data processing expense and our compensation and benefits expense, which were $132,000 and $578,000, respectively, for the year ended December 31, 2020 and $140,000 and $601,000, respectively, for the year ended December 31, 2019. We made significant reductions in our noninterest expense during the year ended December 31, 2020 resulting in a decrease of $108,000, or 8.0% compared to the prior year. We continually look for savings and efficiencies; however we may not be able to meaningfully reduce our noninterest expense further, due to our increasing costs of compliance with banking and other regulations and our high data processing fixed costs. Additionally, the increase in our average balance of interest-earning assets for the year ended December 31, 2020 contributed to our increase in net income. Our average balance of interest-earning assets increased $5.6 million to $41.2 million for the year ended December 31, 2020 from $35.7 million for the year ended December 31, 2019 as our assets increased to $51.3 million. Loans increased to 77.5% of average earning assets in 2020 from 76.0% of average earning assets during 2019. This was made more important as the effective rate we earned on overnight cash and deposits fell from 1.56% in 2019 to 0.18% in 2020.

Recent Changes in Systematic's Operations

In 2020 we made significant changes in our operations as follows:

- Converted from a mutual savings bank to a stock savings bank and raised $5.1 million in net proceeds;
- The Cease and Desist and subsequent Memorandum of Understanding with the FDIC and Missouri Division of Finance were lifted; and
- Closed our lobby, beginning in March 2020, in response to COVID-19.

Business Strategy

Our mission is to operate and grow a profitable, independent community-oriented bank serving primarily retail customers and small businesses in our market area. In pursuing our mission, our goal is to continuously improve our earnings, capital and results of operations. The following are key elements of our business strategy:

- improving our earnings by increasing the originations of one- to four-family real estate loans, commercial real estate loans, commercial business and consumer loans while maintaining our conservative loan underwriting;
- maintaining our strong asset quality by strengthening management and improving our policies for lending and problem assets;
- remaining a community-oriented bank with a continued emphasis on retail and small business customers in our market area; and
- increasing our deposit balances and deposit relationships to seek to provide lower cost and more stable funding sources.

Anticipated Increase in Noninterest Expense

The completion of the conversion and stock offering has caused our noninterest expense to increase because of the increased costs associated with operating as a public company.

Critical Accounting Policies

The discussion and analysis of the financial condition and results of operations are based on our financial statements, which are prepared in conformity with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be critical accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following represent our critical accounting policies:

Allowance for Loan Losses. We consider the allowance for loan losses to be a critical accounting policy. The allowance for loan losses is the amount estimated by management as necessary to cover probable losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses, which is charged to operations. Determining the amount of the allowance for loan losses involves a high degree of judgment. Among the material estimates required to establish the allowance are: loss exposure at default; the amount and timing of future cash flows on impacted loans; value of collateral; and determination of loss factors to be applied to the various elements of the portfolio. All of these estimates are susceptible to significant change. Management reviews the level of the allowance at least quarterly and establishes the provision for loan losses based upon an evaluation of the portfolio, past loss experience, current economic conditions and other factors related to the collectability of the loan portfolio. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. In addition, the FDIC and Missouri Division of

Finance, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on their judgment about information available to it at the time of their examinations. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would adversely affect results of operations. See Note 1 of the Notes to Financial Statements included in this filing.

Income Taxes. Income taxes are provided for the tax effects of certain transactions reported in the financial statements. Income taxes consist of taxes currently due plus deferred taxes related primarily to temporary differences between the financial reporting and income tax basis of the allowance for loan losses, premises and equipment, operating losses, and deferred loan origination costs. The deferred tax assets and liabilities represent the future tax return consequences of the temporary differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. See Note 1 of the Notes to Financial Statements included in this report.

Estimation of Fair Values. Securities classified as available for sale are reported at fair value, with unrealized gains and losses excluded from operations and reported as a separate component of equity. The Savings Bank does not purchase securities for trading purposes. The cost of securities sold is determined by specific identification. Declines in fair value of securities available for sale that are deemed to be other-than-temporary are charged to operations as a realized loss. In estimating other-than- temporary impairment losses, management of the Savings Bank considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, the Savings Bank's intent to sell the security or whether it is more likely than not that it will be required to sell the security before the anticipated recovery of its remaining amortized cost basis and evaluation of cash flows to determine if the securities have been adversely affected. See Note 1 of the Notes to the Financial Statements included in this report.

Comparison of Financial Condition at December 31, 2020 and December 31, 2019

Summary of Selected Balance Sheet Data:	**At 12/31/2020**	**At 12/31/2019**	**Increase (Decrease)**	**% Change**
		(Dollars in thousands)		
Total assets	$ 51,353	$ 37,678	$ 13,675	36.3%
Cash and cash equivalents	9,699	3,254	6,445	198.1%
Available for sale securities	1,998	2,104	(106)	(5.0)%
Loans receivable, net	37,460	28,701	8,759	30.5%
Premises and equipment, net	595	608	(13)	(2.1)%
Other assets (1)	149	142	7	4.9%
Deposits	40,664	32,174	8,490	26.4%
FHLB advances	423	423	--	0.0%
Total equity	10,151	4,997	5,154	103.1%

(1) Includes accrued interest receivable, prepaid expenses, deferred tax asset, and other assets.

Total Assets. Total assets increased $13.7 million, or 36.3%, to $51.4 million at December 31, 2020 from $37.7 million at December 31, 2019. The increase in total assets was due primarily to increases in loans receivable, net and cash and cash equivalents of $8.8 million, or 30.5% and $6.4 million, or, 198.1% respectively.

Loans Receivable, Net. Net loans increased $8.8 million, or 30.5%, to $37.5 million at December 31, 2020 from $28.7 million at December 31, 2019. The loan growth during the year was largely organic and spread among several loan categories. Two factors influencing loan growth were the repurchase of $900,000 in participations the Savings Bank had sold in order to stay under its legal lending limit once the capital increase was complete, and the purchase of $2.6 million in whole loans in November 2020. For the year ended December 31, 2020, commercial real estate loans increased $671,000 (10.1)%, agriculture real estate loans increased $930,000 (123.3)%, residential real estate owner occupied loans increased $1.4 million (21.7)% and residential real estate non-owner occupied loans increased $4.6 million (35.7)%, and commercial business loans increased $1.2 million (61.0)%. The Savings Bank continues to focus its lending efforts in commercial, owner occupied real estate, with a view to maintaining its minimum Qualified Thrift Lender Ratio of 65%, which was 74% at December 31, 2020.

Securities. At December 31, 2020 and 2019, all our securities were classified as available for sale. At December 31, 2020, the securities portfolio included primarily corporate bonds and mortgage-backed securities ("MBS"). Falling rates in 2020 caused this portfolio to rapidly prepay, down to $988,000, a $1.1 million, or 53.0% decline. Te decline was offset by purchases of corporate bonds. Corporate bonds represent $1.0 million of the portfolio as of December 31, 2020, while the portfolio did not contain any corporate bonds on December 31, 2019.

Cash and Cash Equivalents. Cash and cash equivalents increased $6.4 million, or 198.1%, to $9.7 million at December 31, 2020 from $3.3 million at December 31, 2019. The primary reason for the growth in cash and cash equivalents was a $6.5 million increase in Federal Funds sold. The growth of this category is both the result of deposit growth of $8.5 million and the increase in equity from the stock offering of $5.2 million.

Deposits. Deposits increased $8.5 million, or 26.4%, to $40.7 million at December 31, 2020 from $32.2 million at December 31, 2019. The majority of the increase in deposits was in checking and money market accounts, which increased $10.5 million and was partially offset by declines in CD accounts of $2.5 million, mostly due to the intentional reduction of brokered and internet CDs of $2.6 million (26.6%) between December 31, 2019 and December 31, 2020..

Advances from FHLB of Des Moines. Advances from the FHLB of Des Moines was $423,000 at both December 31, 2020 and December 31, 2019. This advance was used to fund a loan.

Equity. Total equity was $10.2 million at December 31, 2020 an increase of $5.2 million from December 31, 2020. This increase was primarily due to the net proceeds from the stock offering.

Comparison of Operating Results for the Years Ended December 31, 2020 and 2019

General. We had net income of $56,000 for the year ended December 31, 2020, compared to a net loss of $86,000 for the year ended December 31, 2019. Our increase in net income (loss) during the year ended December 31, 2020 compared to the comparable period in 2019 was primarily the result of an increase in net interest income and a decrease in noninterest expense.

	For the Years ended 12/31/2020	12/31/2019	Increase (Decrease)	% Change
Summary of Operations:	**(Dollars in thousands)**			
Interest income:	$ 1,791	$ 1,706	$ 85	5.0%
Interest expense	519	504	15	3.0%
Net interest income	1,272	1,202	70	5.8%
Provision for loan losses	4	--	4	100%
Net interest income after provision for loan losses	1,268	1,202	66	5.5%
Noninterest income	40	73	(33)	(45.2)%
Noninterest expense	1,252	1,361	(109)	(8.0)%
Income taxes	--	--	--	--
Net income (loss)	$ 56	$ (86)	$ 142	165%

Interest Income. Interest income increased $73,000, or 4.2%, to $1.8 million for the year ended December 31, 2020 from $1.7 million for the year ended December 31, 2019. The increase in interest income resulted from an increase in average earning assets, primarily loans. The average balance of interest-earning assets increased from $36.2 million for 2019 to $41.3 million for 2020. Interest income was reduced by a 45 basis point decrease in the average yield on interest earning assets from 4.79% for 2019 to 4.34% for the year ended December 31, 2020.

This was brought about by the reduction of the Fed Funds rate by the Federal Reserve's Federal Open Market Committee (FOMC) in March 2020 of 150 basis points, the flattening of the yield curve causing huge prepayments in the bond portfolio, and cash and cash equivalents composing 17.5% of earning assets at December 31, 2020 up from 14.0% at December 31, 2019.

Interest income on loans increased $203,000, or 13.6% during fiscal year 2020 as compared to the same period in 2019. The average balance of loans receivable increased to $32.0 million for 2020 from $27.1 million for 2019. The average yield on loans decreased during the same period, from 5.51% for 2019 to 5.30% for 2020 due to the origination of lower yielding loans. In addition, interest on investments declined $49,000 (50.0)% during this period.

Interest Expense. Interest expense was virtually unchanged between the years 2019 and 2020, increasing $14,000, or 2.7% though cost of interest bearing liabilities declined 11 basis points, from 1.64% in 2019 to 1.53% in 2020. Interest expense on deposits changed nominally between these periods. Average interest-bearing deposits increased $2.9 million, and the average cost of deposits decreased 12 basis points from 1.64% to 1.52%.

The average balance of FHLB of Des Moines advances increased to $552,000 for the year ended December 31, 2020 from $222,000 for the same period of 2019.

Net Interest Income. Net interest income increased $70,000, or 5.9%, during the year 2020 compared to the same period in 2019. The modest increase in net interest income was mostly attributable to increases in interest-earning assets and interest-bearing liabilities offset by a lower net interest rate spread.

The net interest rate spread decreased to 2.81% for 2020 from 3.15% for 2019 as the average yield on average interest-earning assets increased by 45 basis points and the average cost of average interest bearing liabilities declined 11 basis points.

Provision for Loan Losses. There was a $4,500 provision for loan losses in 2020, while there were none in 2019.

	Years Ended 12/31/2020	Years Ended 12/31/2019	Increase (Decrease)	% Change
Summary of Noninterest Income:	**Dollars in thousands**			
FHLB dividends	$ 3	$ 2	$ 1	50.0%
Gain (Loss) on Disposal - Available-for-Sale Securities	--	(7)	7	(100.0)%
Loan referral premiums	5	22	(17)	(77.3)%
Interchange income	12	24	(12)	(50.0)%
Service charges and fees	9	14	(5)	(35.7)%
Other	11	18	(7)	(38.9)%
Total noninterest income	$ 40	$ 73	$ (33)	(45.2)%

Noninterest Income. Noninterest income decreased $33,000, or (45.2)% to $40,000 for the year ended December 31, 2020 from $61,000 for the year ended December 31, 2020. The increase is due primarily to declines in interchange income during the year ended December 31, 2020.

	Years Ended 12/31/2020	Years Ended 12/31/2019	Increase (Decrease)	% Change
Summary of Noninterest Expense:	**Dollars in thousands**			
Compensation and benefits	$ 578	$ 601	$ (23)	(3.8)%
Occupancy expense	84	99	(15)	(15.2)%
Equipment and data processing	132	140	(8)	(5.7)%
FDIC premium expense	18	53	(35)	(66.0)%
Professional and regulatory fees	124	114	10	8.8%
Insurance expense	20	22	(2)	(9.1)%
Other	297	332	(35)	(10.5)%
Total noninterest expense	$ 1,253	$ 1,361	$ (108)	(7.9)%

Noninterest Expense. Noninterest expense decreased $108,000, or 7.9%, to $1.3 million for the year ended December 31, 2020 from $1.4 million for the year ended December 31, 2019 due primarily to lower FDIC premium and lower compensation and benefits.

FDIC premium reductions are a result of improvement in the Saving Bank's condition and declined $35,000, or 66.0%, from 2019 to 2020.

Compensation and benefits decreased $23,000, or 3.8%, to $578,000 for the year ended December 31, 2020 from $601,000 for the years ended December 31, 2019, as we continue to work to improve the structure of our workforce. Other expense decreased $35,000, or 10.5%, to $297,000 for the year ended December 31, 2020, compared to $332,000 for the year ended December 31, 2019. The decrease was primarily related to the decline in expenses on foreclosed assets.

Average Balances and Yields

The following table sets forth average balance sheets, average yields and costs, and certain other information at and for the years indicated. No tax-equivalent yield adjustments were made, as the effect thereof was not material. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or interest expense.

	For the Years Ended December 31,					
	2020			2019		
	Average Outstanding Balance	Interest	Yield/ Rate	Average Outstanding Balance	Interest	Yield/ Rate
Interest-earning assets:			Dollars in Thousands			
Loans receivable	$ 31,996	$ 1,696	5.30%	$ 27,083	$ 1,493	5.51%
Securities, taxable	2,083	48	2.33%	3,569	97	2.72%
Securities, non-taxable	--	--		--	--	0.00%
Other interest-earning assets	7,212	47	0.66%	5,003	117	2.34%
Total interest-earning assets	41,291	$ 1,791	4.34%	35,655	$ 1,707	4.79%
Noninterest-earning assets	636			1,524		
Total assets	$ 41,927			$ 37,179		
Interest-bearing liabilities:						
Checking and MMDA accounts	9,979	104	1.04%	6,492	64	0.99%
Savings accounts	120	0	0.23%	228	1	0.44%
Certificates of deposit	23,350	406	1.74%	23,844	435	1.82%
Total deposits	33,450	510	1.52%	30,564	500	1.64%
Advances from FHLB of Des Moines	552	9	1.64%	222	5	2.25%
Total interest-bearing liabilities	$ 34,001	$ 519	1.53%	$ 30,786	$ 505	1.64%
Noninterest-bearing checking deposits	1,608			883		
Noninterest-bearing liabilities	163			535		
Equity	6,155			4,975		
Total liabilities and equity	$ 41,927			$ 37,179		
Net interest income		$ 1,272			$ 1,202	
Net interest rate spread[1]			2.81%			3.15%
Net interest-earning assets [2]	$ 7,290			$ 4,869		
Net interest margin [3]			3.08%			3.37%
Average of interest earning assets to interest-bearing liabilities.	121%			115.82%		

(1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.
(2) Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.
(3) Net interest margin represents net interest income divided by total interest-earning assets.

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated to the changes due to rate and the changes due to volume in proportion to the absolute dollar change in each.

	For Years Ended December 31 2020 vs 2019		
	Increase (Decrease) Due to		Total Increase
Interest-earning assets	**Volume**	**Rate**	**(Decrease)**
		(In thousands)	
Loans receivable	$ 289	$ (87)	$ 202
Securities, taxable	(32)	(16)	(48)
Securities, non-taxable	--	--	--
Other interest-earning assets	24	(93)	(69)
Total interest-earning assets	281	(196)	85
Interest-bearing liabilities:			
Checking and MMDA accounts	32	8	40
Savings accounts	(0)	(0)	(0)
Certificates of deposit	(12)	(18)	(30)
Total deposits	20	(10)	10
Advances from FHLB of Des Moines	7	(2)	5
Total interest-bearing liabilities	27	(12)	15
Change in net interest income	$ 254	$ (184)	$ 70

Management of Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of one- to four-family residential real estate loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage the impact of changes in market interest rates on net interest income and capital. We have an Asset/Liability Committee, which is comprised of the management team and a member of the Board of Directors and is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors. The Committee establishes and monitors the volume, maturities, pricing and mix of assets and funding sources with the objective of managing assets and funding sources to provide results that are consistent with liquidity, growth, risk limits and profitability goals.

Economic Value of Equity Analysis. We analyze the sensitivity of our financial condition to changes in interest rates through our economic value of equity model. This analysis measures the difference between predicted changes in the fair value of our assets and predicted changes in the present value of our liabilities assuming various changes in current interest rates. The table below represents an analysis of our interest rate risk as measured by the estimated changes in our economic value of equity, resulting from an instantaneous and sustained parallel shift in the yield curve (+100, +200 and +300 basis points and -100, -200 and -300 basis points) at December 31, 2020.

Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present Value of Assets (3)	
		Amount	Percent	EVE Ratio (4)	Increase (Decrease)
		(Dollars In thousands)			
+ 300 bp	$ 9,630	$(1,436)	(12.97)%	19.81%	(1.23)%
+ 200 bp	9,921	(1,145)	(10.35)%	19.93%	(1.11)%
+ 100 bp	10,220	(846)	(7.64)%	20.03%	(1.00)%
NC	11,066	-	0.00%	21.04%	0.00%
- 100 bp	10,939	(127)	(1.15)%	20.18%	(0.85)%
- 200 bp	9,792	(1,274)	(11.51)%	18.01%	(3.03)%
- 300 bp	9,422	(1,644)	(14.86)%	17.38%	(3.66)%

(1) Assumes an instantaneous uniform change in interest rates at all maturities.
(2) EVE is the discounted present value of expected cash flows from assets, liabilities.
(3) Present value of assets represents the discounted value of incoming cash flows on interest-earning assets.
(4) EVE ratio represents EVE divided by the present value of assets.

The table above indicates that at December 31, 2020, in the event of a 100 basis point decrease in interest rates, we would experience a 1.15% decrease in our economic value of equity. In the event of a 200 basis points increase in interest rates, we would experience a decrease of 10.35% in economic value of equity.

The preceding economic value of equity simulation analysis does not represent a forecast of actual results and should not be relied upon as being indicative of expected operating capital. These hypothetical estimates are based upon numerous assumptions, which are subject to change, including: the nature and timing of interest rate levels including the yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cash flows, and others. Also, as market conditions vary, prepayment/refinancing levels, the varying impact of interest rate changes on caps and floors embedded in adjustable-rate loans, early withdrawal of deposits, changes in product preferences, and other internal/external variables will likely deviate from those assumed.

Liquidity and Capital Resources

Liquidity Management. Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from sales, maturities and calls of securities. We also have the ability to borrow from the FHLB of Des Moines and Midwest Independent Bank. As of December 31, 2020, Systematic had $423 thousand of FHLB of Des Moines advances and no borrowings from Midwest Independent Bank. At December 31, 2020, Systematic

had unused borrowing capacity from the FHLB of Des Moines and Midwest Independent Bank of $7.3 million and $2.3 million, respectively.

The board of directors is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We believe that we have enough sources of liquidity to satisfy our short- and long-term liquidity needs as of December 31, 2020.

We monitor and adjust our investments in liquid assets based upon our assessment of: (1) expected loan demand; (2) expected deposit flows; (3) yields available on interest-earning deposits and securities; and (4) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest-earning deposits and short-and intermediate-term securities.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and cash equivalents, which include federal funds sold and interest-bearing deposits in other banks. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At December 31, 2020, cash and cash equivalents totaled $9.7 million. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled $2.0 million at December 31, 2020.

We are committed to maintaining a strong liquidity position and monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Certificates of deposit due within one year of December 31, 2020, totaled $9.1 million, or 22.3%, of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, such as other deposits and FHLB of Des Moines advances. Depending on market conditions, we may be required to pay higher rates on such deposits or borrowings than we currently pay. We believe, however, based on past experience that a significant portion of such deposits will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Capital Management. Systematic is subject to various regulatory capital requirements. See "Supervision and Regulation—Federal Banking Regulation—Capital Requirements" and Note 9 of the Notes to Financial Statements.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we from time-to-time are a party to various financial instruments with off-balance-sheet risks, such as unused lines of credit. While these contractual obligations represent our future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process accorded to loans we make. At December 31, 2019 and December 31, 2020, we had no outstanding commitments to originate loans because we do not make loan commitments. At December 31, 2019 and December 31, 2020, we had approximately $478,000 and $2.2 million, respectively of unused lines of credit for customers.

Contractual Obligations. In the ordinary course of our operations, we enter into certain contractual obligations. Such obligations include data processing services, operating leases for equipment, agreements with respect to borrowed funds and deposit liabilities.

Recent Accounting Pronouncements

Please refer to Note 1 to the Notes to Financial Statements for the years ended December 31, 2020 and 2019 beginning on page F-1 for a description of recent accounting pronouncements that may affect our financial condition and results of operations.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Systematic Savings Bank

December 31, 2020 and 2019

Contents

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Report of Independent Registered Public Accounting Firm

Board of Directors
Systematic Savings Bank
Springfield, Missouri

Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of Systematic Savings Bank (the "Savings Bank") as of December 31, 2020 and 2019, the related statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Savings Bank as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Savings Bank's management. Our responsibility is to express an opinion on the Bank's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Savings Bank in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Savings Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Savings Bank's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses

As more fully described in *Notes 1* and *3* to the Savings Bank's financial statements, the allowance for loan losses represents losses that are estimated to have occurred. The allowance for loan losses is based on collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. The allowance consists of allocated and general components. The allocated component relates to specific allowances on loans that are classified as impaired. The general component relates to loans that are not classified as impaired and is based on historical charge-off experience and the expected loss, given default, derived from the Savings Bank's internal risk rating process. Other adjustments have been made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data. Management discloses that this evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

We identified the valuation of the allowance for loan losses as a critical audit matter. Auditing the allowance for loan losses involves a high degree of subjectivity in evaluating management's estimates, such as evaluating management's assessment of economic conditions and other qualitative or environmental factors, evaluating the adequacy of specific allowances associated with impaired loans, and assessing the appropriateness of loan grades.

The primary procedures we performed to address this critical audit matter included:

- Testing the design of controls over the allowance for loan losses;
- Testing of completeness and accuracy of the information utilized in the calculation of the allowance for loan losses;
- Testing the allowance for loan losses model's computational accuracy;
- Evaluating the qualitative adjustments to historical loss rates, including assessing the basis for the adjustments and the reasonableness of any significant assumptions;
- Testing the loan review function and evaluating the reasonableness of loan grades;
- Assessing the reasonableness of specific allowances on certain impaired loans;

- Evaluating the overall reasonableness of significant assumptions used by management, considering the past performance of the Savings Bank and evaluating trends identified within peer groups;
- Evaluating the accuracy and completeness of disclosures in the financial statements.

BKD, LLP

BKD, LLP

We have served as the Savings Bank's auditor since 1968.

Springfield, Missouri
March 18, 2021

Systematic Savings Bank

Statements of Financial Condition

December 31, 2020 and 2019

	12/31/2020	12/31/2019
Assets		
Cash and due from banks	$ 97,394	$ 92,630
Interest-bearing deposits in other financial institutions	540,249	558,179
Federal funds sold	9,061,000	2,603,000
Cash and cash equivalents	9,698,643	3,253,809
Interest-bearing time deposits	1,300,000	2,740,000
Available-for-sale securities	1,998,003	2,103,879
Loans receivable, net of allowance for loan losses of $406,850 at December 31, 2020, and $410,890 at December 31, 2019	37,460,187	28,700,778
Interest receivable	151,585	129,555
Prepaid expenses and other assets	149,411	141,854
Premises and equipment, net	595,043	608,138
	$ 51,352,872	$ 37,678,013
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 40,664,512	$ 32,173,797
Advances from borrowers for taxes and insurance	29,442	28,815
FHLB advances	422,500	422,500
Accrued expenses and other liabilities	85,859	56,020
Total liabilities	41,202,313	32,681,132
Stockholders' Equity		
Common stock, $.01 par value		
Authorized - 10,000,000 shares		
Issued and outstanding, 595,125 in 2020	5,951	-
Additional paid-in capital	5,068,688	-
Retained earnings	5,041,275	4,985,488
Accumulated other comprehensive income	34,645	11,393
Total stockholders' equity	10,150,559	4,996,881
Total liabilities and stockholders' equity	$ 51,352,872	$ 37,678,013

See Notes to Financial Statements

Systematic Savings Bank

Statements of Operations

Years Ended December 31, 2020 and 2019

	Years ended	
	12/31/2020	12/31/2019
Interest Income		
Loans	$ 1,695,537	$ 1,493,095
Investments	48,470	96,516
Deposits with financial institutions and other	47,359	116,683
	1,791,366	1,706,294
Interest Expense		
Checking accounts	103,770	63,683
Savings accounts	275	568
Certificate accounts	405,736	434,823
FHLB borrowings	9,067	4,504
	518,848	503,578
Net Interest Income	1,272,518	1,202,716
Provision for Loan Losses	4,500	-
Net Interest Income After Provision for Loan Losses	1,268,018	1,202,716
Noninterest Income	40,372	72,562
Noninterest Expense		
Salaries and benefits	577,743	601,050
Net occupancy expense	84,372	98,875
Professional fees	124,247	114,352
Other	466,241	547,154
	1,252,603	1,361,431
Net Income (Loss)	$ 55,787	$ (86,153)
Net Income per Share - Basic	$ 0.43	n/a

See Notes to Financial Statements

Systematic Savings Bank

Statements of Comprehensive Income (Loss)

Years Ended December 31, 2020 and 2019

	Years ended	
	12/31/2020	12/31/2019
Net Income (Loss)	$ 55,787	$ (86,153)
Other Comprehensive Income		
Unrealized holding gains on available-for-sale securities	23,252	50,976
Reclassification adjustment for losses included in net income	-	7,165
Other comprehensive income, net of tax	23,252	58,141
Comprehensive Income (Loss)	$ 79,039	$ (28,012)

See Notes to Financial Statements

Systematic Savings Bank

Statements of Stockholders' Equity
Years Ended December 31, 2020 and 2019

	Common stock					
	Number of shares	Par value	Additional paid-in-capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2019	-	$ -	$ -	$ 5,071,641	$ (46,748)	$ 5,024,893
Net loss	-	-	-	(86,153)	-	(86,153)
Other comprehensive income	-	-	-	-	58,141	58,141
Balance, December 31, 2019				4,985,488	11,393	4,996,881
Net income	-	-	-	55,787	-	55,787
Other comprehensive income	-	-	-	-	23,252	23,252
Issuance of common stock	595,125	5,951	5,068,688	-	-	5,074,639
Balance, December 31, 2020	595,125	$ 5,951	$ 5,068,688	$ 5,041,275	$ 34,645	$ 10,150,559

See Notes to Financial Statements

Systematic Savings Bank

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	Years ended 12/31/2020	Years ended 12/31/2019
Operating Activities		
Net income (loss)	$ 55,787	$ (86,153)
Items not requiring (providing) cash		
Depreciation	32,919	37,257
Loss on sale of securities	-	7,165
Provision for loan losses	4,500	-
Amortization of premiums and discounts on mortgage-backed and investment securities	33,409	39,566
Loss on sale of foreclosed assets held for sale	-	31,277
Changes in		
Interest receivable	(22,030)	(24,445)
Income taxes receivable	-	37,740
Prepaid expenses and other assets	(7,457)	(851)
Interest payable	5,581	-
Accounts payable and accrued expenses	24,258	20,195
Net cash provided by operating activities	126,967	61,751
Investing Activities		
Net change in loans	(1,197,272)	7,668,441
Purchase of loans	(7,566,637)	(5,821,928)
Net change in interest-bearing time deposits	1,440,000	(2,640,000)
Proceeds from sales of available-for-sale securities	-	3,771,780
Purchases of available-for-sale securities	(1,003,397)	(4,308,063)
Principal paydowns on mortgage-backed securities	1,099,117	1,033,396
Purchase of premises and equipment	(19,825)	(18,565)
Purchase of Federal Home Loan Bank stock	(100)	(1,400)
Proceeds from sale of foreclosed assets	-	261,621
Net cash used in investing activities	(7,248,114)	(54,718)

See Notes to Financial Statements

Systematic Savings Bank

	Years ended	
	12/31/2020	12/31/2019
Financing Activities		
Increase (Decrease) in checking and savings accounts	11,031,413	(206,114)
Decrease in certificates of deposit	(2,540,698)	(23,551)
Proceeds from FHLB advances	-	422,500
Issuance of common stock	5,074,639	-
Increase (decrease) in advances from borrowers for taxes and insurance	627	(127,014)
Net cash provided by financing activities	13,565,981	65,821
Increase in Cash and Cash Equivalents	6,444,834	72,854
Cash and Cash Equivalents, Beginning of Year	3,253,809	3,180,955
Cash and Cash Equivalents, End of Year	$ 9,698,643	$ 3,253,809
Supplemental Cash Flows Information		
Real estate acquired in foreclosure	$ -	$ 293,541
Interest paid	$ 524,429	$ 503,687

See Notes to Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Systematic Savings Bank (the "Savings Bank") is a Missouri-chartered stock savings and loan association. The Savings Bank is primarily engaged in providing financial services to customers primarily in Greene and Christian counties in Missouri. The Savings Bank is subject to competition from other financial institutions. The Savings Bank is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties.

Cash and Cash Equivalents

The Savings Bank considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of certain interest-bearing deposits in other financial institutions and federal funds sold.

At both December 31, 2020 and 2019, the Savings Bank's cash accounts exceeded federally insured limits by approximately $250,000.

Interest-Bearing Time Deposits in Banks

Interest-bearing deposits in banks mature within approximately two years and are carried at cost.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity may be classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are determined using the specific identification method.

The Savings Bank routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. For debt

securities with fair value below amortized cost when the Savings Bank does not intend to sell a debt security, and it is more likely than not the Savings Bank will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income.

Federal Home Loan Bank Stock

Federal Home Loan Bank (FHLB) stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment. The Savings Bank's total investment amounted to $62,100 and $62,000 at December 31, 2020 and 2019, respectively, and is included in prepaid expenses and other assets on the statements of financial condition. As a member, the Savings Bank has the ability to borrow from the FHLB, which is secured by outstanding loans.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses and any deferred fees or costs on originated loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash basis or cost recovery method, 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.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on

historical charge-off experience and expected loss given default derived from the Savings Bank's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Savings Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the loan is collateral dependent.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

Foreclosed Assets Held for Sale

Assets acquired through loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. 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 and changes in the valuation allowance are included in net income or expense from foreclosed assets.

Income Taxes

The Savings Bank accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Savings Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include a resolution of the related appeals or litigation processes, if any. A tax position that meets the more-

likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Savings Bank files its income tax returns on a calendar year basis. With a few exceptions, the Savings Bank is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2017.

The Savings Bank recognizes interest and penalties on income taxes as a component of income tax expense.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized appreciation (depreciation) on available-for-sale securities.

Stock Conversion

On October 13, 2020, Systematic Savings Bank completed its conversion from a state-chartered mutual savings and loan association to a state-chartered stock savings and loan association. The offering was consummated through the sale and issuance by Systematic Savings Bank of 595,125 shares of common stock at $10 per share. Gross proceeds of $5,951,250 were raised in the stock offering. Conversion costs as of December 31, 2020 are approximately $877,000 and were netted against the stock conversion proceeds as a reduction of additional paid-in capital.

Voting rights are held and exercised exclusively by the stockholders of the Savings Bank. Deposit account holders are insured by the FDIC. In connection with the closing of the conversion, a liquidation account was established in the amount of $5.0 million, which represented the Savings Bank's total equity capital as of March 31, 2020, the latest balance sheet date in the final offering circular used in the conversion. The liquidation account will be maintained for the benefit of eligible account holders who continue to maintain their accounts at the Savings Bank. The liquidation account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation of the Savings Bank, and only in such event, each eligible account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held.

The Savings Bank may not declare, pay a dividend on, or purchase any of its capital stock, if the effect thereof would cause equity capital to be reduced below the liquidation account or regulatory requirements applicable to the Savings Bank. The Savings Bank has no current plans to pay a dividend to its stockholders.

Change in Accounting Principle

On January 1, 2019, the Savings Bank adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606). Topic 606 creates a single framework for recognizing revenue from contracts with customers that

fall within its scope and revised when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. The majority of the Savings Bank's revenues come from interest income and other sources, including loans and securities that are outside the scope of Topic 606. The Savings Bank 's services that fall within the scope of Topic 606 are presented within noninterest income in the accompanying statements of income and are recognized as revenue as the Savings Bank satisfies its obligation to the customer. Services within the scope of Topic 606 include service charges on deposits, interchange income, and the sale of foreclosed assets. See Note 13 for additional information about the Savings Bank 's revenues that are within the scope of Topic 606.

The Savings Bank adopted Topic 606 using the modified retrospective approach applied to all contracts not completed at the date of adoption. The Savings Bank 's adoption of Topic 606 did not result in a change to the timing of revenue recognition.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. Improvement updates to the proposed standard have been issued in November 2018 (Update 2018-19), April 2019 (Update 2019-04) and May 2019 (Update 2019-05) that provided additional guidance on this Topic. During the third quarter of 2019, the implementation for this standard was delayed for institutions like the Savings Bank deemed as “smaller reporting companies” based on criteria that measured the size of public float and revenue tests until 2023. Currently, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The Savings Bank has been gathering data and is in the process of selecting a third-party vendor to assist in generating loan level cash flows and disclosures. The financial impact of adopting this standard is still being evaluated.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 will be effective for the Savings Bank on January 1, 2022, including interim periods within that year. However, the Savings Bank does not expect the implementation of this standard to have a material impact on the financial statements.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding. Based on the stock conversion on October 13, 2020, the computation of earnings per share for the full year of 2020 includes the shares that were outstanding from October 13, 2020, through December 31, 2020. There were no shares outstanding in 2019, thus earnings per share is not applicable for 2019.

Note 2: Investment Securities

The amortized cost of investment securities available-for-sale and their approximate fair values are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities				
December 31, 2020				
Corporate bonds	$ 999,582	$ 10,113	$ -	$ 1,009,695
Government sponsored mortgage-backed securities	963,776	24,732	200	988,308
	$ 1,963,358	$ 34,845	$ 200	$ 1,998,003
December 31, 2019				
Government sponsored mortgage-backed securities	$ 2,092,486	$ 12,502	$ 1,109	$ 2,103,879
	$ 2,092,486	$ 12,502	$ 1,109	$ 2,103,879

Certain investments in debt securities are reported in the financial statements at an amount less than their historical costs. Total fair value of these investments at December 31, 2020 was $63,302, which is approximately 3% of the Savings Bank's available-for-sale portfolio. Total fair value of these investments at December 31, 2019 was $313,228, which is approximately 15% of the Savings Bank's available-for-sale portfolio. These declines primarily resulted from changes in market interest rates.

Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced, and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The amortized cost and estimated fair value of debt securities available-for-sale at December 31, 2020 are listed by maturity category in the following table. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are presented separately.

	Available-for-Sale	
	Amortized Cost	Fair Value
December 31, 2020		
Within one year	$ -	$ -
One to five years	-	-
Five to ten years	999,582	1,009,695
After ten years	-	-
Government sponsored mortgage-backed securities	963,776	988,308
Totals	$ 1,963,358	$ 1,998,003

The following tables show the Savings Bank's gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2020 and 2019:

	12/31/2020			
	Less than 12 Months		12 Months or More	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government sponsored mortgage-backed securities	$ 63,302	$ 200	$ -	$ -
Total temporarily impaired securities	$ 63,302	$ 200	$ -	$ -

	12/31/2019			
	Less than 12 Months		12 Months or More	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government sponsored mortgage-backed securities	$ 313,228	$ 1,109	$ -	$ -
Total temporarily impaired securities	$ 313,228	$ 1,109	$ -	$ -

Note 3: Loans and Allowance for Loan Losses

Classes of loans at December 31, 2020 and 2019, include:

	12/31/2020	12/31/2019
Residential real estate	$ 25,479,976	$ 19,642,053
Commercial real estate	7,315,193	6,644,183
Commercial Business	3,257,136	2,022,715
Consumer	233,554	150,336
Agriculture real estate	1,684,105	754,129
Total loans	37,969,964	29,213,416
Less		
Deferred loan fees and discounts, net	102,927	101,748
Allowance for loan losses	406,850	410,890
Net loans	$ 37,460,187	$ 28,700,778

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment methods as of December 31, 2020 and 2019:

Systematic Savings Bank

Notes to Financial Statements

December 31, 2020 and 2019

	12/31/2020						
	Residential	Commercial Real Estate	Commercial Business	Consumer	AG Real Estate	Unallocated	Total
Allowance for Loan Losses							
Balance, beginning of year	$ 164,277	$ 99,709	$ 17,171	$ 3,123	$ 10,352	$ 116,258	$ 410,890
Provision charged to expense	76,313	(20,921)	53,213	(1,362)	9,834	(112,577)	$ 4,500
Losses charged off	-	-	(8,540)	-	-	-	(8,540)
Recoveries	-	-	-	-	-	-	-
Balance, end of year	$ 240,590	$ 78,788	$ 61,844	$ 1,761	$ 20,186	$ 3,681	$ 406,850
Ending balance individually evaluated for impairment	$ -	$ -	$ 41,178	$ -	$ -	$ -	$ 41,178
Ending balance collectively evaluated for impairment	$ 240,590	$ 78,788	$ 20,666	$ 1,761	$ 20,186	$ 3,681	$ 365,672
Loans							
Ending balance	$ 25,479,976	$ 7,315,193	$ 3,257,136	$ 233,554	$ 1,684,105	$ -	$ 37,969,964
Ending balance individually evaluated for impairment	$ -	$ -	$ 171,463	$ -	$ -	$ -	$ 171,463
Ending balance collectively evaluated for impairment	$ 25,479,976	$ 7,315,193	$ 3,085,673	$ 233,554	$ 1,684,105	$ -	$ 37,798,501

	12/31/2019						
	Residential	Commercial Real Estate	Commercial Business	Consumer	AG Real Estate	Unallocated	Total
Allowance for Loan Losses							
Balance, beginning of year	$ 199,460	$ 99,709	$ 17,171	$ 3,123	$ 10,352	$ 117,667	$ 447,482
Provision charged to expense	-	-	-	-	-	-	-
Losses charged off	(35,183)	-	-	-	-	(1,409)	(36,592)
Recoveries	-	-	-	-	-	-	-
Balance, end of year	$ 164,277	$ 99,709	$ 17,171	$ 3,123	$ 10,352	$ 116,258	$ 410,890
Ending balance individually evaluated for impairment	$ 8,000	$ -	$ -	$ -	$ -	$ -	$ 8,000
Ending balance collectively evaluated for impairment	$ 156,277	$ 99,709	$ 17,171	$ 3,123	$ 10,352	$ 116,258	$ 402,890
Loans							
Ending balance	$ 19,642,053	$ 6,644,183	$ 2,022,715	$ 150,336	$ 754,129	$ -	$ 29,213,416
Ending balance individually evaluated for impairment	$ 347,026	$ -	$ 28,957	$ -	$ -	$ -	$ 375,983
Ending balance collectively evaluated for impairment	$ 19,295,027	$ 6,644,183	$ 1,993,758	$ 150,336	$ 754,129	$ -	$ 28,837,433

Internal Risk Categories

Loan grades are numbered 1 through 7 and 35. Grades 1 through 3 and 35 are considered satisfactory grades. The grade of 4, or Special Mention, represents loans of lower quality and is considered criticized. The grade of 5, or Substandard, refers to assets that are classified. The Savings Bank does not have any loans currently graded 6, Doubtful or 7, Loss.

Pass (1-3 and 35) loans have acceptable asset quality and liquidity.

Special Mention (4) assets have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Savings Bank's credit position at some future date. Special mention assets are not adversely classified and do not expose the Savings Bank to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (5) loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Savings Bank will sustain some loss if the deficiencies are not corrected.

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Residential Real Estate: The residential 1-4 family real estate loans are generally secured by 1-4 family rental properties and owner-occupied 1-4 family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Savings Bank's market areas that might impact either property values or a borrower's personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a larger number of borrowers.

Commercial Real Estate and Agriculture Real Estate: Commercial and agriculture real estate loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Savings Bank's market areas.

Commercial Business: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Consumer: The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is driven by consumer economic factors (such as unemployment and general economic conditions in the Savings Bank's market area) and the creditworthiness of a borrower.

Small Business Administration Paycheck Protection Program: During April 2020, in response to the COVID-19 crisis, the federal government created the Paycheck Protection Program, sponsored by the Small Business Administration ("SBA"), under the CARES Act. As a participating lender under the program, the Savings Bank funded loans with a balance of $356,774 for 11 customers, as of December 31, 2020. These are classified with Commercial Business Loans. The Savings Bank understands that the loans are fully guaranteed by the SBA. Therefore, there was no increase in the allowance for credit losses related to these loans as there is no expectation of credit loss. The maximum term of the loans ranges from two to five years, however, the Savings Bank believes that the majority of the loan balances are expected to be forgiven by the SBA. The process of loan forgiveness began during the third quarter of 2020, and the Savings Bank believes the majority of loan balances will be forgiven in 2021.

The following tables present the credit risk profile of the Savings Bank's loan portfolio based on internal rating category and payment activity as of December 31, 2020 and 2019:

	12/31/2020					
	Residential	Commercial Real Estate	Commercial Business	Consumer	Ag RE	Total
Grade						
Pass (1-3 & 35)	$ 25,258,917	$ 7,315,193	$ 3,085,673	$ 210,088	$ 1,684,105	$ 37,553,976
Special mention (4)	-	-	-	-	-	-
Substandard (5)	221,059	-	171,463	23,466	-	415,988
	$ 25,479,976	$ 7,315,193	$ 3,257,136	$ 233,554	$ 1,684,105	$ 37,969,964

	12/31/2019					
	Residential	Commercial Real Estate	Commercial Business	Consumer	Ag RE	Total
Grade						
Pass (1-3 & 35)	$ 19,209,670	$ 6,644,183	$ 1,993,758	$ 150,336	$ 754,129	$ 28,752,076
Special mention (4)	96,910	-	-	-	-	96,910
Substandard (5)	335,473	-	28,957	-	-	364,430
	$ 19,642,053	$ 6,644,183	$ 2,022,715	$ 150,336	$ 754,129	$ 29,213,416

The Savings Bank evaluates the loan risk grading system definitions and allowance for loan loss methodology on an ongoing basis. No significant changes were made to either during the past year.

The following tables present the Savings Bank's loan portfolio aging analysis as of December 31, 2020 and 2019:

12/31/2020

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Residential	$ 83,767	$ -	$ -	$ 83,767	25,396,209	$ 25,479,976	$ -
Commercial real estate	-	-	-	-	7,315,193	7,315,193	-
Commercial Business	-	-	171,463	171,463	3,085,673	3,257,136	-
Consumer	23,466	-	-	23,466	210,088	233,554	
Ag real estate	-	-	-	-	1,684,105	1,684,105	-
Total	$ 107,233	$ -	$ 171,463	$ 278,696	$ 37,691,268	$ 37,969,964	$ -

12/31/2019

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Total Loans > 90 Days & Accruing
Residential	$ 134,609	$ -	$ -	$ 134,609	19,507,444	$ 19,642,053	$ -
Commercial real estate	-	-	-	-	6,644,183	6,644,183	-
Commercial Business	2,707	28,957	-	31,664	1,991,051	2,022,715	-
Consumer	-	-	-	-	150,336	150,336	-
Ag real estate	-	-	-	-	754,129	754,129	-
Total	$ 137,316	$ 28,957	$ -	$ 166,273	$ 29,047,143	$ 29,213,416	$ -

A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Savings Bank will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans but also include loans modified in troubled debt restructurings.

The following tables present impaired loans for the years ended December 31, 2020 and 2019:

	12/31/2020				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					
Residential	$ -	$ -	$ -	$ 160,138	$ 13,618
Commercial real estate	-	-	-	-	-
Commercial Business	-	-	-	14,479	-
Consumer	-	-	-	-	-
Ag real estate	-	-	-	-	-
Loans with a specific valuation allowance					
Residential	$ -	$ -	$ -	$ 13,375	$ -
Commercial real estate	-	-	-	-	-
Commercial Business	171,463	171,463	41,178	85,731	8,697
Consumer	-	-	-	-	-
Ag real estate	-	-	-	-	-
Total:					
Residential	$ -	$ -	$ -	$ 173,513	$ 13,618
Commercial real estate	-	-	-	-	-
Commercial	171,463	171,463	41,178	100,210	8,697
Consumer	-	-	-	-	294
Ag real estate	-	-	-	-	-
Total impaired loans	$ 171,463	$ 171,463	$ 41,178	$ 273,723	$ 22,609

	12/31/2019				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					
Residential	$ 320,276	$ 320,276	$ -	$ 616,610	$ 21,743
Commercial real estate	-	-	-	191,331	-
Commercial Business	28,957	28,957	-	40,887	2,148
Consumer	-	-	-	-	-
Ag real estate	-	-	-	-	-
Loans with a specific valuation allowance					
Residential	$ 26,750	$ 26,750	$ 8,000	$ 27,539	$ 1,803
Commercial real estate	-	-	-	-	-
Commercial business	-	-	-	-	-
Consumer	-	-	-	-	-
Ag real estate	-	-	-	-	-
Total:					
Residential	$ 347,026	$ 347,026	$ 8,000	$ 644,149	$ 23,546
Commercial real estate	-	-	-	191,331	-
Commercial Business	28,957	28,957	-	40,887	2,148
Consumer	-	-	-	-	-
Ag real estate	-	-	-	-	-
Total impaired loans	$ 375,984	$ 375,983	$ 8,000	$ 876,367	$ 25,694

At December 31, 2020 and 2019, the Savings Bank had the following nonaccrual loans:

	12/31/2020	12/31/2019
Residential	$ -	$ -
Commercial Real Estate	-	-
Commercial Business	171,463	-
Consumer	-	-
Ag RE	-	-
Total	$ 171,463	$ -

At December 31, 2020 and 2019, the Savings Bank had no loans that were modified in a troubled debt restructuring and impaired.

The Savings Bank received five requests for loan modification that fall under provisions of the CARES Act, which allow interest rate and repayment term modifications due to adverse circumstances related to COVID-19. The balance of these loans was $2.1 million at the date of request. As of December 31, 2020, all loans were returned to a normal repayment schedule.

The Bank has entered into transactions with certain directors, executive officers, significant stockholders and their affiliates. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. The aggregate amount of loans to such related parties at December 31, 2020 and 2019 was $548,025 and $0, respectively.

Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	12/31/2020	12/31/2019
Land	$ 99,658	$ 99,658
Building and improvements	884,665	882,941
Furniture, fixtures and equipment	469,332	451,232
	1,453,655	1,433,831
Less accumulated depreciation	858,612	825,693
Net premises and equipment	$ 595,043	$ 608,138

Note 5: Deposits

Deposits at December 31, 2020 and 2019, are summarized as follows:

	12/31/2020	12/31/2019
Non-interest bearing checking	$ 4,296,237	$ 3,745,205
Checking and MMDA accounts	15,142,074	4,677,316
Savings accounts	116,649	101,025
	19,554,959	8,523,546
Certificates of deposit	21,109,553	23,650,251
	$ 40,664,512	$ 32,173,797

Certificates of deposit in denominations of $250,000 or more were $4,372,466 and $5,003,412 on December 31, 2020 and 2019, respectively. Certificates of deposit in denominations of $100,000 or

more were $15,931,398 and $18,183,442 on December 31, 2020 and 2019, respectively. Brokered deposits totaled $3,500,000 at December 31, 2020 and 2019.

Deposits of one commercial customer amounted to 13% of the Bank's total deposits at December 31, 2020. Management believes this relationship may be volatile and it is reasonably possible the relationship could change in the near term.

At December 31, 2020, the scheduled maturities of time deposits are as follows:

	12/31/2020
2021	$ 9,078,674
2022	7,248,874
2023	1,898,080
2024	1,740,842
2025	1,143,083
	$ 21,109,553

Note 6: Income Taxes

The Savings Bank files its federal tax return on a calendar year basis. As of December 31, 2020 and 2019, retained earnings include approximately $1,015,000 for which no deferred income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only for tax years prior to 1988. If the Savings Bank were to liquidate, the entire amount would have to be recaptured and would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately $250,000 at December 31, 2020 and 2019.

A reconciliation of income tax expense at the statutory rate to the Savings Bank's actual income tax expense is shown below:

	Years Ended December 31,	
	2020	2019
Computed at the statutory rate (21%)	$ 11,715	$ (18,092)
Changes in the deferred tax valuation allowance	(16,666)	(5,420)
State tax impact on deferred taxes	1,532	(2,366)
Other	3,420	25,878
Actual tax provision	$ -	$ -

The tax effects of temporary differences related to deferred taxes shown on the December 31, 2020 and 2019, statements of financial condition were:

	2020	2019
Deferred tax assets		
Allowance for loan losses	$ 97,644	98,614
Net operating loss carryforward	527,458	541,528
Other	47,937	42,105
	673,039	682,247
Deferred tax liabilities		
Prepaid expenses	7,297	4,721
Unrealized gain on available-for-sale securities	7,275	2,393
	14,572	7,114
Net deferred tax asset before valuation allowance	658,467	675,133
Valuation allowance		
Beginning balance	(675,133)	(680,553)
Increase during the period	16,666	5,420
Ending balance	(658,467)	(675,133)
Net deferred tax asset	$ -	$ -

As of December 31, 2020, the Savings Bank had approximately $2,510,000 of net operating loss (NOL) carry forwards available to offset future income taxes. NOLs arising in 2018 or later carry forward indefinitely. NOLs of $2,277,000 arising prior to 2018 expire beginning in 2033.

Note 7: FHLB Advances

At December 31, 2020 and 2019, the Savings Bank had advances of $422,500 with the Federal Home Loan Bank. The Savings Bank is required to maintain an investment in Federal Home Loan Bank capital stock. The investment is carried at amortized cost and amounted to $62,100 and $62,000 at December 31, 2020 and 2019, respectively. In addition, the Savings Bank has pledged $11,971,792 of its 1-4 family conventional mortgage portfolio as collateral for the advance and future advances. The advance bears an interest rate of 1.97% and matures July 29, 2021.

Note 8: Fair Value Measurements

The Savings Bank has a number of financial instruments. The estimated fair value amounts have been determined by the Savings Bank using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Savings Bank could realize in a current market exchange.

The Financial Accounting Standards Board has established a fair value hierarchy that prioritizes the inputs used in valuation techniques and creates the following three broad levels, with Level 1 being the highest priority:

> *Level 1* - Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. Assets and liabilities generally included in this category include listed equity and debt securities publicly traded on an exchange.
>
> *Level 2* - Level 2 inputs are from other than market prices included in Level 1, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.
>
> *Level 3* - Level 3 inputs are unobservable for assets and liabilities and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

Financial instruments are broken down as follows by recurring or nonrecurring measurement status. Recurring assets are initially measured at fair value and are required to be remeasured at fair value in the financial statements at each reporting date. Assets measured on a nonrecurring basis are assets that, due to an event or circumstance, were required to be remeasured at fair value after initial recognition in the financial statements at some time during the reporting period.

Recurring

Available-for-sale securities

Fair value is estimated by considering "observable" information through processes such as benchmarking yields, reported trades, issuer spreads, and model processes, such as the Option Adjusted Spread models for prepayment and interest rate scenarios.

The following are major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2020:

		Fair Value Measurements		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2020				
Corporate bonds	$ 1,009,695	$ -	$ 1,009,695	$ -
Mortgage-backed securities	988,308	-	988,308	-
	$ 1,998,003	$ -	$ 1,998,003	$ -
December 31, 2019				
Mortgage-backed securities	2,103,879	-	2,103,879	-
	$ 2,103,879	$ -	$ 2,103,879	$ -

Nonrecurring

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Impaired loans

Loans for which it is probable that the Savings Bank will not collect all principal and interest due according to contractual terms are measured for impairment in accordance with GAAP. Allowable methods for estimating fair value include using the fair value of the collateral for collateral dependent loans, or where a loan is determined not to be collateral dependent, using the discounted cash flow method.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value. Unobservable inputs to these measurements, which include estimates and judgments often used in conjunction with appraisals, are not readily quantifiable.

If the impaired loan is determined not to be collateral dependent, then the discounted cash flow method is used. This method requires the impaired loan to be recorded at the present value of expected future cash flows discounted at the loan's effective interest rate. The effective interest rate of a loan is the contractual interest rate adjusted for any net deferred loan fees or costs, premiums or discount existing at origination or acquisition of the loan.

The fair value measurements of nonrecurring assets classified within the fair value hierarchy at December 31, are as follows:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2020				
Impaired loans	$ 130,285	$ -	$ -	$ 130,285
	$ 130,285	$ -	$ -	$ 130,285
December 31, 2019				
Impaired loans	$ 18,750	$ -	$ -	$ 18,750
	$ 18,750	$ -	$ -	$ 18,750

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying consolidated balance sheets at amounts other than fair value.

Cash and cash equivalents, interest-bearing deposits and Federal Home Loan Bank stock

The carrying amounts reported in the statements of financial condition approximate those assets' fair value.

Loans and interest receivable

The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for purposes of the calculations. The carrying amount of accrued interest approximates its fair value.

Deposits

Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using rates currently offered for deposits of similar remaining maturities.

Federal Home Loan Bank advances

The fair value of advances is estimated by using rates on debt with similar terms and remaining maturities.

The following presents the estimated fair values of the Savings Bank 's financial instruments:

		December 31, 2020		December 31, 2019	
	Hierarchy Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash and equivalents, including fed funds sold	1	$ 9,698,643	$ 9,698,643	$ 3,253,809	$ 3,253,809
Interest-bearing time deposits	2	1,300,000	1,300,000	2,740,000	2,740,000
Federal Home Loan Bank stock	2	62,100	62,100	62,000	62,000
Loans, net of allowance	3	37,460,187	38,552,651	28,700,778	29,308,480
Interest receivable	2	151,585	151,585	129,555	129,555
Financial liabilities					
Deposits	3	40,664,512	40,893,727	32,173,797	21,729,667
FHLB advances	2	422,500	426,143	422,500	423,024

Note 9: Regulatory Matters

The Savings Bank is subject to various regulatory capital requirements administered by the 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 and material effect on the Savings Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Savings Bank must meet specific capital guidelines that involve quantitative measures of the Savings Bank's assets, liabilities and certain off-statement of financial condition items as calculated under U.S. GAAP, regulatory reporting requirements and regulatory capital standards. The Savings Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Savings Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Savings Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier 1 capital (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2020 and 2019, that the Savings Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent notification from the FDIC categorized the Savings Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Savings Bank must maintain capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Savings Bank's category.

The Savings Bank's actual capital amounts and ratios are also presented in the table below. No amount was deducted from capital for interest-rate risk.

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollar Amounts in Thousands)					
As of December 31, 2020						
Total risk-based capital (to risk-weighted assets)	$10,454	38.8%	≥$2,158	≥ 8.0%	≥$2,698	≥ 10.0%
Tier I capital (to risk-weighted assets)	$10,116	37.5%	≥$1,619	≥ 6.0%	≥$2,158	≥ 8.0%
Common equity tier I capital (to risk-weighted assets)	$10,116	37.5%	≥$1,214	≥ 4.5%	≥$1,753	≥ 6.5%
Tier I capital (to average total assets)	$10,116	20.9%	≥$1,933	≥ 4.0%	≥$2,416	≥ 5.0%
As of December 31, 2019						
Total risk-based capital (to risk-weighted assets)	$5,256	24.3%	≥$1,728	≥ 8.0%	≥$2,100	≥ 10.0%
Tier I capital (to risk-weighted assets)	$4,985	23.1%	≥$1,296	≥ 6.0%	≥$1,700	≥ 8.0%
Common equity tier I capital (to risk-weighted assets)	$4,985	23.1%	≥$1,000	≥ 4.5%	≥$1,400	≥ 6.5%
Tier I capital (to average total assets)	$4,985	13.2%	≥$1,498	≥ 4.0%	≥$1,800	≥ 5.0%

Note 10: Retirement Plan

Effective January 1, 2018, the Savings Bank began offering a 401(K)-retirement plan to eligible employees. Previously, the Savings Bank had a defined contribution pension plan covering substantially all employees. The Savings Bank's contributions to the plans are determined annually by the Board of Directors. Contributions to the plans were $15,498 and $15,430 for the years ended December 31, 2020 and 2019, respectively.

Note 11: Significant Estimates and Concentrations

Significant Estimates

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk.

Note 12: Commitments and Credit Risk

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but generally includes commercial or residential real estate. Management uses the same credit policies in granting lines of credit as it does for instruments on the statement of financial condition.

At December 31, 2020 and 2019, the Savings Bank had granted unused lines of credit to borrowers aggregating approximately $2,203,000 and $478,000 respectively, for open-end consumer lines.

Note 13: Noninterest Income

Noninterest income consists of the following:

	12/31/2020	12/31/2019
FHLB dividends	$ 2,619	$ 2,349
Loss on Disposal - Available-for-Sale Securities	-	(7,165)
SBA loan premium	5,210	21,616
Interchange income	12,405	23,832
Service charges and fees	9,184	14,480
Other	10,954	17,450
	$ 40,372	$ 72,562

Note 14: Other Noninterest Expense

Noninterest expense consists of the following:

	12/31/2020	12/31/2019
Data processing	$ 131,537	$ 139,976
Group insurance	34,787	33,211
Advertising	9,810	11,554
Insurance	37,730	74,686
Taxes and licenses	46,792	47,511
Expense on foreclosed assets	97	36,259
Miscellaneous	205,488	203,957
	$ 466,241	$ 547,154

Note 15: Subsequent Events

Subsequent events have been evaluated through March 18, 2021 which is the date the financial statements were available to be issued.

Shareholder Information

Annual meeting
The annual meeting of stockholders of Systematic Savings Bank will be held on Wednesday, May 19, 2021, at 3:30 p.m., Central Time. Because of concerns regarding the novel coronavirus (COVID-19) pandemic and to protect the safety and well-being of our stockholders, Board of Directors and employees, our 2021 annual meeting of stockholders will be a virtual meeting conducted solely online and can be attended by visiting https://www.gotomeet.me/systematicsavingsbank/annual-meeting.

Stock Listing
The Company's stock is traded on the Over-The-Counter-Bulletin Board under the symbol "SSSB." The stock began trading on the Bulletin Board in October 2020.

Price Range of Common Stock and Stockholders
The Stock has not traded at this time.
As of December 31, 2020, the Bank had approximately 86 shareholders of record.

Code of Ethics
A copy of the Bank's Code of Ethics can be found on the Bank's website www.mysystematic.com.

Annual Reports
We are required to file an annual report and 10-k for the fiscal year ended December 31, 2020. Copies of these, and quarterly reports, may be obtained from inquires to Derek Fraley of Systematic Savings Bank

General Inquiries
Derek Fraley
CEO
318 South Ave
Springfield, MO 65804
417-862-5036

Special Counsel
Breyer & Associates PC
8180 Greensboro Drive
Suite 785
McLean, VA 22102

Transfer Agent
Pacific Stock Transfer Company
6725 Via Austi Pkwy, Suite300
Las Vegas, Nevada 89119

Independent Auditors
BKD
910 St. Louis
Springfield, MO 65806

Board of Directors

Derek Fraley
Chairman
Systematic Savings Bank
Springfield, MO

Brad Weaver
Chief Loan Officer
Systematic Savings Bank
Springfield, MO

Trevor Crist
CEO
Nixon & Lindstrom Insurance
Springfield, MO

Dianna Devore
Owner/President
Design Fabrication
Springfield, MO

Kim Kollmeyer
Partner
Kollmeyer and Company
Springfield, MO

Jeff Seifried
President
Connell Insurance
Springfield, MO

Ryan DeBoef
Chief of Staff
Missouri State University
Springfield, MO

	Code of Conduct Policy	**Board Approved:** February 17, 2021 **Updated:** February 17, 2021 **Dept. Accountability:** EMC **Individual Accountability:** HR Officer

CORPORATE STATEMENT

The activities of Systematic Savings Bank (Bank) are affected by various laws and regulations, as well as its responsibilities to its members, employees and the community in which it serves. The Code of Conduct Policy provides the avenue for ensuring that the conduct of its employees is consistent with the institution's corporate responsibilities.
This Code sets standards by which all employees must conduct themselves. "Employees" within this policy includes all directors, officers, and staff.

CONFLICT OF INTEREST

The Bank's reputation for integrity is its most valuable asset and is directly affected by the conduct of its employees. Employees must not advance their own personal or business interests, or those of others with whom they have a personal or business relationship, at the expense of the Bank.

If an employee has an interest in a matter or transaction before the Board, they must:

- Disclose all material non-privileged information relevant to the board's decision
- Refrain from participating in the Board's discussion of the matter
- Recuse yourself from voting on the matter (if you are a director)

Each employee represents the Bank and is obligated to act in the company's best interest, and in the best interest of its members. Employees are expected to recognize and avoid situations where personal or financial interest or relationships might influence or appear to influence the employee's judgment on matters affecting the Bank.

Although employees may not intend to create a conflict of interest, they should manage their affairs to avoid even the appearance of such a conflict. If an employee has any doubt about a situation, they should contact their supervisor to discuss it immediately.

CONFIDENTIAL INFORMATION

The unauthorized use or release of confidential information during or after employment with the Bank is a breach of this Code of Conduct Policy. Confidential information with respect to the Bank, its members, prospective customers, suppliers, and employees acquired in the course of business is to be used solely for corporate purposes and never to be discussed with or divulged to unauthorized people. The need for confidentiality extends to everyone, including family, friends and acquaintances.

Confidential information includes, but is not limited to:

- Customer loan or deposit account balances and credit ratings
- Corporate financial information that would not be considered public knowledge
- Corporate policies, objectives, goals and strategies, vendors
- Employee records

ACCOUNTING AND FINANCIAL INFORMATION

The Bank maintains the highest standards in preparing the accounting and financial information disclosed to the public. There should never be issued any information that is false, misleading, incomplete, or data which would lead to mistrust by the public or our members.

EMBEZZLEMENT, THEFT, AND MISAPPLICATION OF FUNDS

Each employee is held responsible for maintaining accurate and complete records. Anyone who embezzles, steals, or willfully misappropriates any monies, funds, or credits of the Bank is subject to the loss of their position, along with a fine, imprisonment or both.

RELATIONSHIP WITH THE MEDIA

A relationship with the media is an important one that affects our image in the community. Employees should refer all questions or requests for information from reporters or other media representatives to the Bank's Chairman of the Board or the Bank's President to ensure consistency and accuracy of information.

GIFTS OF VALUE

It is a federal crime for any employee of a financial institution to corruptly solicit for the benefit of any person anything of value from anyone in return for any business, service or confidential information, intending to be influenced or rewarded, either before or after a transaction is discussed or consummated. This solicitation is meant for the receiving or the giving of a valuable commodity, either directly or indirectly. Systematic Savings Bank has made the decision that any "gift" in excess of $500 is to be brought before the compliance committee or management team for determination of how the gift should be handled.

Things of value exchanged between family members or social friends are not covered by this policy, if they are exchanged solely because of the relationship and not in connection with a business transaction.

ESTATE MATTERS

No employee or member of an employee's family may accept any benefit under a will or trust instrument of a customer of the Bank. No employee or member of an employee's family may act in any fiduciary capacity under a will, trust, or other instrument of a customer of the Bank unless prior senior management approval has been obtained, after consultation with legal counsel. These restrictions do not cover estate documents for the employees' family.

OUTSIDE ACTIVITIES

Employees' outside activities must not interfere or conflict with the interest of the Bank. Acceptance of outside employment, outside speaking engagements, election to the board of directors of other organizations, and participation in activities on behalf of outside organizations or in political activities represent potential conflicts of interest.
Other employment opportunities are permissible, but discouraged. Employees should not engage in outside employment that would adversely affect the quality of work that must be devoted to their duties at the Bank. Employees must disclose all outside employment to senior management and obtain prior approval.

Outside activities should not compete or conflict with the activities of the Bank; involve any use of company equipment, supplies, or facilities; imply the Bank's support; or adversely affect the Bank's reputation.

SOUND PERSONAL FINANCES

The manner in which employees manage their personal finances can affect on-the-job performance and the Bank's image in the community. Therefore, employees must avoid any circumstances that may lead to financially embarrassing situations. Employees should borrow only from financial institutions that regularly lend money and with no favored treatment as to interest rate, terms, security, repayment terms and penalties.

CODE OF CONDUCT VIOLATIONS

If an employee believes they will be in violation of this Policy, the employee must disclose the facts of the situation to their supervisor. Failure to do so is a breach of this Code. Disclosure should always be in writing, and a written response to the employee should be given by senior management.

Any employee who knowingly violates any section of this Policy is subject to disciplinary action, up to and including termination. Suspicions of Code of Conduct violations and/or other criminal activity or business abuses should be reported immediately to the President. Violations can result in civil or criminal penalties under federal securities laws, both for the individual concerned and for the Bank.

ACKNOWLEDGMENT

Every employee will be required to sign a statement that they have read this policy and understand all the provisions and agrees to abide by them. By reviewing and approving this policy annually, the Board of Directors also agrees to abide by all the provisions.

Exhibit 31.1
Certification Required
By Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934

I, Derek Fraley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Systematic Savings Bank;

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

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

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

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

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: March 30, 2021

/s/ Derek Fraley
Derek Fraley
Chief Executive Officer

Exhibit 32

CERTIFICATION PURSUANT TO

18 U.S.C. 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned herby certifies in his capacity as an officer of Systematic Savings Bank ("Systematic") pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley act of 2002 and in connection with this Annual Report on Form 10-K that:

1. the report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. the information contained in the report fairly presents, in all material respects, Systematic's financial condition and results of operations as of the dates and for the periods presented in the financial statements included in such report.

/s/Derek Fraley
Derek Fraley
Chief Executive Officer

Dated: March 30, 2021

/s/Derek Fraley
Derek Fraley
Chief Financial Officer

Dated: March 30, 2021