Mid-Southern Bancorp, Inc.

2024 ANNUAL REPORT

Letter to Stockholders

April 25, 2025

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Mid-Southern Bancorp, Inc., to be held at Spring Mill Inn at Spring Mill State Park, located at 3333 State Road 60 E, Mitchell, Indiana, on Wednesday, May 28, 2025, at 1:00 p.m., Eastern time.

The Notice of Annual Meeting of Stockholders and proxy statement describe the formal business to be transacted at the meeting. During the meeting, we also will report on our operations. Directors and officers will be present to respond to any questions stockholders may have.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to promptly vote. You may vote your shares via the Internet or a toll-free telephone number, or by completing and mailing the enclosed proxy card. This will not prevent you from voting in person at the meeting, but will assure that your vote is counted if you are unable to attend.

2024 was a very exciting year for our bank. On January 25, 2024, the Company and Beacon Credit Union announced a purchase and assumption agreement (P&A Agreement) whereby Beacon Credit Union ("Beacon") will acquire substantially all the assets and assume substantially all the liabilities (including deposit account liabilities) of Mid-Southern Savings Bank, FSB in an all-cash transaction. We were pleased to announce on March 13, 2025 that all regulatory approvals had been received. The transaction is expected to close in the second quarter of 2025, subject to the closing conditions as set forth in the P&A Agreement.

We appreciate the continued support of our shareholders throughout 2024 as we worked hard to meet the requirements of the P&A Agreement. Most importantly, the Board of Directors wants to acknowledge the unwavering commitment and hard work of our employees, the loyalty of our customers and the support from the communities we serve. Without that hard work, loyalty and support, our mission to provide competitive financial products and services would have been impossible.

We are excited about the synergy that will be created by combining these two companies and the opportunities it creates for our customers, our employees, and our communities.

Thank you for your continued support of Mid-Southern Bancorp, Inc. and Mid-Southern Savings Bank, FSB.

Sincerely,

Dana J. Dunbar
Chairman of the Board

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Independent Auditor's Report

Audit Committee, Board of Directors and Management
Mid-Southern Bancorp, Inc.
Salem, Indiana

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mid-Southern Bancorp, Inc. and subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

Indianapolis, Indiana
February 24, 2025

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

(In thousands, except share information)

	2024	2023
ASSETS		
Cash and due from banks	$ 1,323	$ 1,074
Interest-bearing deposits with banks	73,302	12,602
Cash and cash equivalents	74,625	13,676
Securities available for sale, at fair value	7,457	98,376
Securities held to maturity	9	11
Loans, net of allowance for credit losses of $1,927 and $2,184, respectively	133,046	144,589
Federal Home Loan Bank stock, at cost	269	748
Premises and equipment	1,897	2,081
Accrued interest receivable:		
Loans	546	516
Securities	55	762
Cash value of life insurance	3,944	3,884
Other assets	4,180	4,342
Total Assets	$ 226,028	$ 268,985
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 24,037	$ 26,570
Interest-bearing	164,426	176,340
Total deposits	188,463	202,910
Borrowings	—	28,200
Accrued interest payable	270	1,133
Accrued expenses and other liabilities	415	754
Total Liabilities	189,148	232,997
COMMITMENTS AND CONTINGENCIES	—	—
STOCKHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized, $0.01 par value, no shares issued and outstanding	—	—
Common stock, 30,000,000 shares authorized, $0.01 par value, 3,565,430 shares issued and 2,885,039 shares outstanding (2,885,039 in 2023)	36	36
Additional paid-in-capital	30,924	30,851
Retained earnings, substantially restricted	17,450	25,236
Accumulated other comprehensive loss	(554)	(8,895)
Unearned ESOP shares	(1,259)	(1,391)
Unearned stock compensation plan	(123)	(255)
Treasury stock, at cost - 680,391 shares (680,391 in 2023)	(9,594)	(9,594)
Total Stockholders' Equity	36,880	35,988
Total Liabilities and Stockholders' Equity	$ 226,028	$ 268,985

See accompanying Notes to Consolidated Financial Statements.

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In thousands, except per share information)

	2024	2023
INTEREST INCOME		
Loans, including fees	$ 7,599	$ 7,365
Investment securities:		
Mortgage-backed securities	741	770
Municipal tax exempt	1,152	1,592
Other debt securities	282	455
Federal Home Loan Bank dividends	32	69
Interest-bearing deposits with banks and time deposits	735	345
Total interest income	10,541	10,596
INTEREST EXPENSE		
Deposits	2,370	1,738
Borrowings	371	1,198
Total interest expense	2,741	2,936
Net interest income	7,800	7,660
Recapture of credit losses on loans	(254)	(55)
Recapture of credit losses on unfunded loan commitments	(2)	(65)
Net interest income after recapture of credit losses	8,056	7,780
NONINTEREST INCOME (LOSS)		
Deposit account service charges	355	357
Brokered loan fees	33	60
Net loss on sales of securities available for sale	(11,295)	(27)
Increase in cash value of life insurance	60	58
Net gain on disposal of foreclosed real estate	—	8
ATM and debit card fee income	581	615
Other income	48	45
Total noninterest income (loss)	(10,218)	1,116
NONINTEREST EXPENSE		
Compensation and benefits	3,731	3,876
Occupancy and equipment	612	634
Data processing	957	873
Professional fees	1,223	781
Loss on disposal of premises and equipment	1	3
Directors' compensation	265	364
Stockholders' meeting expense	28	95
Supervisory examinations	44	46
Deposit insurance premiums	104	118
Marketing and business development	67	79
Other expenses	543	596
Total noninterest expense	7,575	7,465
Income (loss) before income taxes	(9,737)	1,431
Income tax benefit	(2,611)	(25)
Net Income (Loss)	$ (7,126)	$ 1,456
Earnings (loss) per common share:		
Basic	$ (2.61)	$ 0.54
Diluted	$ (2.61)	$ 0.54

See accompanying Notes to Consolidated Financial Statements.

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In thousands)

	2024	2023
Net Income (Loss)	$ (7,126)	$ 1,456
Other Comprehensive Income (Loss), net of tax		
Unrealized gains (losses) on securities available for sale:		
Net unrealized holding gains (losses) arising during the period	(193)	2,550
Income tax (expense) benefit	48	(634)
Net of tax amount	(145)	1,916
Less reclassification adjustment for realized losses included in net income during the period	(11,295)	(27)
Income tax benefit	2,809	7
Net of tax amount	(8,486)	(20)
Other Comprehensive Income, net of tax	8,341	1,936
Total Comprehensive Income	$ 1,215	$ 3,392

See accompanying Notes to Consolidated Financial Statements.

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In thousands, except share information)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned ESOP Shares	Unearned Stock Compensation	Treasury Stock	Total
Balances at January 1, 2023	$ 36	$ 30,777	$ 24,916	$ (10,831)	$ (1,524)	$ (458)	$ (9,594)	$ 33,322
Impact of adoption of ASC 326	—	—	(481)	—	—	—	—	(481)
Balances at January 1, 2023 (as adjusted for adoption of ASC 326)	36	30,777	24,435	(10,831)	(1,524)	(458)	(9,594)	32,841
Net income	—	—	1,456	—	—	—	—	1,456
Other comprehensive income	—	—	—	1,936	—	—	—	1,936
Cash dividends ($0.24 per share)	—	—	(655)	—	—	—	—	(655)
Shares released by ESOP trust	—	13	—	—	133	—	—	146
Stock compensation expense	—	61	—	—	—	203	—	264
Balances at December 31, 2023	$ 36	$ 30,851	$ 25,236	$ (8,895)	$ (1,391)	$ (255)	$ (9,594)	$ 35,988
Net loss	—	—	(7,126)	—	—	—	—	(7,126)
Other comprehensive income	—	—	—	8,341	—	—	—	8,341
Cash dividends ($0.24 per share)	—	—	(660)	—	—	—	—	(660)
Shares released by ESOP trust	—	54	—	—	132	—	—	186
Stock compensation expense	—	19	—	—	—	132	—	151
Balances at December 31, 2024	$ 36	$ 30,924	$ 17,450	$ (554)	$ (1,259)	$ (123)	$ (9,594)	$ 36,880

See accompanying Notes to Consolidated Financial Statements.

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(In thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (7,126)	$ 1,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and accretion of discounts on securities, net	265	348
Provision for (recapture of) credit losses	(256)	(120)
Stock compensation expense	151	264
Depreciation expense	201	192
Loss on disposal of premises and equipment	1	3
ESOP compensation expense	186	146
Deferred income taxes	(2,618)	(33)
Gain on sale of foreclosed real estate	—	(8)
Increase in cash value of life insurance	(60)	(58)
Net loss on sales of securities available for sale	11,295	27
Decrease in accrued interest receivable	677	45
Increase (decrease) in accrued interest payable	(863)	1,121
Net change in other assets and liabilities	(317)	(164)
Net Cash Provided By Operating Activities	1,536	3,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal collected on mortgage-backed securities available for sale	2,415	2,901
Proceeds from maturities of securities available for sale	7,734	2,175
Proceeds from sales of securities available for sale	80,311	4,101
Principal collected on mortgage-backed securities held to maturity	2	6
Proceeds from redemption of Federal Home Loan Bank Stock	479	1,029
Net (increase) decrease in loans receivable	11,797	(780)
Proceeds from the sale of real estate held for sale	—	76
Purchase of premises and equipment	(18)	(126)
Net Cash Provided By Investing Activities	102,720	9,382
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in deposits	(14,447)	(3,154)
Repayments to Federal Home Loan Bank	(28,200)	(29,000)
Proceeds from Federal Reserve	—	28,200
Cash dividends paid	(660)	(655)
Net Cash Used In Financing Activities	(43,307)	(4,609)
Net Increase in Cash and Cash Equivalents	60,949	7,992
Cash and cash equivalents at beginning of year	13,676	5,684
Cash and Cash Equivalents at End of Period	$ 74,625	$ 13,676
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 3,604	$ 1,815
Net tax payments	20	23

See accompanying Notes to Consolidated Financial Statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Conversion and Stock Issuance

Mid-Southern Bancorp, Inc. (the "Company"), an Indiana corporation, was organized by Mid-Southern, M.H.C. (the "MHC") and Mid-Southern Savings Bank, FSB (the "Bank") to facilitate the "second-step" conversion of the Bank from the mutual holding company structure to the stock holding company structure (the "Conversion"). Upon consummation of the Conversion, which occurred on July 11, 2018, the Company became the holding company for the Bank and now owns all of the issued and outstanding shares of the Bank's common stock.

Nature of Operations

The Company's principal business is the ownership and operation of the Bank. The Bank is a federal savings bank that provides a variety of banking services to individuals and business customers through its main office, two full-service branch offices and loan production offices in New Albany, Indiana and Louisville, Kentucky. The Bank's primary source of revenue is from single-family residential mortgage loans, commercial real estate loans and commercial business loans. Mid-Southern Investments, Inc. (the "Subsidiary") is a wholly-owned subsidiary of the Bank that holds and manages an investment securities portfolio.

Basis of Presentation and Consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and conform to general practices within the banking industry.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated.

Statements of Cash Flows

For purposes of the statement of cash flows, the Company has defined cash and cash equivalents as cash on hand, amounts due from banks (including cash items in process of clearing) and interest-bearing deposits with other banks having an original maturity of 90 days or less.

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 credit losses. In connection with the determination of the allowance for credit losses, management obtains independent appraisals for significant properties.

A majority of the loan portfolio consists of single-family residential and commercial real estate loans in the southern Indiana area. Accordingly, the ultimate collectability of a substantial portion of the loan portfolio and the recovery of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions.

While management uses available information to recognize losses on loans and foreclosed real estate, further changes in the carrying amounts of loans and foreclosed real estate may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans and foreclosed real estate. Such agencies may require the Company to recognize additional changes based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans and foreclosed real estate may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Operating Segments

While the chief-decision maker monitors the revenue streams of the various products and services, operations are managed, and financial performance is evaluated on a Company-wide basis. Operating segments are aggregated into one as operating results for all segments are similar. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Adoption of New Accounting Standards

On January 1, 2024, the Company implemented Accounting Standards Update ("ASU") No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure" ("ASU 2023-07"). This ASU is intended to enhance reportable segment disclosure requirements, including significant segment expenses and interim disclosures. The guidance allows for disclosure of multiple measures of a segment's profit or loss, and it requires that entities with a single reportable segment provide all disclosures required by ASU 2023-07 and all existing disclosures required by the existing segment disclosure guidance. See Note 21.

On January 1, 2023, the Company implemented ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326) as amended by ASU 2018-19, ASU 2019-04, ASU 2019-05, and ASU 2022-02 (collectively "ASC 326"), commonly referred to as the current expected credit loss methodology ("CECL"). The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available for sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available for sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 on January 1, 2023. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company records an allowance for credit losses on unfunded loan commitments through a provision for credit losses. The allowance for credit losses on unfunded loan commitments is estimated by loan segment under the CECL model using the same methodologies as funded portfolio loans, taking into consideration the likelihood that funding will occur and is included in accrued expenses and other liabilities on the Company's consolidated balance sheets.

Upon implementation of ASC 326 on January 1, 2023, the Company increased the opening balance for the allowance for credit losses on loans by $557,000 and recorded an allowance for credit losses on unfunded loan commitments of $73,000. The adoption reduced the Company's retained earnings on a tax-effected basis of $481,000.

The following table summarized the total impact of adoption of ASC 326 on January 1, 2023:

	January 1, 2023		
(In thousands)	As reported under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Allowance for credit losses on loans:			
One-to-four family residential	$ 717	$ 705	$ 12
Multi-family residential	389	86	303
Construction	101	18	83
Commercial real estate	775	650	125
Commercial business	207	199	8
Consumer	60	34	26
Total allowance for credit losses on loans	$ 2,249	$ 1,692	$ 557
Total allowance for credit losses on unfunded loan commitments	$ 73	$ —	$ 73

Investment Securities

Securities Available for Sale: Securities available for sale consist of debt securities and are stated at fair value. Amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity, adjusted for anticipated prepayments. Unrealized gains and losses, net of tax, on securities available for sale are included in other comprehensive income (loss) and the accumulated unrealized holding gains and losses are reported as a separate component of equity until realized. Realized gains and losses on the sale of securities available for sale are determined using the specific identification method and are included in other noninterest income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income (loss).

Securities Held to Maturity: Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts that are recognized in interest income using methods approximating the interest method over the period to maturity, adjusted for anticipated prepayments. The Company classifies certain mortgage-backed securities as held to maturity.

Debt securities held by the Company include mortgage-backed securities and other debt securities issued by the Government National Mortgage Association, a U.S. government agency, and mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMO") issued by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, which are government-sponsored enterprises. MBS represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. CMOs are complex mortgage-backed securities that restructure the cash flows and risks of the underlying mortgage collateral. The Company also holds debt securities issued by the U.S. Treasury, municipalities, and political subdivisions of state and local governments.

For available for sale and held to maturity securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available for sale securities that do not meet the criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

The Bank is a member of the Federal Home Loan Bank of Indianapolis ("FHLB"). FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported in the consolidated statements of income.

Loans and Allowance for Credit Losses

Loans Held for Investment

Loans are stated at unpaid principal balances, less net deferred loan fees and the allowance for credit losses on loans. The Company grants real estate mortgages, commercial business, and consumer loans. Loan origination and commitment fees, as well as certain direct costs of underwriting and closing loans, are deferred, and amortized as a yield adjustment to interest income over the lives of the related loans using the interest method. Amortization of net deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Nonaccrual Loans

The recognition of income on a loan is discontinued and previously accrued interest is reversed when interest or principal payments become 90 days past due unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Generally, by applying the cash receipts method, interest income is subsequently recognized only as received until the loan is returned to accrual status. The cash receipts method is used when the likelihood of further loss on the loan is remote. Otherwise, the Company applies the cost recovery method and applies all payments as a reduction of the unpaid principal balance until the loan qualifies for return to accrual status. Interest income on impaired loans is recognized using the cost recovery method, unless the likelihood of further loss on the loan is remote.

A loan is restored to accrual status when all principal and interest payments are brought current and the borrower has demonstrated the ability to make future payments of principal and interest as scheduled, which generally requires that the borrower demonstrate a period of performance of at least six consecutive months.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. Credit 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 Company measures expected credit losses for its portfolio segments utilizing the Weighted Average Remaining Maturity (“WARM”) allowance for credit losses methodology. The WARM methodology uses an average loss rate for each loan segment and applies that rate to future expected outstanding balances of that segment. The Company selected the WARM methodology given the loan portfolio’s current size and complexity. The Company has elected to exclude accrued interest receivable and net deferred fees from its calculation of the allowance for credit losses.

The Company uses a disciplined process and methodology to evaluate the allowance for credit losses on loans on at least a quarterly basis that 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 specific and general components. The specific component relates to loans that are individually evaluated or loans otherwise classified as doubtful or substandard. For such loans that are classified as individually analyzed, an allowance is established when the collateral value of the individually analyzed loan is lower than the carrying value of that loan.

The general component covers non-classified loans and classified loans that are not individually analyzed. Such loans are pooled by portfolio segment and losses are modeled using annualized historical loss experience adjusted for qualitative factors. The historical loss experience is determined by portfolio segment and is based on the Company's actual loss history since 2008 unless the historical loss experience is not considered indicative of the level of risk in the remaining balance of a particular portfolio segment, in which case an adjustment is determined by management. The Company's historical loss experience is then adjusted for qualitative factors that are reviewed on a quarterly basis.

Management's determination of the allowance for credit losses on loans considers changes and trends in the following qualitative loss factors: lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices and management experience, national and local economic conditions, new loan trends, past due and nonaccrual loans, loan reviews, collateral values, credit concentrations and other internal and external factors such as competition, legal and regulatory changes. Each loan pool's historical loss rate is adjusted based on positive or negative changes in the qualitative loss factor. This adjustment determines the adjusted loss rate used in management's allowance for credit loss adequacy calculation.

Management exercises significant judgment in evaluating the relevant historical loss experience and the qualitative factors. Management also monitors the differences between estimated and actual incurred credit losses for individually analyzed loans in order to evaluate the effectiveness of the estimation process and make any changes in the methodology as necessary.

The following portfolio segments are considered in the allowance for credit loss analysis: one-to-four family residential real estate, multi-family residential real estate, construction, commercial real estate, commercial business, and consumer loans.

Residential real estate loans primarily consist of loans to individuals for the purchase or refinance of their primary residence, with a smaller portion of the segment secured by non-owner-occupied residential investment properties and multi-family residential investment properties. Also, included within the residential real estate loan portfolio are home equity loans and junior lien loans, which are secured by liens on the borrower's personal residence. The risks associated with residential real estate loans are closely correlated to the local housing market and general economic conditions, as repayment of the loans is primarily dependent on the borrower's or tenant's personal cash flow and employment status.

The Company's construction loan portfolio consists of single-family residential properties, multi-family properties and commercial projects, and includes both owner-occupied and speculative investment properties. Risks inherent in construction lending are related to the fair value of the property held as collateral, the cost and timing of constructing or improving a property, the borrower's ability to use funds generated by a project to service a loan until a project is completed, movements in interest rates and the real estate market during the construction phase, and the ability of the borrower to obtain permanent financing.

Commercial real estate loans are comprised of loans secured by various types of collateral including, office buildings, warehouses, retail space and mixed-use buildings located in the Company's primary lending area. Risks related to commercial real estate lending are related to the market value of the property taken as collateral, the underlying cash flows and general economic condition of the local real estate market. Repayment of these loans is generally dependent on the ability of the borrower to attract tenants at lease rates or general business operating cash flows that provide for adequate debt service and can be impacted by local economic conditions which impact vacancy rates and the general level of business activity. The Company generally obtains loan guarantees from financially capable parties for commercial real estate loans.

Commercial business loans include lines of credit to businesses, term loans and letters of credit secured by business assets such as equipment, accounts receivable, inventory, or other assets excluding real estate and are generally made to finance capital expenditures or fund operations. Commercial loans contain risks related to the value of the collateral securing the loan and the repayment is primarily dependent upon the financial success and viability of the borrower. As with commercial real estate loans, the Company generally obtains loan guarantees from financially capable parties for commercial business loans.

Consumer loans consist primarily of home improvement loans, automobile and truck loans, boat loans, mobile home loans, loans secured by savings deposits, and other personal loans. The risks associated with these loans are related to the local housing market and local economic conditions including the unemployment level.

Allowance for Credit Losses on Unfunded Loan Commitments

The Company records an allowance for credit losses on unfunded loan commitments through a provision for credit losses. The allowance for credit losses on unfunded loan commitments is estimated by loan segment under the CECL model using the same methodologies as funded portfolio loans, taking into consideration the likelihood that funding will occur and is included in accrued expenses and other liabilities on the Company's consolidated balance sheets.

Loan Charge-Offs

For portfolio segments other than consumer loans, the Company's practice is to charge-off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, the loan's classification as a loss by regulatory examiners, or for other reasons. A partial charge-off is recorded on a loan when the collectability of a portion of the loan has been confirmed, such as when a loan is discharged in bankruptcy, the collateral is liquidated, a loan is restructured at a reduced principal balance, or other identifiable events that lead management to determine the full principal balance of the loan will not be repaid. A specific reserve is recognized as a component of the allowance for estimated losses on individually analyzed loans. Partial charge-offs on nonperforming and individually analyzed loans are included in the Company's historical loss experience used to estimate the general component of the allowance for credit losses as discussed above. Specific reserves are not considered charge-offs in management's evaluation of the general component of the allowance for credit losses because they are estimates and the outcome of the loan relationship is undetermined.

Consumer loans not secured by real estate are typically charged off at 90 days past due, or earlier if deemed uncollectible, unless the loans are in the process of collection. Overdrafts are charged off after 60 days past due. A charge-off is typically recorded on a loan secured by real estate when the property is foreclosed upon when the carrying value of the loan exceeds the property's fair value less the estimated costs to sell.

Individually Analyzed Loans

A loan is individually analyzed when, based on current information and events, it is probable that the Company 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 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 individually analyzed. 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. Individually analyzed loans are 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, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Values for individually evaluated collateral dependent loans are generally based on appraisals obtained from independent licensed real estate appraisers, with adjustments applied for estimated costs to sell the property, costs to complete unfinished or repair damaged property and other factors. New appraisals or valuations are generally obtained for all significant properties (if the value is estimated to exceed $100,000) when a loan is individually analyzed. Subsequent appraisals are obtained or an internal evaluation is prepared annually, or more frequently if management believes there has been a significant change in the market value of a collateral property securing a collateral dependent individually analyzed loan. In instances where it is not deemed necessary to obtain a new appraisal, management bases its evaluation on the original appraisal with adjustments for current conditions based on management's assessment of market factors and inspection of the property.

Foreclosed Real Estate

Foreclosed real estate includes formally foreclosed property and property obtained via a deed in lieu of foreclosure that is currently held for sale. At the time of acquisition, foreclosed real estate is recorded at fair value less estimated costs to sell, which becomes the property's new basis. Any write-downs based on the property's fair value at the date of acquisition are charged to the allowance for credit losses on loans. After acquisition, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less costs to sell. Costs incurred in maintaining foreclosed real estate and subsequent impairment adjustments to the carrying amount of a property, if any, are included in net loss on foreclosed real estate in the accompanying consolidated statements of income.

Real Estate Held for Sale

Real estate held for sale includes unimproved land originally purchased for future office development and is initially recorded at fair value less estimated costs to sell, establishing a new cost basis. Real estate held for sale is subsequently accounted for at the lower of cost or fair value less estimated costs to sell. Subsequent impairment loss adjustments to the carrying amount of the property, if any, are reported in noninterest expense in the accompanying consolidated statements of income.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. The Company uses the straight-line method of computing depreciation at rates adequate to amortize the cost of the applicable assets over their estimated useful lives. Maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets sold, or otherwise disposed of, are removed from the related accounts and any gain or loss is included in earnings.

Cash Value of Life Insurance

Life insurance policies have been purchased on certain directors, officers, and key employees to offset costs associated with compensation and benefit programs. The Bank is the owner and is a joint or sole beneficiary of the policies. Bank-owned life insurance is recorded at the amount that can be realized under the insurance contracts at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Income from the increase in cash surrender value of the policies and income from the realization of death benefits is reported in noninterest income.

Treasury Stock

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to paid-in capital in excess of par value using the average-cost method.

Income Taxes

When income tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while other positions are subject to some degree of uncertainty regarding the merits of the position taken or the amount of the position that would be sustained. The Company recognizes the benefits of a tax position in the financial statements of the period during which, based on all available evidence, management believes it is more-likely-than-not (more than 50 percent probable) that the tax position would be sustained upon examination. Income tax positions that meet the more-likely-than-not threshold are measured as the largest amount of income tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with the income tax positions claimed on income tax returns that exceeds the amount measured as described above is reflected as a liability for unrecognized income tax benefits in the balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities, if there were an examination. Interest and penalties associated with unrecognized income tax benefits are classified as additional income taxes in the consolidated statements of income.

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred income taxes. Income tax reporting and financial statement reporting rules differ in many respects. As a result, there will often be a difference between the carrying amount of an asset or liability as presented in the accompanying balance sheets and the amount that would be recognized as the tax basis of the same asset or liability computed based on the effects of tax positions recognized, as described in the preceding paragraph. These differences are referred to as temporary differences because they are expected to reverse in future years. Deferred income tax assets are recognized for temporary differences where their future reversal will result in future tax benefits. Deferred income tax assets are also recognized for the future tax benefits expected to be realized from net operating loss or tax credit carry forwards. Deferred income tax liabilities are recognized for temporary differences where their future reversal will result in the payment of future income taxes. Deferred income tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred income 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 or 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.

Stock-Based Compensation

The Company has adopted the fair value-based method of accounting for stock-based compensation prescribed in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718-20, *Compensation – Stock Compensation*, for its stock-based compensation plans.

Employee Stock Ownership Plan

The Bank has an ESOP covering substantially all employees. The cost of shares issued to the ESOP but not allocated or committed to be released for allocation to participant accounts is presented in the consolidated balance sheets as a reduction of stockholders' equity. Compensation expense is recognized for the fair value of shares committed to be released for allocation to participant accounts during the year. See Note 11.

Advertising Costs

Advertising costs are charged to operations when incurred.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of reported net income and other comprehensive income (loss). Other comprehensive income (loss), recognized as a separate component of equity, includes the change in unrealized gains or losses on securities available for sale. Amounts reclassified out of unrealized gains and losses on securities available for sale included in accumulated other comprehensive income or loss are included in net gain on sale of securities in the consolidated statements of income.

Loss Contingencies

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

Earnings per Common Share

Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. ESOP shares are considered outstanding for this calculation unless unearned. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options.

Recent Accounting Pronouncements

The following are summaries of recently issued accounting pronouncements that impact the accounting and reporting practices of the Company.

In November 2024, the Financial Accounting Standards Board ("FASB") issued ASU No. 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* ("ASU 2024-03"), which requires the disaggregation of certain expenses in the notes of the financials, to provide enhanced transparency into the expense captions presented on the face of the income statement. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026 and may be applied either prospectively or retrospectively. The Company is currently evaluating the impact that ASU 2024-03 will have on its related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 323): Improvements to Income Tax Disclosures*. These amendments address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The Update also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance is effective for public business entities for fiscal years beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company has assessed ASU 2023-09 and does not expect it to have a material impact on its accounting and disclosures.

The Company has determined that all other recently issued accounting pronouncements will not have a material impact on the Company's consolidated financial statements or do not apply to its operations.

(2) RESTRICTIONS ON CASH AND DUE FROM BANKS

The Bank is typically required to maintain reserve balances on hand and with the Federal Reserve Bank ("FRB"). These funds are unavailable for investment but the reserve balances maintained with the FRB are interest-earning. In response to the COVID-19 pandemic, the FRB reduced the reserve requirement to 0% effective March 26, 2020.

(3) INVESTMENT SECURITIES

Investment securities have been classified in the consolidated balance sheets according to management's intent. Investment securities at December 31, 2024 and 2023 are summarized as follows:

(In thousands) **December 31, 2024**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities available for sale:				
Mortgage-backed securities:				
Agency CMO	$ 3,231	$ —	$ 204	$ 3,027
	3,231	—	204	3,027
Other debt securities:				
Municipal obligations	4,964	—	534	4,430
	4,964	—	534	4,430
Total securities available for sale	$ 8,195	$ —	$ 738	$ 7,457
Securities held to maturity:				
Mortgage-backed securities:				
Agency MBS	$ 9	$ —	$ —	$ 9
Total securities held to maturity	$ 9	$ —	$ —	$ 9
December 31, 2023				
Securities available for sale:				
Mortgage-backed securities:				
Agency MBS	$ 11,966	$ —	$ 1,585	$ 10,381
Agency CMO	19,588	—	3,073	16,515
	31,554	—	4,658	26,896
Other debt securities:				
U.S. Treasury securities	9,851	—	175	9,676
U.S. Government agency obligations	1,980	—	178	1,802
Municipal obligations	66,831	117	6,946	60,002
	78,662	117	7,299	71,480
Total securities available for sale	$ 110,216	$ 117	$ 11,957	$ 98,376
Securities held to maturity:				
Mortgage-backed securities:				
Agency MBS	$ 11	$ —	$ —	$ 11
Total securities held to maturity	$ 11	$ —	$ —	$ 11

The amortized cost and fair value of debt securities as of December 31, 2024 by contractual maturity are shown below. Expected maturities of MBS and CMO may differ from contractual maturities because the mortgages underlying the obligations may be prepaid without penalty and thus the contractual maturities are not presented below.

	Available for Sale		Held to Maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 55	$ 55	$ —	$ —
Due after one year through five years	—	—	—	—
Due after five years through ten years	199	196	—	—
Due after ten years	4,710	4,179	—	—
	4,964	4,430	—	—
MBS and CMO	3,231	3,027	9	9
	$ 8,195	$ 7,457	$ 9	$ 9

Information pertaining to securities with gross unrealized losses at December 31, 2024 and 2023, aggregated by investment category and the length of time that individual securities have been in a continuous loss position, follows:

(Dollars in thousands) **December 31, 2024**	Number of Investment Positions	Fair Value	Gross Unrealized Losses
Securities available for sale:			
Continuous loss position more than 12 months:			
Agency CMO	4	$ 3,027	$ 204
Municipal obligations	11	4,430	534
Total more than 12 months	15	7,457	738
Total securities available for sale	15	$ 7,457	$ 738
December 31, 2023			
Securities available for sale:			
Continuous loss position less than 12 months:			
Agency CMO	1	$ 1,363	$ 13
Municipal obligations	3	791	24
Total less than 12 months	4	2,154	37
Continuous loss position more than 12 months:			
U.S. Treasury securities	6	9,676	175
U.S. Government agency obligations	1	1,802	178
Agency MBS	13	10,380	1,585
Agency CMO	18	15,152	3,060
Municipal obligations	84	47,382	6,922
Total more than 12 months	122	84,392	11,920
Total securities available for sale	126	$ 86,546	$ 11,957

At December 31, 2024 and 2023, the Company had no debt securities in the held to maturity classification in a loss position. At December 31, 2024 and 2023, the debt securities in the available for sale classification in a loss position were 100.0% and 88.0%, respectively, of the Company's total available for sale securities portfolio. All of the debt securities in a loss position at December 31, 2024 and 2023 were backed by residential first mortgage loans or were obligations issued by federal or local government-sponsored enterprises. These unrealized losses occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. The Company does not consider available for sale securities with unrealized losses at December 31, 2024 to be experiencing credit losses and recognized no resulting allowance for credit losses. It is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost basis, which may be the maturity dates of the securities.

During the year ended December 31, 2024, the Company sold available for sale securities for net proceeds of $80.3 million and recognized gross losses of $11.3 million. During the year ended December 31, 2023, the Company sold available for sale securities for net proceeds of $4.1 million and recognized gross losses of $27,000.

(4) LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans at December 31, 2024 and 2023 consisted of the following:

(In thousands)	2024	2023
Real estate mortgage loans:		
One-to-four family residential	$ 60,821	$ 66,352
Multi-family residential	10,305	10,026
Construction	1,254	3,806
Commercial real estate	50,740	51,793
Commercial business loans	10,721	13,306
Consumer loans	1,296	1,665
Total loans	135,137	146,948
Deferred loan origination fees and costs, net	(164)	(175)
Allowance for credit losses on loans	(1,927)	(2,184)
Loans, net	$ 133,046	$ 144,589

The Company has entered into loan transactions with certain directors, officers, and their affiliates (related parties). In the opinion of management, such indebtedness was incurred in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons and does not involve more than normal risk of collectability or present other unfavorable features.

The following represents the aggregate activity for related party loans during the years ended December 31, 2024 and 2023.

(In thousands)	2024	2023
Beginning Balance	$ —	$ 370
New loans	—	—
Payments	—	(370)
Ending Balance	$ —	$ —

The Company has pledged certain loans to secure future advances or other borrowings from the FHLB. At December 31, 2024 and 2023, the eligible blanket collateral included residential mortgage loans with a carrying value of approximately $60.4 million and $64.2 million, respectively. See Note 8.

An analysis of the changes in the allowance for credit losses on loans for the year ended December 31, 2024 is as follows:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
				(In thousands)			
Allowance for credit losses on loans:							
Beginning balance	$ 706	$ 419	$ 39	$ 797	$ 153	$ 70	$ 2,184
Provisions (credit)	(73)	3	(31)	(114)	(31)	(8)	(254)
Charge-offs	—	—	—	—	—	(11)	(11)
Recoveries	5	—	—	—	—	3	8
Ending balance	$ 638	$ 422	$ 8	$ 683	$ 122	$ 54	$ 1,927

An analysis of the changes in the allowance for credit losses on loans for the year ended December 31, 2023 is as follows:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
				(In thousands)			
Allowance for credit losses on loans:							
Beginning balance	$ 705	$ 86	$ 18	$ 650	$ 199	$ 34	$ 1,692
Impact of adopting ASC 326	12	303	83	125	8	26	557
Provisions (credit)	(35)	30	(62)	22	(54)	44	(55)
Charge-offs	(3)	—	—	—	—	(38)	(41)
Recoveries	27	—	—	—	—	4	31
Ending balance	$ 706	$ 419	$ 39	$ 797	$ 153	$ 70	$ 2,184

There we no loans which are collaterally dependent to determine expected credit losses as of December 31, 2024. The following table summarizes the amortized cost and allowance for credit losses allocated to loans which are collaterally dependent to determine expected credit losses as of December 31, 2023:

	Real Estate	Other	Total	Allocated Allowance
		(In thousands)		
Commercial real estate	$ 315	$ —	$ 315	$ —
Total	$ 315	$ —	$ 315	$ —

At December 31, 2024 and 2023, management applied qualitative factor adjustments to each portfolio segment as they determined that the historical loss experience was not indicative of the level of risk in the remaining balance of those portfolio segments. As part of their analysis of qualitative factors, management considers changes in underwriting standards, economic conditions, trends in the volume and term of new loan originations, changes in lending management, past due loan trends, the quality of the loan review system, collateral valuations, loan concentrations and other internal and external factors.

The following table presents the amortized cost of nonaccrual loans and loans past due over 90 days and still accruing at December 31, 2024 and December 31, 2023:

	At December 31, 2024			At December 31, 2023		
	Nonaccrual Loans	Nonaccrual Loans Without an Allowance	Loans 90+ Days Past Due Still Accruing	Nonaccrual Loans	Nonaccrual Loans Without an Allowance	Loans 90+ Days Past Due Still Accruing
			(In thousands)			
One-to-four family residential	$ 298	$ —	$ —	$ 226	$ —	$ —
Commercial real estate	—	—	—	365	—	—
Total	$ 298	$ —	$ —	$ 591	$ —	$ —

The following table presents the aging of the amortized cost in loans at December 31, 2024 and 2023:

	Current	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Total Accruing Loans	Nonaccrual Loans	Total Loans
				(In thousands)				
December 31, 2024								
One-to-four family residential	$ 60,381	$ 68	$ 74	$ —	$ 142	$ 60,523	$ 298	$ 60,821
Multi-family residential	10,305	—	—	—	—	10,305	—	10,305
Construction	1,254	—	—	—	—	1,254	—	1,254
Commercial real estate	50,504	236	—	—	236	50,740	—	50,740
Commercial business	10,721	—	—	—	—	10,721	—	10,721
Consumer	1,290	6	—	—	6	1,296	—	1,296
Total	$ 134,455	$ 310	$ 74	$ —	$ 384	$ 134,839	$ 298	$ 135,137
December 31, 2023								
One-to-four family residential	$ 65,430	$ 669	$ 27	$ —	$ 696	$ 66,126	$ 226	$ 66,352
Multi-family residential	10,026	—	—	—	—	10,026	—	10,026
Construction	3,806	—	—	—	—	3,806	—	3,806
Commercial real estate	51,402	—	26	—	26	51,428	365	51,793
Commercial business	13,306	—	—	—	—	13,306	—	13,306
Consumer	1,655	10	—	—	10	1,665	—	1,665
Total	$ 145,625	$ 679	$ 53	$ —	$ 732	$ 146,357	$ 591	$ 146,948

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, public information, historical payment experience, credit documentation, and current economic trends, among other factors. The Company classifies loans based on credit risk at least quarterly. The Company uses the following regulatory definitions for risk ratings:

Pass: Loans not meeting the criteria below are considered to be pass loans.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

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

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

Loss: Loans classified as loss are considered uncollectible and of such little value that their continuance on the institution's books as an asset is not warranted.

The following table presents the amortized cost of loans, segregated by portfolio segment, risk category and year of origination as of December 31, 2024 and gross charge-offs for the year ended December 31, 2024:

	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
				(In thousands)				
One-to-four family residential								
Pass	$ 3,114	$ 6,317	$ 11,007	$ 8,160	$ 5,157	$ 22,467	$ 3,008	$ 59,230
Special mention	—	217	971	—	—	—	—	1,188
Substandard	—	—	98	—	54	251	—	403
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total one-to-four family residential	3,114	6,534	12,076	8,160	5,211	22,718	3,008	60,821
Current period gross charge-offs	—	—	—	—	—	—	—	—
Multi-family residential								
Pass	—	2,179	3,038	2,894	1,958	236	—	10,305
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total multi-family residential	—	2,179	3,038	2,894	1,958	236	—	10,305
Current period gross charge-offs	—	—	—	—	—	—	—	—
Construction								
Pass	1,049	—	—	—	—	—	205	1,254
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction	1,049	—	—	—	—	—	205	1,254
Current period gross charge-offs	—	—	—	—	—	—	—	—
Commercial real estate								
Pass	6,642	7,237	14,819	11,073	2,360	7,040	1,569	50,740
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial real estate	6,642	7,237	14,819	11,073	2,360	7,040	1,569	50,740
Current period gross charge-offs	—	—	—	—	—	—	—	—
Commercial business								
Pass	2,319	466	3,617	2,131	122	190	1,876	10,721
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial business	2,319	466	3,617	2,131	122	190	1,876	10,721
Current period gross charge-offs	—	—	—	—	—	—	—	—
Consumer								
Pass	650	265	150	179	47	—	5	1,296
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total consumer	650	265	150	179	47	—	5	1,296
Current period gross charge-offs	—	—	—	—	—	—	11	11
Total loans								
Pass	$ 13,774	$ 16,464	$ 32,631	$ 24,437	$ 9,644	$ 29,933	$ 6,663	$ 133,546
Special mention	—	217	971	—	—	—	—	1,188
Substandard	—	—	98	—	54	251	—	403
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total loans	$ 13,774	$ 16,681	$ 33,700	$ 24,437	$ 9,698	$ 30,184	$ 6,663	$ 135,137
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ 11	$ 11

The following table presents the amortized cost of loans, segregated by portfolio segment, risk category and year of origination as of December 31, 2023 and gross charge-offs for the year ended December 31, 2023:

	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
				(In thousands)				
One-to-four family residential								
Pass	$ 7,642	$ 13,321	$ 9,491	$ 5,886	$ 2,376	$ 23,958	$ 3,452	$ 66,126
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	226	—	226
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total one-to-four family residential	7,642	13,321	9,491	5,886	2,376	24,184	3,452	66,352
Current period gross charge-offs	—	—	—	—	—	3	—	3
Multi-family residential								
Pass	2,232	2,294	3,018	2,100	—	382	—	10,026
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total multi-family residential	2,232	2,294	3,018	2,100	—	382	—	10,026
Current period gross charge-offs	—	—	—	—	—	—	—	—
Construction								
Pass	1,243	2,563	—	—	—	—	—	3,806
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total construction	1,243	2,563	—	—	—	—	—	3,806
Current period gross charge-offs	—	—	—	—	—	—	—	—
Commercial real estate								
Pass	7,691	16,729	11,590	3,830	2,981	6,569	2,038	51,428
Special mention	—	—	—	—	—	—	—	—
Substandard	—	50	315	—	—	—	—	365
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial real estate	7,691	16,779	11,905	3,830	2,981	6,569	2,038	51,793
Current period gross charge-offs	—	—	—	—	—	—	—	—
Commercial business								
Pass	575	2,410	7,352	182	136	220	2,431	13,306
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total commercial business	575	2,410	7,352	182	136	220	2,431	13,306
Current period gross charge-offs	—	—	—	—	—	—	—	—
Consumer								
Pass	789	367	384	66	12	5	42	1,665
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total consumer	789	367	384	66	12	5	42	1,665
Current period gross charge-offs	—	4	19	—	—	—	15	38
Total loans								
Pass	$ 20,172	$ 37,684	$ 31,835	$ 12,064	$ 5,505	$ 31,134	$ 7,963	$ 146,357
Special mention	—	—	—	—	—	—	—	—
Substandard	—	50	315	—	—	226	—	591
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total loans	$ 20,172	$ 37,734	$ 32,150	$ 12,064	$ 5,505	$ 31,360	$ 7,963	$ 146,948
Current period gross charge-offs	$ —	$ 4	$ 19	$ —	$ —	$ 3	$ 15	$ 41

There were no loans that were both experiencing financial difficulty and modified as defined under ASU 2022-02 during the years ended December 31, 2024 and December 31, 2023.

(5) FORECLOSED REAL ESTATE

The Company did not have any foreclosed residential real estate properties where physical possession has occurred at December 31, 2024 and 2023.

At December 31, 2024, there were no commercial real estate loans collateralized by commercial real estate property in the process of foreclosure. At December 31, 2023, the recorded investment in commercial real estate loans collateralized by commercial real estate property in the process of foreclosure was $315,000.

In March 2023, the Company sold foreclosed real estate for net proceeds of $23,000 and recognized a $7,000 net gain on the disposal of the property. In September 2023, the Company sold foreclosed real estate property for net proceeds of $53,000 and recognized a $1,000 net gain on the disposal of the property.

(6) PREMISES AND EQUIPMENT

Premises and equipment as of December 31, 2024 and 2023 consisted of the following:

(In thousands)	2024	2023
Land and land improvements	$ 517	$ 517
Office buildings and leasehold improvements	2,370	2,369
Furniture, fixtures, and equipment	1,452	1,461
	4,339	4,347
Less accumulated depreciation	2,442	2,266
Total premises and equipment, net of accumulated depreciation	$ 1,897	$ 2,081

The carrying value of premises and equipment are assessed for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors.

(7) DEPOSITS

The aggregate amount of time deposit accounts with balances that met or exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limit of $250,000 were approximately $19.1 million and $17.6 million at December 31, 2024 and 2023, respectively. The Company had no brokered deposits at December 31, 2024 and December 31, 2023.

At December 31, 2024, scheduled maturities of time deposits were as follows:

	(In thousands)
2025	$ 56,169
2026	3,423
2027	1,077
2028	602
2029	269
Thereafter	—
Total	$ 61,540

The Company held deposits of approximately $3.3 million and $3.0 million for related parties at December 31, 2024 and 2023, respectively.

Interest expense on deposits is summarized as follows:

(In thousands)	2024	2023
Savings and interest-bearing demand deposits	$ 85	$ 112
Time deposits	2,285	1,626
Total	$ 2,370	$ 1,738

(8) BORROWINGS

At December 31, 2024, the Bank had no advances outstanding. At December 31, 2023, the Bank had $28.2 million in advances outstanding.

On March 12, 2023, the Federal Reserve created the BTFP to provide additional funding available to eligible depository institutions. The BTFP offered loans of up to one year in length to banks, savings associations, credit unions and other depository institutions which pledge collateral, such as U.S. Treasuries, U.S. agency securities and U.S. agency mortgage-backed securities. The collateral is valued at par, and advances under this program do not include any fees or prepayment penalties. The BTFP ceased extending new loans on March 11, 2024. At December 31, 2024, there were no securities pledged.

In addition, during the years ended December 31, 2024 and 2023, the Company utilized a $5.0 million line of credit with the FHLB. No advances were taken during the year ended December 31, 2024. The following table sets forth information on the FHLB line of credit advances during the periods presented:

	2024	2023
	(Dollars in thousands)	
Outstanding at period-end	$ —	$ —
Average amount outstanding	—	19
Maximum amount outstanding at any month-end	—	1,301
Weighted average interest rate:		
During period	— %	8.91 %
End of period	— %	— %

Any advances are secured under a blanket collateral agreement with the FHLB. At December 31, 2024 and 2023, the carrying value of mortgage loans pledged as security for advances was $60.4 million and $64.2 million, respectively.

(9) INCOME TAXES

The components of consolidated income tax expense (benefit) for the years ended December 31, 2024 and 2023 were as follows:

(In thousands)	2024	2023
Current	$ 7	$ 8
Deferred	(2,618)	(33)
Total	$ (2,611)	$ (25)

The reconciliation of income tax expense (benefit) with the amount which would have been provided at the federal statutory rate of 21% for the years ended December 31, 2024 and 2023, follows:

(In thousands)	2024	2023
Provisions at federal statutory rate	$ (2,045)	$ 301
State income tax-net of federal tax benefit	(329)	18
Municipal interest income	(250)	(342)
Bank-owned life insurance income	(12)	(12)
Other	25	10
Total	$ (2,611)	$ (25)
Effective tax rate	(26.8)%	(1.7)%

Indiana tax laws enacted in 2013 and 2014 decreased the Indiana financial institutions franchise tax rate beginning in 2014 and ending in 2023. Deferred taxes have been adjusted to reflect the newly enacted rates and the period in which temporary differences are expected to reverse.

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2024 and 2023 were as follows:

(In thousands)	2024	2023
Deferred tax assets (liabilities):		
Director deferred compensation plan	$ 4	$ 14
Allowance for credit losses	456	513
Nonaccrual loan interest income	40	50
Equity incentive plans	49	44
Employee stock ownership plan	36	34
Unrealized loss on securities available for sale	183	2,945
Net deferred loan costs	39	42
Net operating loss carryover (federal)	856	133
Net operating loss carryover (state)	96	—
Enterprise zone credit carryover	19	—
Capitalized transaction costs	224	—
Capital loss carryover	1,579	—
Other	2	—
Total deferred tax assets	3,583	3,775
Depreciation	(75)	(107)
FHLB stock dividends	(6)	(18)
Prepaid expenses	(39)	(44)
Total deferred tax liabilities	(120)	(169)
Net deferred tax asset	$ 3,463	$ 3,606

The deferred tax asset as of December 31, 2024 and 2023 is included as a component of other assets on the balance sheet.

At December 31, 2024 and 2023, the Company had no liability for unrecognized income tax benefits related to uncertain tax positions and does not anticipate any increase in the liability for unrecognized tax benefits during the next twelve months. The Company believes that its income tax positions would be sustained upon examination and does not anticipate any adjustments that would result in a material change to its financial position or results of operations. The Company files a consolidated U.S. federal income tax return and a combined Indiana state income tax return. Returns filed in these jurisdictions for tax years ended on or after December 31, 2021 are subject to examination by the relevant taxing authorities.

During 2024 and 2023, the Company generated federal net operating losses ("NOLs") of $3.6 million and $320,000, respectively. For federal income tax purposes, the NOLs have no expiration period. During 2024, the Company generated state NOLs of $96,000. The NOLs generated in the State of Indiana have a fifteen-year carryforward period, while NOLs generated in the Commonwealth of Kentucky have no expiration period. The Company expects to generate sufficient taxable income in the future to utilize the losses generated.

Prior to October 1, 1996, the Company was permitted by the Internal Revenue Code to deduct from taxable income an annual addition to a statutory bad debt reserve subject to certain limitations. Retained earnings at December 31, 2024 and 2023 include approximately $1.2 million of cumulative deductions for which no deferred federal income tax liability has been recorded. Reduction of these reserves for purposes other than tax bad debt losses or adjustments arising from carry back of net operating losses would create income for tax purposes subject to the then current corporate income tax rate. The unrecorded deferred tax liability on these amounts was approximately $294,000 at December 31, 2024 and 2023.

(10) DEFERRED DIRECTORS COMPENSATION PLAN

The Company has a deferred compensation plan whereby certain directors defer into an account with the Company a portion of their monthly director fees to provide income for a period of ten years following retirement. The benefits under the contracts are fully vested and the Company accrues the interest cost on the deferred obligation. The balance of the accrued benefit for the plan, which is included as part of accrued expenses and other liabilities on the balance sheet, was $18,000 and $58,000 at December 31, 2024 and 2023, respectively. Deferred compensation expense was $3,000 and $5,000 for the years ended December 31, 2024 and 2023, respectively.

(11) EMPLOYEE BENEFIT PLANS

Defined Contribution Plan:

The Company has a qualified defined contribution plan available to all eligible employees. The plan allows participating employees to make tax-deferred contributions under Internal Revenue Code Section 401(k). The Company contributed $86,000 and $90,000 to the plan for the years ended December 31, 2024 and 2023, respectively.

Employee Stock Ownership Plan:

In connection with the Conversion, the Bank established a leveraged ESOP for eligible employees of the Company and the Bank. The ESOP trust purchased 204,789 shares of Company common stock at the initial public offering price of $10.00 per share financed by a 20-year term loan with the Company. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Company's discretionary contributions to the ESOP and earnings on ESOP assets. The employer loan and the related interest income are not recognized in the consolidated financial statements as the debt is serviced by employer contributions. Dividends payable on allocated shares are charged to retained earnings and are satisfied by the allocation of cash dividends to participant accounts. Dividends payable on unallocated shares are not considered dividends for financial reporting purposes. Shares held by the ESOP trust are held in a suspense account and allocated to participant accounts as principal and interest payments are made by the ESOP to the Company. Payments of principal and interest are due annually on December 31, the Company's fiscal year end.

As shares are committed to be released for allocation to participant accounts from collateral, the Company reports compensation expense equal to the average fair value of shares committed to be released during the year with a corresponding credit to stockholders' equity and the shares become outstanding for earnings per share computations. The compensation expense is accrued throughout the year.

Compensation expense recognized for the years ended December 31, 2024 and 2023 was $186,000 and $146,000, respectively. Company common stock held by the ESOP trust at December 31, 2024 and 2023 was as follows:

	2024	2023
Allocated shares	78,928	65,699
Unallocated shares	125,861	139,090
Total ESOP shares	204,789	204,789
Fair value of unallocated shares	$ 1,825,000	$ 1,328,000

Employment Agreements:

The Company is party to an employment agreement with its President and Chief Executive Officer. The employment agreement is terminable by the Company for cause at any time and upon the occurrence of events specified by federal regulations. The agreement provides for an annual base salary and annual bonuses, if any, as determined by the

Compensation Committee of the Company's Board of Directors. The President and Chief Executive Officer may participate in all benefit plans and arrangements generally available to employees of the Company and in any supplementary benefits provided to the Company's senior executives. The agreement provides an annual car allowance.

In addition, the Company is party to change in control agreements with certain members of the Bank's senior executives. These agreements provide for the continuation of salary and certain benefits for a specified period of time upon termination of employment under certain circumstances following a change in control, along with other specific conditions.

(12) STOCK-BASED COMPENSATION PLANS

The Company's stock-based compensation plans are described below. The compensation cost that has been charged against income for those plans was $151,000 and $264,000 for 2024 and 2023, respectively.

The Company accounts for any forfeitures when they occur, and any previously recognized compensation expense for an award is reversed in the period the award is forfeited. The Company generally reissues treasury shares or issues new shares from its authorized but unissued shares under the plans.

2010 Equity Incentive Plan

The Bank had an equity incentive plan (the "2010 Plan") adopted on July 27, 2010 which was assumed by the Company in connection with the Conversion. Under the 2010 Plan, 127,849 shares of common stock, as adjusted for the exchange ratio applied in the Conversion, were approved for awards of stock options and restricted stock. As of December 31, 2024 and 2023, on an adjusted basis, awards for stock options totaling 77,776 shares and 78,010 shares, respectively, and awards for restricted stock totaling 34,250 shares of Company common stock have been granted, net of any forfeitures, to participants in the 2010 Plan. No additional awards may be made under the 2010 Plan.

2019 Equity Incentive Plan

In September 2019, the Company's stockholders approved the 2019 Equity Incentive Plan (the "2019 Plan") which provides for the award of stock options and restricted stock. Under the 2019 Plan, the Compensation Committee may grant stock options that, upon exercise, result in the issuance of 255,987 shares of common stock and may grant 102,395 shares of restricted stock. At both December 31, 2024 and December 31, 2023, awards for stock options totaling 20,900 shares and awards for restricted stock totaling 48,319 shares of the Company common stock have been granted, net of any forfeitures, to participants in the 2019 Plan.

The vesting dates for stock option awards are determined by the Compensation Committee appointed by the board of directors. All unvested options become exercisable upon an option holder's death or disability and in the event of a change in control. Option prices may not be less than the fair market value of the underlying stock at the date of the grant of the award. Restricted stock awards generally vest over a period of five years. The Plan provides that unvested restricted stock awards become fully vested upon a holder's death or disability and in the event of a change in control. Compensation expense is recognized over the requisite service period with a corresponding credit to stockholders' equity. The requisite service period for restricted shares is the vesting period.

Stock Options:

No stock options were granted during the years ended December 31, 2024 and December 31, 2023.

A summary of option activity as of December 31, 2024, and changes during the year then ended is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	89,403	$ 13.39		
Granted	—	—		
Exercised	—	—		
Forfeited or expired	—	—		
Outstanding at end of period	89,403	$ 13.39	5.6	$147,000
Vested and expected to vest	89,403	$ 13.39	5.6	$147,000
Exercisable at end of period	82,103	$ 13.40	5.4	$134,000

For the years ended December 31, 2024 and 2023, the Company recognized $18,000 and $62,000, respectively, in compensation expense related to the stock option plan. At December 31, 2024, there was $30,000 of unrecognized compensation expense related to nonvested stock options. That compensation expense is expected to be recognized over a weighted-average period of 1.8 years.

Restricted Stock:

A summary of the activity for the Company's nonvested restricted shares during the year ended December 31, 2024, is presented below:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	18,331	$ 14.09
Granted	—	—
Vested	(9,194)	14.38
Forfeited	—	—
Nonvested at end of period	9,137	$ 13.80

For the years ended December 31, 2024 and 2023, the Company recognized $133,000 and $202,000, respectively, in compensation expense related to the restricted stock plans. At December 31, 2024, unrecognized compensation expense related to nonvested restricted shares was $123,000. That compensation expense is expected to be recognized over the remaining weighted average vesting period of 1.6 years.

(13) COMMITMENTS AND CONTINGENCIES

Credit-Related Financial Instruments

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit and legal claims, which are not reflected in the financial statements.

There were $41,000 in commitments under outstanding standby letters of credit at both December 31, 2024 and December 31, 2023.

The following is a summary of the commitments to extend credit at December 31, 2024 and 2023:

(In thousands)	2024	2023
Loan commitments:		
Fixed rate	$ —	$ 9
Adjustable rate	737	276
Undisbursed commercial and personal lines of credit	8,418	9,891
Undisbursed portion of commercial construction loans	—	407
Undisbursed portion of residential construction loans	259	785
Total commitments to extend credit	$ 9,414	$ 11,368

(14) FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheet.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments (see Note 13). The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Company upon extension of credit, varies and is based on management's credit evaluation of the counter-party.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit. The Company had no liabilities related to standby letters of credit guarantees at December 31, 2024 and 2023.

The Company has not been required to perform on any financial guarantees during the past two years. The Company incurred no losses on its commitments in either 2024 or 2023.

(15) REGULATORY MATTERS

The Company is a bank holding company subject to capital adequacy requirements of the Board of Governors of the Federal Reserve ("Federal Reserve") under the Bank Holding Company Act of 1956, as amended, and the regulations of the Federal Reserve, except that, pursuant to the Economic Growth, Regulatory Relief and Consumer Protection Act, effective August 30, 2018, a bank holding company with consolidated assets of less than $3 billion is generally not subject to the Federal Reserve's capital regulations.

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Office of the Comptroller of the Currency ("OCC"). Failure to meet minimum capital requirements can initiate certain mandatory-and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Beginning in 2020, qualifying community banks with assets of less than $10 billion were eligible to opt in to the Community Bank Leverage Ratio ("CBLR") framework. The CBLR is the ratio of a bank's tangible equity capital to average total consolidated assets. A qualifying community bank that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under prompt corrective action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies must set the minimum capital for the new CBLR at not less than 8% and not more than 10%, and had originally set the minimum ratio at 9%. However, pursuant to the CARES Act and related interim final rules, the minimum CBLR was set at 8% for calendar year 2020, 8.5% for calendar year 2021, and 9% thereafter. A financial institution that falls below the minimum CBLR generally has a two-quarter grace period to get back into compliance as long as it maintains a minimum CBLR of 7.5% for 2021 and 8% for 2022 and thereafter. A financial institution can elect to be subject to or opt out of the CBLR framework at any time. As a qualified community bank, the Bank opted into the CBLR framework as of January 1, 2020.

At December 31, 2024, the Bank's CBLR ratio was 14.8%. The Bank's CBLR ratio was 15.4% at December 31, 2023. Management believes that the Bank met all capital adequacy requirements to which it was subject as of December 31, 2024 and 2023.

As of December 31, 2024, the most recent notification from the OCC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are presented in the following table. No amounts were deducted from capital for interest-rate risk in either year.

	Actual		**Minimum for Capital Adequacy Purposes with Capital Conservation Buffer:**		**Minimum to be Well Capitalized under Prompt Corrective Action Provisions:**	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2024:						
Community Bank Leverage Ratio	$ 34,855	14.8 %	N/A	N/A	$ 21,264	9.0 %
As of December 31, 2023:						
Community Bank Leverage Ratio	$ 42,920	15.4 %	N/A	N/A	$ 25,066	9.0 %

(16) STOCKHOLDERS' EQUITY

Dividends

The payment of dividends by the Company and Bank are subject to regulation by the Federal Reserve and OCC, respectively. Under Indiana law, the Company is prohibited from paying a dividend if, as a result of its payment, the Company would be unable to pay its debts as they become due in the normal course of business, or if the Company's total liabilities would exceed its total assets. Under OCC regulations, the Bank generally may make capital distributions during any calendar year in an amount up to 100% of net income for the year-to-date plus retained net income for the two preceding years, so long as it is well-capitalized after the distribution. In addition, as noted above, if the Bank does not have the required capital conservation buffer, its ability to pay dividends to the Company would be limited.

(17) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the carrying value and estimated fair value of financial instruments and the level within the fair value hierarchy (see Note 19) in which the fair value measurements fall at December 31, 2024 and 2023:

		Fair Value Measurements Using		
(In thousands)	Carrying Value	Level 1	Level 2	Level 3
December 31, 2024				
Financial assets:				
Cash and cash equivalents	$ 74,625	$ 74,625	$ —	$ —
Securities available for sale	7,457	—	7,457	—
Securities held to maturity	9	—	9	—
Loans, net	133,046	—	—	132,794
FHLB stock	269	N/A	N/A	N/A
Accrued interest receivable	601	—	601	—
Financial liabilities:				
Noninterest-bearing deposits	24,037	24,037	—	—
Interest-bearing deposits	164,426	—	—	163,869
Accrued interest payable	270	—	270	—
December 31, 2023				
Financial assets:				
Cash and cash equivalents	$ 13,676	$ 13,676	$ —	$ —
Securities available for sale	98,376	—	98,376	—
Securities held to maturity	11	—	11	—
Loans, net	144,589	—	—	142,310
FHLB stock	748	N/A	N/A	N/A
Accrued interest receivable	1,278	—	1,278	—
Financial liabilities:				
Noninterest-bearing deposits	26,570	26,570	—	—
Interest-bearing deposits	176,340	—	—	175,409
Borrowings	28,200	—	28,135	—
Accrued interest payable	1,133	—	1,133	—

The carrying amounts in the preceding table are included in the consolidated balance sheets under the applicable captions. The contractual or notional amounts of financial instruments with off-balance-sheet risk are disclosed in Note 14, and the fair value of these instruments is considered immaterial.

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, accrued interest receivable and payable, demand deposits and other transaction accounts. The fair value of securities is based on quoted market prices (where available) or values obtained from an independent pricing service. The fair value of loans and fixed-maturity certificates of deposit is based on discounted cash flows using current market rates applied to the estimated life and credit risk of the instrument. It is not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability. The methods utilized to measure the fair value of financial instruments at December 31, 2024 and 2023 represent an approximation of exit price, but an actual exit price may differ.

(18) SUPPLEMENTAL DISCLOSURE FOR EARNINGS PER SHARE

(Dollars in thousands, except per share data)	2024	2023
Basic		
Earnings:		
Net income (loss)	$ (7,126)	$ 1,456
Shares:		
Weighted average common shares outstanding	2,733,220	2,705,568
Net income (loss) per common share, basic	$ (2.61)	$ 0.54
Diluted		
Earnings:		
Net income (loss)	$ (7,126)	$ 1,456
Shares:		
Weighted average common shares outstanding	2,733,220	2,705,568
Add: Dilutive effect of stock options	—	—
Add: Dilutive effect of restricted stock	—	1,963
Weighted average common shares outstanding, as adjusted	2,733,220	2,707,531
Net income (loss) per common share, diluted	$ (2.61)	$ 0.54

Weighted-average stock options of 89,403 shares of common stock were excluded from the calculation of diluted net income per common share because their effect was antidilutive for the year ended December 31, 2023, respectively.

(19) FAIR VALUE MEASUREMENTS

FASB ASC Topic 820*, Fair Value Measurements,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities

(Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2: Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The table below presents the balances of assets measured at fair value on a recurring basis as of December 31, 2024. There were no assets measured at fair value on a nonrecurring basis as of December 31, 2024. The Company had no liabilities measured at fair value as of December 31, 2024.

	Carrying Value			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
December 31, 2024				
Assets Measured on a Recurring Basis				
Securities available for sale:				
Agency CMO	$ —	$ 3,027	$ —	$ 3,027
Municipal obligations	—	4,430	—	4,430
Total securities available for sale	$ —	7,457	$ —	$ 7,457

The table below presents the balances of assets measured at fair value on a recurring basis as of December 31, 2023. There were no assets measured at fair value on a nonrecurring basis as of December 31, 2023. The Company had no liabilities measured at fair value as of December 31, 2023.

	Carrying Value			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
December 31, 2023				
Assets Measured on a Recurring Basis				
Securities available for sale:				
Agency MBS	$ —	$ 10,381	$ —	$ 10,381
Agency CMO	—	16,515	—	16,515
U.S. Treasury securities	—	9,676	—	9,676
U.S. Government agency obligations	—	1,802	—	1,802
Municipal obligations	—	60,002	—	60,002
Total securities available for sale	$ —	$ 98,376	$ —	$ 98,376

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets carried at fair value or the lower of cost or fair value.

Fair value is based upon quoted market prices, where available. If quoted market prices are not available, fair value is based on internally developed models or obtained from third parties that primarily use, as inputs, observable market-based parameters or a matrix pricing model that employs the Bond Market Association's standard calculations for cash flow and price/yield analysis and observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value, or the lower of cost or fair value. These adjustments may include unobservable parameters. Any such valuation adjustments have been applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available for Sale. Securities classified as available for sale are reported at fair value on a recurring basis. These securities are classified as Level 1 of the valuation hierarchy where quoted market prices from reputable third-party brokers are available in an active market. If quoted market prices are not available, the Company obtains fair value measurements from an independent pricing service. These securities are reported using Level 2 inputs and the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors. Changes in fair value of securities available for sale are recorded in other comprehensive income (loss), net of income tax effect.

There have been no changes in the valuation techniques and related inputs used for assets measured at fair value on a recurring and nonrecurring basis during the years ended December 31, 2024 and 2023. There were no transfers in or out of the Company's Level 3 financial assets for the years ended December 31, 2024 and 2023.

(20) CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME BY COMPONENT

Amounts reclassified from accumulated other comprehensive income ("AOCI") and the affected line items in the consolidated statements of income (loss) during the years ended December 31, 2024 and 2023 were as follows:

	Amounts Reclassified from AOCI 2024	Amounts Reclassified from AOCI 2023	Affected Line Item in the Consolidated Statements of Income
	(In thousands)		
Unrealized gains and losses on available for sale securities			
Realized losses on securities available for sale	$ (11,295)	$ (27)	Net losses on sale of securities available for sale
Income tax benefit	2,809	7	Income tax benefit
Net of tax amount	$ (8,486)	$ (20)	

(21) SEGMENT INFORMATION

The Company has one reportable segment: commercial banking. The Company's reportable segment is determined by the Chief Executive Officer, who is the designated chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, return on average assets, net interest margin, efficiency ratio, Community Bank Leverage Ratio, average interest-earning assets to average interest-bearing liabilities ratio, asset quality ratios, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. Accounting policies for segments are the same as those described in Note 1.

While the chief operating decision maker monitors revenue streams of various products and services, the identifiable segments' operations are managed, and financial performance is evaluated on a company-wide basis. The chief operating decision maker uses consolidated net income to evaluate income generated from segment assets in deciding whether to reinvest profits into the commercial banking segment. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. See the Consolidated Balance Sheet, the Consolidated Statements of Income (Loss), the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Stockholders' Equity, and the Consolidated Statements of Cash Flows.

(22) REVENUE FROM CONTRACTS WITH CUSTOMERS

Substantially all of the Company's revenue from contracts with customers in the scope of FASB ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income and other income within the scope of FASB ASC 606 for the years ended December 31, 2024 and 2023:

	2024	2023
	(In thousands)	
Service charges on deposit accounts	$ 355	$ 357
Brokered loan fees	33	60
ATM transaction and point-of-sale interchange fees	581	615
Other income	38	34
Revenue from contracts with customers	1,007	1,066
Net loss on sales of securities available for sale	(11,295)	(27)
Increase in cash surrender value of life insurance	60	58
Gain on disposal of foreclosed real estate	—	8
Other income	10	11
Other noninterest income (loss)	(11,225)	50
Total noninterest income (loss)	$ (10,218)	$ 1,116

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

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

Brokered Loan Fees: The Company entered into loan brokering agreements with United Wholesale Mortgage ("UWM") and Union Home Mortgage ("UHM"). Under the agreements, the Company performs loan application and preliminary underwriting activities to determine if potential loans conform to the underwriting standards of Fannie Mae. Conforming loans are then funded by the brokers, and the Company receives a fee for services performed.

ATM and Debit Card Fee Income**:** The Company earns ATM usage fees and interchange fees from debit cardholder transactions conducted through a payment network. ATM fees are recognized at the point in time the transaction occurs. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Other Income**:** Other income from contracts with customers includes safe deposit box fees, check cashing and cashier's check fees, and wire transfer fees. This revenue is recognized at the time the transaction is executed or over the period the Company satisfies the performance obligation.

(23) CONCENTRATION OF CREDIT RISK

At December 31, 2024, the Company had no concentration of credit risk with correspondent banks in excess of the federal deposit insurance limit. In addition, $33.1 million and $38.7 million of cash was held by the FHLB of Indianapolis and the Federal Reserve Bank, respectively, which are not federally insured.

(24) SUBSEQUENT EVENTS

The Company has evaluated subsequent events for recognition and disclosure through February 24, 2025, which is the date the financial statements were available to be issued.

On January 25, 2024, the Company announced that Beacon Credit Union, the Company, and the Bank signed a definitive purchase and assumption agreement whereby Beacon Credit Union will acquire substantially all the assets and assume substantially all the liabilities (including all the deposit account liabilities) of the Bank in an all-cash transaction (the "P&A Transaction"). As consideration for the P&A Transaction, the Bank will retain $10.0 million of its cash and Beacon Credit Union has agreed to pay the Bank $45,198,789 in cash (the "Purchase Price"), subject to a dollar-for-dollar increase or reduction if the Bank's total equity at closing as calculated in the purchase and assumption agreement is above or below $30,711,000. The parties have the right to terminate the purchase and assumption agreement if the Purchase Price is less than $36,198,789.

Following the completion of the P&A Transaction and after all the respective obligations of the Company and the Bank (including settlement of the liquidation accounts maintained by the Company and the Bank) are settled or otherwise accounted for, the Bank will liquidate and distribute its remaining assets to the Company (the "liquidation") and then the Company will dissolve and distribute its remaining assets to its shareholders (the "dissolution").

The Company's shareholders approved the P&A Transaction and the dissolution of the Company on May 22, 2024 at the 2024 Annual Meeting of Shareholders.

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CORPORATE INFORMATION

Directors and Director Emeritus

Dana J. Dunbar
Chairman of the Board
Real Estate Development & Management

Alexander G. Babey
President and Chief Executive Officer,
Mid-Southern Bancorp, Inc. and
Mid-Southern Savings Bank, FSB

Larry R. Bailey
Chief Operating Officer
Indiana University Health South Region Critical
Access Hospital

Trent L. Fisher, DMV
Doctor of Veterinary Medicine

Eric A. Koch
Of Counsel, Gutwein Law
Indiana State Senator

Brent A. Rosenbaum
Farmer and Partner/Farmer, Rosenbaum Farms, LLC

Kermit A. Lamb
Retired President and Chief Executive Officer,
Mid-Southern Savings Bank FSB

Charles W. Lamb
Director Emeritus

Executive Officers

Alexander G. Babey
President and Chief Executive Officer,
Mid-Southern Bancorp, Inc. and
Mid-Southern Savings Bank, FSB

James O. King, III (Jimmy)
Executive Vice President and Senior Loan Officer,
Mid-Southern Savings Bank, FSB

Robert W. DeRossett
Chief Financial Officer
Mid-Southern Bancorp, Inc.

Erica B. Schmidt
Executive Vice President and Chief Financial Officer,
Mid-Southern Savings Bank, FSB

General Counsel

Luse Gorman
5335 Wisconsin Ave, N.W. Suite 780
Washington, D.C. 20015

Independent Auditors

FORVIS MAZARS, LLP
820 Massachusetts Avenue, Suite 1370
Indianapolis, IN 46204

Transfer Agent

Computershare
150 Royall Street
Canton, MA 02021

General Inquiries and Reports

Copies of this Annual Report may be obtained without charge by contacting:

Alexander G. Babey (alex.babey@mid-southernbancorp.com)

- or -

Erica B. Schmidt (erica.schmidt@mid-southernbancorp.com)

Annual Meeting

The Annual Meeting of Stockholders will be held Wednesday, May 28, 2025, at 1:00 p.m., Eastern Time, at Spring Mill Inn at Spring Mill State Park, located at 3333 State Road 60 E, Mitchell, Indiana.

Mid-Southern Bancorp, Inc.

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SALEM, INDIANA 47167-0545

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