

REFINITIV

DELTA REPORT

10-Q

CENTRAL PLAINS BANCSHARES

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1030

■ CHANGES 315

■ DELETIONS 498

■ ADDITIONS 217

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

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

For the quarterly period ended **December 31, June 30, 2023 2024**

OR

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

For the transition period from to

Commission File Number: 001-41844

Central Plains Bancshares, Inc.

(Exact Name of Registrant as Specified in its Charter)

Maryland

(State or other jurisdiction of

incorporation incorporation or organization)

93-2239246

(I.R.S. Employer

Identification No.)

221 South Locust Street

Grand Island, NE

(Address of principal executive offices)

68801

(Zip Code)

Registrant's telephone number, including area code: (308) 382-4000

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	CPBI	NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of **February 13, 2024** **August 7, 2024**, the registrant had 4,130,815 shares of common stock, \$0.01 par value per share, outstanding.

[Table of Contents](#)

Table of Contents

	<u>Page</u>
PART I.	
FINANCIAL INFORMATION	1
Item 1.	
Financial Statements (Unaudited)	1
Condensed Consolidated Balance Sheets	1
Condensed Consolidated Statements of Operations	2
Condensed Consolidated Statements of Comprehensive Income (Loss)	3 2
Condensed Consolidated Statements of Changes in Equity	3
Condensed Consolidated Statements of Cash Flows	5 4
Notes to Unaudited Condensed Consolidated Financial Statements	6 5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 28 19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 38 27
Item 4.	Controls and Procedures 39 28
PART II.	
OTHER INFORMATION	40 29
Item 1.	Legal Proceedings 40 29
Item 1A.	Risk Factors 40 29
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 40 29
Item 3.	Defaults Upon Senior Securities 40 29
Item 4.	Mine Safety Disclosures 40 29
Item 5.	Other Information 40 29

[Table of Contents](#)**Explanatory Note**

Central Plains Bancshares, Inc. (the "Company") was formed to serve as the holding company for Home Federal Savings and Loan Association of Grand Island (the "Association"), upon conversion into the stock form of organization, which was completed on October 19, 2023. Accordingly, the unaudited financial statements, as well as other financial information at or prior to October 19, 2023, contained in this Quarterly Report on Form 10-Q relate solely to the consolidated financial results of Home Federal Savings and Loan Association of Grand Island and Subsidiary.

The unaudited financial statements should be read in conjunction with the audited financial statements, and related notes, of Home Federal Savings and Loan Association of Grand Island and Subsidiary at and See also Central Plains Bancshares, Inc.'s Annual Report on Form 10-K for the year ended March 31, 2023 contained in the Company's prospectus dated August 14, 2023 (the "Prospectus"), as filed with the Securities and Exchange Commission pursuant to Securities Act Rule 424(b)(3) on August 24, 2023 March 31, 2024.

[Table of Contents](#)**PART I—FINANCIAL INFORMATION****Item 1. Financial Statements.**

CENTRAL PLAINS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(dollars in thousands)

	June 30, 2024 (unaudited)	March 31, 2024		
	As of December 31, 2023 (unaudited)	As of March 31, 2023	(Dollars in thousands)	
Assets:				
Cash and due from banks	\$ 7,190	\$ 7,915	\$ 4,917	\$ 6,291
Interest-bearing deposits in other banks	4,501	8,648	595	5,163
Total cash and cash equivalents	11,691	16,563	5,512	11,454
Investment securities - available for sale	57,316	57,842	60,141	60,356
Investment securities - held to maturity	327	422	297	307
Loans - net of allowance of \$5,867 and \$5,412, respectively	370,205	348,337		
Loans, net of unearned income	389,554	380,249		
Allowance for credit losses on loans	(5,852)	(5,860)		
Loans, net	383,702	374,389		

Accrued interest receivable	2,135	1,727	2,464	2,249
Federal Home Loan Bank (FHLB) stock - at cost	584	563	591	584
Premises and equipment, net	4,260	4,104	6,209	5,867
Deferred income taxes	3,269	3,292	3,347	3,344
Mortgage servicing rights	424	434	392	403
Other assets	4,097	4,508	3,912	4,325
Total assets	<u>\$ 454,308</u>	<u>\$ 437,792</u>	<u>\$ 466,567</u>	<u>\$ 463,278</u>
Liabilities:				
Noninterest bearing deposits	\$ 82,376	\$ 73,248		
Interest bearing deposits	285,068	317,704		
Deposits:				
Non-interest-bearing deposits	\$ 68,405	\$ 66,891		
Interest-bearing				
Demand and NOW checking	125,476	127,077		
Money Market	24,498	24,287		
Savings	43,637	43,461		
Time deposits over \$250,000	34,990	34,381		
Other time deposits	79,711	79,048		
Total deposits	367,444	390,952	376,717	375,145
Pension liability	2,193	2,310	2,212	2,255
Other borrowings	2,000	—		
Advances from borrowers for taxes and insurance	1,483	1,719	1,389	1,806
Accrued interest payable	1,541	668	1,935	1,893
Accounts payable, accrued expenses and other liabilities	3,853	3,477	3,115	3,902
Total liabilities	<u>376,514</u>	<u>399,126</u>	<u>387,368</u>	<u>385,001</u>
Stockholders' equity:				
Common Stock (\$0.01 par value, 10,000,000 shares authorized, 4,130,815 shares issued and outstanding)	41	—	41	41
Additional paid-in capital	39,317	—	39,318	39,318
Retained earnings	46,227	43,773	48,033	47,130
Unallocated common shares held by Employee Stock Ownership Plan (ESOP)	(3,173)	—	(3,106)	(3,139)
Accumulated other comprehensive loss	(4,618)	(5,107)		
Accumulated other comprehensive loss, net	(5,087)	(5,073)		
Total stockholders' equity	77,794	38,666	79,199	78,277
Total liabilities and stockholders' equity	<u>\$ 454,308</u>	<u>\$ 437,792</u>	<u>\$ 466,567</u>	<u>\$ 463,278</u>

See accompanying notes to unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands)

(unaudited)

	For the Three Months Ended December		For the Nine Months Ended December	
	31,		31,	
	2023	2022	2023	2022
Interest and dividend income:				
Loans—including fees	\$ 4,892	\$ 3,876	\$ 13,801	\$ 10,698
Investment securities	442	342	1,229	1,058
FHLB stock	7	13	21	25
Federal funds sold	101	6	190	71
Total interest and dividend income	5,442	4,237	15,241	11,852
Interest expense:				
Deposits	1,692	709	4,572	1,400
Borrowings under Federal Home Loan Bank (FHLB) advances	2	152	104	269
Total interest expense	1,694	861	4,676	1,669
Net interest income before provision for credit losses	3,748	3,376	10,565	10,183
Provision for credit losses	191	2,522	99	2,842
Net interest income after provision for credit losses	3,557	854	10,466	7,341
Noninterest income:				
Servicing fees on loans	66	55	228	198
Service charges on deposit accounts	194	164	579	490
Interchange income	286	279	885	837
Gain on sale of loans	60	9	173	90
Gain from real estate owned and other repossessed assets, net	—	—	4	—
Other	284	57	349	224
Total noninterest income	890	564	2,218	1,839
Noninterest expense:				
Salaries and employee benefits	1,903	1,381	5,091	4,478
Occupancy and equipment	251	276	752	772
Data processing	459	451	1,366	1,313
Federal deposit insurance premiums	63	43	211	119
Debit card processing	66	57	190	168
Advertising	80	96	238	262
Other general and administrative expenses	470	430	1,271	1,240
Total noninterest expense	3,292	2,734	9,119	8,352
Income (loss) before income tax expense	1,155	(1,316)	3,565	828
Income tax expense (benefit)	218	(260)	709	137
Net income (loss)	\$ 937	\$ (1,056)	\$ 2,856	\$ 691
Basic and diluted earnings per share	\$ 0.31	n/a	n/a	n/a
Weighted average shares outstanding	3,057,992	n/a	n/a	n/a

See accompanying notes to unaudited consolidated financial statements.

[Table of Contents](#)

CENTRAL PLAINS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(dollars in thousands)
(unaudited)

	For the Three Months Ended December 31,	
	2023	2022
Net income (loss)	\$ 937	\$ (1,056)
Other comprehensive income (loss):		
Unrealized holding gains arising during the period on available-for-sale securities	2,772	251
Minimum pension liability adjustment	—	19
Other comprehensive income, before tax	2,772	270
Income tax expense for other comprehensive income	(582)	(58)
Total other comprehensive income, net of tax	2,190	212
Comprehensive income (loss)	\$ 3,127	\$ (844)

	For the Nine Months Ended December 31,	
	2023	2022
Net income	\$ 2,856	\$ 691
Other comprehensive income (loss):		
Unrealized holding gains (losses) arising during the period on available-for-sale securities	617	(3,800)
Minimum pension liability adjustment	—	59
Other comprehensive income (loss), before tax	617	(3,741)
Income tax (expense) benefit for other comprehensive income (loss)	(128)	786
Total other comprehensive income (loss) - net of tax	489	(2,955)
Comprehensive income (loss)	\$ 3,345	\$ (2,264)

	For the Three Months Ended June 30,	
	2024	2023
	(Dollars in thousands)	
Interest and dividend income:		
Loans—including fees	\$ 5,308	\$ 4,320
Investment securities	533	388
FHLB stock	7	7
Federal funds sold	63	51
Total interest and dividend income	5,911	4,766
Interest expense:		
Deposits	1,920	1,362
Borrowings under FHLB advances	25	69
Total interest expense	1,945	1,431
Net interest income before provision for (reversal of) credit losses	3,966	3,335
Provision for (reversal of) credit losses	(5)	(27)

Net interest income after provision for (reversal of) credit losses	3,971	3,362
Non-interest income:		
Servicing fees on loans	32	86
Service charges on deposit accounts	192	187
Interchange income	322	305
Gain on sale of loans	48	41
Gain from real estate owned and other repossessed assets, net	—	1
Other non-interest income	18	32
Total non-interest income	612	652
Non-interest expense:		
Salaries and employee benefits	1,843	1,564
Occupancy and equipment	252	242
Data processing	462	443
Federal deposit insurance premiums	44	81
Debit card processing	64	60
Advertising	75	68
Other general and administrative expenses	733	378
Total non-interest expense	3,473	2,836
Income before income tax expense	1,110	1,178
Income tax expense	207	232
Net income	\$ 903	\$ 946
Basic and diluted earnings per share	\$ 0.24	n/a
Weighted average shares outstanding	3,818,012	n/a

See accompanying notes to unaudited consolidated financial statements.

CENTRAL PLAINS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	For the Three Months Ended June 30,	
	2024	2023
	(Dollars in thousands)	
Net income	\$ 903	\$ 946
Other comprehensive loss:		
Unrealized holding losses arising during the period on available-for-sale securities	(18)	(642)
Other comprehensive loss, before tax	(18)	(642)
Income tax benefit for other comprehensive income	4	136
Total other comprehensive loss, net of tax	(14)	(506)
Comprehensive income	\$ 889	\$ 440

See accompanying notes to unaudited consolidated financial statements.

CENTRAL PLAINS BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(dollars in thousands)
(unaudited)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated Common Shares Held by ESOP	Total Equity
For the three months ended December 31, 2022							
Balance—September 30, 2022	—	\$ —	\$ —	\$ 43,874	\$ (6,892)	\$ —	\$ 36,982
Net loss	—	—	—	(1,056)	—	—	(1,056)
Other comprehensive income - net of tax	—	—	—	—	212	—	212
Balance—December 31, 2022	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,818</u>	<u>\$ (6,680)</u>	<u>\$ —</u>	<u>\$ 36,138</u>
For the three months ended December 31, 2023							
Balance—September 30, 2023	—	\$ —	\$ —	\$ 45,290	\$ (6,808)	\$ —	\$ 38,482
Net income	—	—	—	937	—	—	937
Proceeds of stock offering and issuance of common shares (net of issuance costs of \$1.9 million)	4,130,815	41	39,323	—	—	—	39,364
Purchase of common shares by the ESOP (330,465 shares)	—	—	—	—	—	(3,305)	(3,305)
ESOP shares committed to be released	—	—	(6)	—	—	132	126
Other comprehensive income - net of tax	—	—	—	—	2,190	—	2,190
Balance—December 31, 2023	<u>4,130,815</u>	<u>\$ 41</u>	<u>\$ 39,317</u>	<u>\$ 46,227</u>	<u>\$ (4,618)</u>	<u>\$ (3,173)</u>	<u>\$ 77,794</u>

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated Common Shares Held by ESOP	Total Equity
(Dollars in thousands)							
For the three months ended June 30, 2023							
Balance at March 31, 2023	—	\$ —	\$ —	\$ 43,773	\$ (5,107)	\$ —	\$ 38,666
Adoption of ASU 326 credit losses	—	—	—	(402)	—	—	(402)
Net income	—	—	—	946	—	—	946
Other comprehensive loss - net of tax	—	—	—	—	(506)	—	(506)
Balance at June 30, 2023	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 44,317</u>	<u>\$ (5,613)</u>	<u>\$ —</u>	<u>\$ 38,704</u>
For the three months ended June 30, 2024							
Balance at March 31, 2024	4,130,815	\$ 41	\$ 39,318	\$ 47,130	\$ (5,073)	\$ (3,139)	\$ 78,277
Net income	—	—	—	903	—	—	903
ESOP shares committed to be released	—	—	—	—	—	33	33
Other comprehensive loss - net of tax	—	—	—	—	(14)	—	(14)
Balance at June 30, 2024	<u>4,130,815</u>	<u>\$ 41</u>	<u>\$ 39,318</u>	<u>\$ 48,033</u>	<u>\$ (5,087)</u>	<u>\$ (3,106)</u>	<u>\$ 79,199</u>

See accompanying notes to unaudited consolidated financial statements.

3

[Table of Contents](#)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocate d Common Shares Held by ESOP	Total Equity
For the nine months ended December 31, 2022							
Balance—March 31, 2022	—	\$ —	\$ —	\$ 42,127	\$ (3,725)	\$ —	\$ 38,402
Net income	—	—	—	691	—	—	691
Other comprehensive loss - net of tax	—	—	—	—	(2,955)	—	(2,955)
Balance—December 31, 2022	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,818</u>	<u>\$ (6,680)</u>	<u>\$ —</u>	<u>\$ 36,138</u>
For the nine months ended December 31, 2023							
Balance—March 31, 2023	—	\$ —	\$ —	\$ 43,773	\$ (5,107)	\$ —	\$ 38,666
Net income	—	—	—	2,856	—	—	2,856
Adoption of ASU 326 credit losses	—	—	—	(402)	—	—	(402)
Proceeds of stock offering and issuance of common shares (net of issuance costs of \$1.9 million)	4,130,815	41	39,323	—	—	—	39,364
Purchase of common shares by the ESOP (330,465 shares)	—	—	—	—	—	(3,305)	(3,305)
ESOP shares committed to be released	—	—	(6)	—	—	132	126
Other comprehensive income - net of tax	—	—	—	—	489	—	489
Balance—December 31, 2023	<u>4,130,815</u>	<u>\$ 41</u>	<u>\$ 39,317</u>	<u>\$ 46,227</u>	<u>\$ (4,618)</u>	<u>\$ (3,173)</u>	<u>\$ 77,794</u>

See accompanying notes to unaudited consolidated financial statements.

4

[Table of Contents](#)

CENTRAL PLAINS BANCBSARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	Three Months Ended June 30,		
		Nine Months Ended December 31,	2024
			2023

	2023	2022	(Dollars in thousands)	
Cash flows from operating activities				
Net income	\$ 2,856	\$ 691	\$ 903	\$ 946
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	377	352	128	127
Gain on sale of loans	(173)	(90)	(48)	(41)
Amortization of premium and accretion of discount on securities	131	245		
Deferred income tax benefit	(106)	(785)		
Provision for credit losses	99	2,842		
Amortization of premium and accretion of discount on securities, net	25	51		
Deferred income tax expense	1	7		
Reversal of provision for credit losses	(5)	(27)		
Origination of loans held for sale	(10,584)	(4,975)	(3,198)	(2,386)
ESOP expense	33	—		
Proceeds from sales of loans held for sale	10,757	5,065	3,246	2,428
Contributions to pension plan	450	450	150	100
Change in assets and liabilities:				
Accrued interest receivable	(408)	(319)	(215)	(67)
ESOP expense	126	—		
Mortgage servicing rights	10	105	11	14
Other assets	411	291	413	(177)
Accrued interest payable	873	152	42	387
Accounts payable, accrued expenses and other liabilities	(593)	(696)	(981)	(201)
Net cash provided by operating activities	4,226	3,328	505	1,161
Cash flows from investing activities				
Net change in loans	(21,967)	(40,055)	(9,308)	(11,372)
Purchase of investment securities available for sale	(6,030)	—	(1,948)	(3,799)
Principal paydowns from investment securities available for sale	7,043	9,730	2,121	2,349
Principal paydowns from investment securities held to maturity	95	93	10	41
Purchase of FHLB stock	(21)	(394)	(7)	(100)
Purchase of premises and equipment	(533)	(185)	(470)	(47)
Net cash used in investing activities	(21,413)	(30,811)	(9,602)	(12,928)
Cash flows from financing activities				
Net change in deposits	(23,508)	1,837	1,572	12,277
Net change in advances from borrowers for taxes and insurance	(236)	(247)	(417)	(398)
Proceeds from short-term FHLB advances	—	14,508	2,000	—
Proceeds from issuance of common stock, net of costs	39,364	—		
Loan to ESOP	(3,305)	—		
Net cash provided by financing activities	12,315	16,098	3,155	11,879
Net decrease in cash and cash equivalents	(4,872)	(11,385)		
Net (decrease) increase in cash and cash equivalents	(5,942)	112		
Cash and cash equivalents—beginning of period	16,563	18,979	11,454	16,563
Cash and cash equivalents—end of period	\$ 11,691	\$ 7,594	\$ 5,512	\$ 16,675
Supplemental disclosures of cash flow information:				

Cash paid for taxes	\$	500	\$	225		
Cash paid for interest	\$	3,803	\$	1,517	\$	1,903 \$ 1,044

See accompanying notes to unaudited consolidated financial statements.

[Table of Contents](#)

CENTRAL PLAINS BANCSHARES, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share data)
(unaudited)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and conform to practices within the banking industry. The accounting policies followed in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of the annual financial statements. The interim consolidated financial statements reflect all normal and recurring adjustments that are necessary, in the opinion of management, for fair statement of results for the interim periods presented. Results for the three month period ended June 30, 2024, are not necessarily indicative of the results that may be expected for the year ending March 31, 2025 or any other period.

Nature of Operations—Central Plains Bancshares, Inc. (the "Company") was formed to serve as the holding company for Home Federal Savings and Loan Association of Grand Island (the "Association"), upon conversion into the stock form of organization, which was completed on October 19, 2023. Accordingly, the unaudited financial statements, as well as other financial information at or prior to October 19, 2023, contained in this Quarterly Report on Form 10-Q relate solely to the consolidated financial results of Home Federal Savings and Loan Association of Grand Island and Subsidiary.

The Company completed its stock offering on October 19, 2023. The Company sold 4,130,815 shares of common stock at \$10.00 per share in its subscription offering for gross proceeds of approximately \$41.3 million. Shares of the Company's common stock began trading on October 20, 2023 on the Nasdaq Capital Market under the trading symbol "CPBI."

The consolidated financial statements include the accounts of the Company and the Association, a wholly owned subsidiary. All intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

The Association is a federally chartered stock savings and loan association whose primary business is providing mortgage, consumer, commercial real estate, and commercial loans in the Grand Island, Nebraska area, with additional lending opportunities through the Association's participation network of banks in Nebraska and other states, and acquiring consumer and commercial deposits to fund these investments.

Basis of Presentation—The accompanying unaudited Consolidated Financial Statements were prepared in accordance with GAAP and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with Central Plains Bancshares, Inc.'s Consolidated Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2024. The unaudited Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates—In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management **Management** is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Significant estimates that are particularly susceptible to change in the near term relate to the determination of the allowance for **loan credit** losses, the determination of the pension liability, as well as the fair value measurements of investment securities. As with any estimate, actual results could differ from those estimates.

Employee Stock Ownership Plan—The ESOP shares pledged as collateral are reported as unearned ESOP shares in the Consolidated Statements of Financial Condition. As shares are committed to be released from collateral, the Association reports compensation expense equal to the average market price of the shares during the year, and the shares become outstanding for basic net income per common share computations. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce the ESOP's debt and accrued interest.

Earnings per Share—Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Unallocated ESOP shares are not deemed outstanding for earnings per share calculations. ESOP shares committed to be released are considered to be outstanding for purposes of the earnings per share computation. ESOP shares that have not been legally released, but that relate to employee services rendered during an accounting period (interim or annual) ending before the related debt service payment is made, are considered committed to be released. Diluted earnings per share reflects additional common shares that would **Subsequent events** have been outstanding if dilutive potential common shares had been issued, as well as any adjustments to income that would result from the assumed issuance.

Accounting Developments—In June 2016, the FASB issued Accounting Standards Update (ASU) *No.2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* also known as Current Expected Credit Losses, or CECL. ASU 2016-13 was issued to provide financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date to enhance the decision making process. The CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaced the previous existing impairment models, which generally required that a loss be incurred before it is recognized.

[Table of Contents](#)

The Company adopted ASC 326 and all related subsequent amendments thereto effective on April 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment for the adoption of CECL resulted in an increase in the allowance for credit losses on loans of \$299, which is presented as a reduction to net loans outstanding, and the establishment of an allowance for credit losses on unfunded loan commitments of \$210, which is recorded within accounts payable, accrued expenses and other liabilities on the consolidated statement of financial condition. The Company recorded a net decrease to retained earnings of \$402, as of April 1, 2023, for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods beginning after April 1, 2023 are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards ("Incurred Loss").

In March 2022, the FASB issued ASU *2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this update eliminate the accounting guidance and related disclosures for troubled debt restructurings (TDRs) by creditors in Subtopic *310-40, Receivables—Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty and requiring an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic *326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost*. The Company adopted the amendments in this update on April 1, 2023, and is applying the amendments prospectively with the exception of the recognition and measurement of existing TDRs for which the entity has elected to apply a modified retrospective transition method.

Allowance for Credit Losses

The allowance for credit losses ("ACL") is an estimate of the expected credit losses on the loans held for investment, unfunded loan commitments, held to maturity securities, and available-for-sale debt securities portfolios.

Allowance for Credit Losses on Loans—The ACL is maintained by management at a level believed adequate to absorb estimated credit losses that are expected to occur within the existing loan portfolio evaluated through their contractual terms adjusted for expected prepayments. The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on loans. Determination of the ACL is inherently subjective in nature since it requires significant estimates and management judgment, and includes a level of imprecision given the difficulty of identifying and assessing the factors impacting loan repayment and estimating the timing and amount of losses. While management utilizes its best judgment and information available, the ultimate adequacy of the ACL is dependent upon a variety of factors beyond the Company's direct control, including, but not limited to, the performance of the loan portfolio, consideration of current economic trends, changes in interest rates and property values, estimated losses on pools of homogeneous loans based on an analysis that uses historical loss experience for prior periods that are determined to have like characteristics with the current period such as pre-recessionary, recessionary, or recovery periods, portfolio growth and concentration risk, management and staffing changes, the interpretation of loan risk classifications by regulatory authorities and other credit market factors.

The ACL methodology consists of measuring loans on a collective (pool) basis when similar risk characteristics exist. The Company has identified seven portfolio segments and measures the ACL using the Scaled CECL Allowance for Losses Estimator ("SCALE") method. The loan portfolios are real estate – construction, real estate – commercial, real estate – residential, commercial, agriculture, other consumer and land development/sanitary improvement districts (SIDS). The SCALE method uses publicly available data from Schedule RI-C of the Call Report to derive the initial proxy expected lifetime loss rates. These proxy expected lifetime loss rates are then adjusted for Company-specific facts and circumstances to arrive at the final ACL estimate that adequately reflects the Company's loss history and credit risk within our portfolio.

The qualitative factors applied to each loan portfolio consist of the impact of other internal and external qualitative and credit market factors as assessed by management through a detailed loan review, ACL analysis and credit discussions. These internal and external qualitative and credit market factors used include the following:

- The nature and volume of the Company's financial assets;
- The existence, growth, and effect of any concentration of credit;
- The volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified assets;
- The value of the underlying collateral for loans that are non-collateral-dependent;
- The Company's lending policies and procedures, including changes in underwriting standards and practices for collections, write-recoveries;

7

[Table of Contents](#)

- The quality of the Company's credit review function;
- The experience, ability, and depth of the Company's lending, investment, collection, and other relevant management and staff;
- The effect of other external factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters and other events;
- Actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the Company operates that affect the collectability of financial assets.

The impact of the above listed internal and external qualitative and credit market risk factors is assessed within predetermined ranges to adjust the ACL totals calculated.

In addition to the pooled analysis performed for the majority of our loan and commitment balances, we also review those loans that have collateral dependency or nonperforming status which requires a specific review of that loan, per our individually analyzed CECL calculations.

Loans are charged off against the ACL when management believes the uncollectability of a loan balance is confirmed, while recoveries of amounts previously charged-off are credited to the ACL. Approved releases from previously established ACL reserves authorized under our ACL methodology also reduce the ACL. Additions to the ACL are established through the provision for credit losses on loans, which is charged to expense.

The Company's ACL methodology is intended to reflect all loan portfolio risk, but management recognizes the inability to accurately depict all future credit losses in a current ACL estimate, as the impact of various factors cannot be fully known. Accrued interest receivable on loans is excluded from the amortized cost basis of financing receivables for the purpose of determining the allowance for credit losses.

Allowance for Credit Losses on Unfunded Loan Commitments—The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk by a contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the Company. The ACL related to off-balance sheet credit exposures, which is recorded within accounts payable, accrued expenses and other liabilities on the consolidated statement of financial condition, is estimated at each balance sheet date under the CECL model, and is adjusted as determined necessary through the provision for credit losses on the consolidated statement of income. The estimate for ACL on unfunded loan commitments includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Allowance for Credit Losses on Securities Available-for-Sale—For available-for-sale debt 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 sell, the security before recovery of its amortized cost basis. If either of the aforementioned criteria exists, the Company will record an ACL related to securities available-for-sale with an offsetting entry to the provision for credit losses on securities on the income statement. If either of these criteria does not exist, the Company will evaluate the securities individually to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors, such as market interest rate fluctuations.

In evaluating securities available-for sale for potential impairment, the Company considers many factors, including the financial condition and near-term prospects of the issuer, which for debt securities considers external credit ratings and recent downgrades; and its ability and intent to hold the security for a period of time sufficient for a recovery in value. The Company also considers the extent to which the securities are issued by the federal government or its agencies, and any guarantee of issued amounts by those agencies. The amount of the impairment related to other factors is recognized in other comprehensive income (loss).

Allowance for Credit Losses on Held-to Maturity Securities—The allowance for credit losses on held-to-maturity debt securities is estimated using the CECL methodology. Any expected credit loss is provided through the ACL on held-to-maturity securities and is deducted from the amortized cost basis of the security so that the balance sheet reflects the net amount the Company expects to collect. Nearly all the Company's held-to-maturity debt securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, there is a zero-credit loss expectation on these securities.

Allowance for Loan Losses (Prior to April 1, 2023)—The allowance for loan losses represents management's estimate of probable losses inherent in the loan portfolio. Additions to the allowance are recorded in the provision for loan losses charged to expense. Charge-offs, net of recoveries, are deducted from the allowance. The allowance estimate is based on prior experience, the nature and volume of the loan portfolio, review of specific problem loans, and an evaluation of the overall portfolio quality under current economic

[Table of Contents](#)

conditions. Specific reserves for impaired loans are measured and recognized to the extent that the recorded investment of an impaired loan exceeds its value based on either the fair value of the loan's underlying collateral less estimated costs to sell, the calculated present value of projected cash flows discounted at the contractual interest rate, or the loan's observable fair value.

The Association's allowance for loan losses consists of various methodologies to determine impairment: (a) loans individually evaluated for impairment are evaluated based upon a specific identified probable loss, and (b) loans collectively evaluated for impairment are evaluated based on historical loan loss experience for similar loans with similar characteristics, adjusted to reflect the impact of current conditions. Factors considered in determining the adjustment for current conditions include the following: (a) changes in asset quality, (b) composition and concentrations of credit risk, and (c) the impact of economic risks on the portfolio.

In determining the allowance for loan losses, management considers factors such as economic and business conditions affecting key lending areas, credit concentrations and credit quality trends. Since the evaluation of the inherent loss with respect to these factors is subject to a higher degree of uncertainty, the measurement of the overall allowance is subject to estimation risk and the amount of actual losses can vary significantly from the estimated amounts. The Association's measurement methods incorporate comparisons between recent experience and historical rates.

Loans are generally secured by underlying real estate, business assets, personal property and personal guarantees. The amount of collateral obtained is based upon management's evaluation of the borrower.

The Association periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a TDR.

A loan is considered impaired when it is probable that all principal and interest amounts due will not be collected in accordance with the loan's contractual terms. Except for TDRs, consumer loans within any class are generally not individually evaluated on a regular basis for impairment. All TDRs, regardless of the outstanding balance amount, are considered to be impaired.

The allowance established for probable losses on specific loans is based on a periodic analysis and evaluation of classified loans. Specific reserves for impaired loans are measured and recognized to the extent that the recorded investment of an impaired loan exceeds its value based on either the fair value of the loan's underlying collateral less costs to sell, the calculated present value of projected cash flows discounted at the contractual effective interest rate or the loan's observable fair value.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, federal funds sold, demand deposits at other financial institutions, and short-term investments with maturities of three months or less when purchased.

Investment Securities—Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Securities not classified as held to maturity are classified as available for sale and recorded at fair value, with unrealized gains and losses on a net-of-tax basis excluded from earnings and reported in other comprehensive income. The fair value of a security is determined based on quoted market prices. If quoted market prices are not available, fair value is determined based on quoted market prices of similar instruments or discounted cash flow models that incorporate market inputs and assumptions including discount rates, prepayment speeds, and loss rates. The Association did not have any securities classified as trading at December 31, 2023 or March 31, 2023.

Purchased premiums and discounts are amortized and accreted to the earlier of call or maturity of the related security using the effective interest method. Realized gains and losses on the sale of securities are recognized on the specific identification method in the statements of income.

For periods prior to April 1, 2023, management monitored securities for other-than-temporary-impairment (OTTI). If the Association intends to sell the security or will more likely than not be required to sell the security before recovery of the entire amortized cost basis, then an OTTI has occurred. However, even if the Association does not intend to sell the security and will not likely be required to sell the security before recovery of its entire amortized cost basis, the Association must evaluate expected cash flows to be received to determine if a credit loss has occurred. In the event of a credit loss, the credit component of the impairment is recorded as a loss in the statement of income and the non-credit component is recognized through other comprehensive income (loss).

Federal Home Loan Bank Stock—As a member of the Federal Home Loan Bank of Topeka (FHLB), the Association is required to maintain an investment in the capital stock of the FHLB. For financial reporting purposes, such stock is carried at cost, which approximates fair value, based on the redemption provisions.

Loans Held for Sale—Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to

earnings. Mortgage loans held for sale are generally sold with servicing rights retained. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related mortgage

[Table of Contents](#)

loan sold, which is reduced by the cost allocated to the servicing right. The Association generally locks in the sale price to the purchaser of the mortgage loan at the same time an interest rate commitment is made to the borrower.

Loans—Loans that management has the intent and ability to hold for the foreseeable future are stated at the amount of unpaid principal less an allowance for loan losses and any deferred fees or costs on originated loans. Interest on loans is calculated by using the simple interest method on daily balances of the principal amount outstanding. The accrual of interest on loans is discontinued when management believes that the borrower may be unable to make payments as scheduled, generally when a loan becomes contractually delinquent for three months or more. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent that cash payments are received in excess of principal due. Loan origination fees and commitment fees offset by certain direct loan origination costs are deferred and recognized over the contractual life of the loan as a yield adjustment.

Mortgage Servicing Rights—Mortgage servicing rights are established based on the allocated fair value of servicing rights retained on loans originated by the Association and subsequently sold in the secondary market. Mortgage servicing rights are amortized into servicing fees on loans on the consolidated statements of income in proportion to, and over the period of, the estimated net servicing income and are evaluated for impairment based on their fair value. Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Association are initially measured at fair value at the date of transfer. The Association has elected to subsequently measure issuance of the mortgage servicing rights using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized unaudited Consolidated Financial Statements. No significant subsequent events have occurred through a valuation allowance for an individual tranche, this date requiring adjustment to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with other noninterest expense on the income statement.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal financial statements or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Premises and Equipment—Office properties and equipment are carried at cost less accumulated depreciation. Depreciation is computed based on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 15 years. Leasehold improvements are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Costs incurred for maintenance and repairs are expensed as incurred. Premises and equipment are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be recoverable.

Leases—Lease expense for operating and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term. When the rate implicit in the lease is unknown, the present value of the lease payments is determined using our incremental borrowing rate based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Revenue Recognition—Most of the Association's revenue is not subject to ASC 606, Revenue from Contracts with Customers, including net interest income, fees related to loans and loan commitments, gain on derivatives, and gain on sales of loans and securities.

Under ASC 606, the Association must identify the contract with a customer, identify the performance obligation(s) within the contract, determine the transaction price, allocate the transaction price to the performance obligation(s) within the contract, and recognize revenue when (or as) the performance obligation(s) are satisfied. The core principle under ASC 606 requires the Association to recognize revenue to depict the transfer of services or products to customers in an amount that reflects the consideration that it expects to be

[Table of Contents](#)

entitled to receive in exchange for those services or products recognized as performance obligations are satisfied. The Association generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

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

Retirement Plans—Pension expense is the net of service and interest cost, return on plan assets, and amortization of gains and losses not immediately recognized. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Interest Rate Risk—The Association is engaged principally in originating and investing in first mortgage loans, consumer loans to individuals, agricultural loans and commercial loans to businesses primarily in Grand Island, Nebraska. These loans are funded primarily with short-term liabilities that have interest rates that vary with market rates over time. The earnings of the Association are exposed to interest rate risk largely because of the mismatch between the repricing intervals of its assets and liabilities.

To reduce interest rate risk, the Association has employed the strategy of selling a majority of the single family fixed-rate home loans the Association originates into the secondary market. The Association holds any adjustable-rate single family home loans in their portfolio. In addition, the commercial loans the Association originates and maintains in its portfolio are either tied to some variant of Wall Street Journal Prime (WSJP) and adjust as WSJP adjusts or they contain shorter term call dates (typically three or five years) when amortized over longer periods of time. The consumer portfolio has three-to-five-year amortized terms which mitigate long term interest rate exposure in this portfolio.

Income Taxes—The Company and its subsidiary file consolidated income tax returns. Income taxes are accounted for using an asset and liability method. Deferred tax liabilities or assets are recognized for the estimated future tax effects attributable to operating loss and tax credit carryforwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using the currently enacted tax rates expected to apply in the year in which those temporary differences are expected to be recovered or settled. If needed, a valuation allowance is recorded to reduce deferred tax assets to the amount expected to be realized. The Company recognizes tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon settlement. A liability for unrecognized tax benefits is recorded for any tax benefits claimed in tax returns that do not meet these recognition and measurement standards. The Company recognizes both interest and penalties (if applicable) as a component of income tax expense.

Comprehensive Income—Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and minimum pension liability adjustments, are reported as a separate component of the equity section of the consolidated statements of financial condition; such items, along with net income, are components of comprehensive income, net of tax.

Financial Instruments and Loan Commitments—Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded. Instruments, such as standby letters of credit, that are considered financial guarantees are recorded at fair value. [disclosures.](#)

115

[Table of Contents](#)

NOTE 2 - INVESTMENT SECURITIES

The following is a summary of investment securities at [December 31, 2023](#), [June 30, 2024](#) and [March 31, 2023](#), [March 31, 2024](#):

(dollars in thousands)		December 31, 2023				June 30, 2024			
	Amortized	Gross	Gross	Fair					
	Cost	Unrealized	Unrealized	Value					
Available-for-Sale	Cost	Gains	Losses	Value					
	Amortized	Gross	Gross	Fair					
	Cost	Gains	Losses	Value					
(Dollars in thousands)									
Securities available-for-sale									
FHLMC bonds	\$ 24,609	\$ 45	\$ (1,976)	\$ 22,678	\$ 24,944	\$ 57	\$ (2,181)	\$ 22,820	
GNMA bonds	3,595	1	(45)	3,551	4,317	2	(44)	4,275	
FNMA bonds	25,837	163	(2,205)	23,795	28,099	145	(2,330)	25,914	
Municipal bonds	8,630	—	(1,338)	7,292	8,627	—	(1,495)	7,132	
Total	\$ 62,671	\$ 209	\$ (5,564)	\$ 57,316					
Total securities available-for-sale	\$ 65,987	\$ 204	\$ (6,050)	\$ 60,141					
Held-to-Maturity									
Securities held-to-maturity									
FHLMC bonds	\$ 89	\$ —	\$ (1)	\$ 88	\$ 83	\$ 1	\$ —	\$ 84	
GNMA bonds	61	—	(1)	60	55	—	(1)	54	
FNMA bonds	177	—	(1)	176	159	1	—	160	
Total	\$ 327	\$ —	\$ (3)	\$ 324					
Total securities held-to-maturity	\$ 297	\$ 2	\$ (1)	\$ 298					

(dollars in thousands)		March 31, 2023	
		Gross	Gross

Available-for-Sale	Amortized	Unrealized	Unrealized	Fair
	Cost	Gains	Losses	Value
FHLMC bonds	\$ 25,446	\$ 13	\$ (2,203)	\$ 23,256
GNMA bonds	2,648	—	(58)	2,590
FNMA bonds	26,726	17	(2,453)	24,290
Municipal bonds	8,994	1	(1,289)	7,706
Total	<u>\$ 63,814</u>	<u>\$ 31</u>	<u>\$ (6,003)</u>	<u>\$ 57,842</u>
Held-to-Maturity				
FHLMC bonds	\$ 116	\$ —	\$ (2)	\$ 114
GNMA bonds	74	—	(1)	73
FNMA bonds	232	1	(4)	229
Total	<u>\$ 422</u>	<u>\$ 1</u>	<u>\$ (7)</u>	<u>\$ 416</u>
(dollars in thousands) March 31, 2024				
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
		Gains	Losses	
Securities available-for-sale	(Dollars in thousands)			
FHLMC bonds	\$ 24,859	\$ 43	\$ (2,193)	\$ 22,709
GNMA bonds	4,456	2	(52)	4,406
FNMA bonds	28,241	142	(2,322)	26,061
Municipal bonds	8,628	—	(1,448)	7,180
Total securities available-for-sale	<u>\$ 66,184</u>	<u>\$ 187</u>	<u>\$ (6,015)</u>	<u>\$ 60,356</u>
Securities held-to-maturity				
FHLMC bonds	\$ 85	\$ —	\$ —	\$ 85
GNMA bonds	57	—	(1)	56
FNMA bonds	165	—	(1)	164
Total securities held-to-maturity	<u>\$ 307</u>	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ 305</u>

126

[Table of Contents](#)

The fair value and gross unrealized losses on the Association's available-for-sale investment securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at **December 31, 2023**, **June 30, 2024** and **March 31, 2023**, **March 31, 2024**, are as follows:

(dollars in thousands)	Less than 12 Months		12 Months or Greater		Total		Less than 12 Months	12 Months or Longer	Total
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses			
December 31, 2023									
Available-for-Sale	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses			

June 30, 2024	Value	Losses	Value	Losses	Value	Losses							
Securities available-for-sale	(Dollars in thousands)												
FHLMC bonds	\$ 2,263	\$ (15)	\$ 17,002	\$ (1,961)	\$ 19,265	\$ (1,976)	\$ 1,101	\$ (17)	\$ 16,696	\$ (2,164)	\$ 17,797	\$ (2,181)	
GNMA bonds	1,325	(20)	1,977	(25)	3,302	(45)	1,173	(7)	2,834	(37)	4,007	(44)	
FNMA bonds	200	(1)	16,602	(2,204)	16,802	(2,205)	3,220	(59)	13,652	(2,271)	16,872	(2,330)	
Municipal bonds	904	(90)	5,662	(1,248)	6,566	(1,338)	1,598	(122)	5,534	(1,373)	7,132	(1,495)	
Total	\$ 4,692	\$ (126)	\$ 41,243	\$ (5,438)	\$ 45,935	\$ (5,564)							
Total securities available-for-sale	\$ 7,092	\$ (205)	\$ 38,716	\$ (5,845)	\$ 45,808	\$ (6,050)							
	Less than 12 Months		12 Months or Greater		Total		Less than 12 Months		12 Months or Longer		Total		
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized	
March 31, 2023	Value	Losses	Value	Losses	Value	Losses							
Available-for-Sale													
March 31, 2024	Value	Losses	Value	Losses	Value	Losses							
Securities available-for-sale	(Dollars in thousands)												
FHLMC bonds	\$ 4,714	\$ (133)	\$ 16,482	\$ (2,070)	\$ 21,196	\$ (2,203)	\$ 3,194	\$ (58)	\$ 16,053	\$ (2,135)	\$ 19,247	\$ (2,193)	
GNMA bonds	2,576	(57)	14	(1)	2,590	(58)	2,264	(24)	1,852	(28)	4,116	(52)	
FNMA bonds	4,315	(78)	17,027	(2,375)	21,342	(2,453)	3,329	(29)	15,762	(2,293)	19,091	(2,322)	
Municipal bonds	—	—	5,688	(1,289)	5,688	(1,289)	1,608	(112)	5,572	(1,336)	7,180	(1,448)	
Total	\$ 11,605	\$ (268)	\$ 39,211	\$ (5,735)	\$ 50,816	\$ (6,003)							
Total securities available-for-sale	\$ 10,395	\$ (223)	\$ 39,239	\$ (5,792)	\$ 49,634	\$ (6,015)							

The unrealized losses at **December 31, 2023** June 30, 2024 are related to mortgage-backed securities and municipal bonds. Government-sponsored enterprises, such as the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association, have an implied guarantee by the U.S. government. At **December 31, 2023** June 30, 2024, all of the mortgage-backed securities held by the Association were issued by U.S. government-sponsored entities and agencies. The issuers continue to make timely principal and interest payments on the mortgage-backed securities. **The fair value is expected to recover as the bonds approach maturity.**

Unrealized losses on municipal bonds have not been recognized into income because the issuers' bonds are high credit quality, the Association does not intend to sell and it is likely that the Association will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

No credit losses were determined to be present as of June 30, 2024, as there was no credit quality deterioration noted. Therefore, no provision for credit losses on securities was recognized for the three months ended June 30, 2024.

At **December 31, 2023** June 30, 2024 and **March 31, 2023** March 31, 2024, investment securities with amortized cost of **\$42,089** **41.7** million, and **\$34,149** **43.6** million, respectively, and estimated fair value of **\$38,843** **38.2** million and **\$31,935** **39.9** million, respectively, were pledged to secure public, consumer, and commercial deposits.

The amortized cost and fair values of available for sale investment securities as of **December 31, 2023** June 30, 2024 by contractual maturity, are shown below:

(dollars in thousands)	Available for Sale
------------------------	--------------------

	Available for Sale			
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Maturity			(Dollars in thousands)	
Due less than one year	\$ —	\$ —	\$ —	\$ —
Due after one year through five years	2,284	2,114	2,285	2,099
Due after five years through ten years	2,357	2,020	2,356	1,971
Due after ten years	3,989	3,158	3,986	3,062
Mortgage-backed securities and collateralized mortgage obligations	54,041	50,024	57,360	53,009
Total	\$ 62,671	\$ 57,316	\$ 65,987	\$ 60,141

The Association had no sales of available for sale investment securities for the **nine** months ended **December 31, 2023** or **June 30, 2024** or **2022, 2023**.

137

[Table of Contents](#)

NOTE 3 - LOANS AND ALLOWANCE FOR CREDIT LOSSES

Accounting Standards Adopted in 2023 A summary of loans by major category as of June 30, 2024 and March 31, 2024 is as follows:

In conjunction with the adoption of ASC 326, the Company made certain loan portfolio segment reclassifications to conform to the new allowance for credit losses methodology. Loans and these related reclassifications, are summarized as follows at December 31, 2023 and March 31, 2023:

(dollars in thousands)	Post Adoption		The Effect	Pre Adoption
	December 31, 2023	March 31, 2023	of Adoption	March 31, 2023
Real Estate - Construction	\$ 9,972	\$ 19,301	\$ 19,301	\$ —
Non-1-4 Family Construction & Land Development	—	—	(23,644)	23,644
Real Estate - Commercial	123,754	102,446	—	102,446
Real Estate - Residential	151,215	148,486	148,486	—
1-4 Family Residential	—	—	(119,610)	119,610
Multi-Family Residential	—	—	(34,296)	34,296
Commercial Non-Real Estate	34,068	30,101	—	30,101
Agriculture	18,353	18,166	18,166	—
Agriculture Real Estate	—	—	(9,245)	9,245
Agriculture Non-Real Estate	—	—	(8,921)	8,921
Other Consumer	22,508	19,956	19,956	—
Consumer Auto	—	—	(5,622)	5,622
Consumer Other	—	—	(14,334)	14,334
Land Development and SIDs*	16,178	15,231	15,231	—
Sanitary & Improvement Districts	—	—	(5,468)	5,468
Total Loans	376,048	353,687	—	353,687
Allowance for credit losses	(5,867)	(5,711)	(299)	(5,412)

Net deferred origination costs & fees	24	62	—	62
Loans—net	\$ 370,205	\$ 348,038	\$ (299)	\$ 348,337

*SIDs = Sanitary & Improvement Districts

	June 30, 2024	March 31, 2024
	(Dollars in thousands)	
Real Estate - Construction	\$ 16,590	\$ 16,011
Real Estate - Commercial	124,906	123,313
Real Estate - Residential	155,424	149,854
Commercial Non-Real Estate	33,056	35,047
Agriculture	24,095	19,694
Other Consumer	18,755	19,985
Land Development and Sanitary & Improvement Districts (SIDs)	16,741	16,341
Total loans	389,567	380,245
Allowance for credit losses	(5,852)	(5,860)
Net deferred origination costs & fees	(13)	4
Total loans, net	\$ 383,702	\$ 374,389

Related Party Loans: In the normal course of business, loans are made to directors and officers of the Association. Loans to Association directors and key officers outstanding as of **December 31, 2023** June 30, 2024 and **March 31, 2023** March 31, 2024 were **\$73** 1.9 million and **\$76** 72,000, respectively. Additionally, the Association had loans totaling **\$618** 566,000 and **\$679** 578,000 as of **December 31, 2023** June 30, 2024 and **March 31, 2023** March 31, 2024 to related parties that were originated by the Association, sold to Federal Home Loan Mortgage Company and are serviced by the Association.

Changes The following tables present the activity in the allowance for credit losses for the three and nine months ended **December 31, 2023** June 30, 2024 and **2022** are 2023:

	Three Months Ended June 30, 2024					
	Beginning	Provision for	Loans		Ending	
	Allowance	(Recovery of)	Loans		Allowance	
	Balance	Credit Losses	Charged off	Recoveries	Balance	
	(Dollars in thousands)					
Real Estate - Construction	\$ 246	\$ 22	\$ —	\$ —	\$ 268	
Real Estate - Commercial	2,245	(201)	—	—	2,044	
Real Estate - Residential	1,829	78	—	—	1,907	
Commercial Non-Real Estate	759	(48)	—	—	711	
Agricultural	228	56	—	—	284	
Other Consumer	327	68	(4)	1	392	
Land Development and SIDs	226	20	—	—	246	
Total	\$ 5,860	\$ (5)	\$ (4)	\$ 1	\$ 5,852	
	Three Months Ended June 30, 2023					
	Beginning	Impact of	Provision for	Loans		Ending
	Allowance	ASC326	(Recovery of)	Loans		Allowance
	Balance	Adoption	Credit Losses	Charged off	Recoveries	Balance
	(Dollars in thousands)					
Real Estate - Construction	\$ 334	\$ 28	\$ 22	\$ —	\$ —	\$ 384

Real Estate - Commercial	2,048	(904)	56	—	—	1,200
Real Estate - Residential	1,286	775	(95)	—	—	1,966
Commercial Non-Real Estate	915	450	(122)	—	18	1,261
Agricultural	484	(255)	17	—	—	246
Other Consumer	157	138	88	(1)	1	383
Land Development and SIDs	188	67	3	—	1	259
Total	\$ 5,412	\$ 299	\$ (31)	\$ (1)	\$ 20	\$ 5,699

The ACL on loans excludes \$215,000 as follows: of June 30, 2024 and March 31, 2024 of allowance for off-balance sheet exposures and is recorded within Other Liabilities on the Consolidated Balance Sheets.

(dollars in thousands)	Three Months Ended December 31, 2023				
	Beginning	Provision for	Loans		Ending
	Allowance	(Recovery of)			Allowance
	Balance	Credit Losses	Charged off	Recoveries	Balance
Real Estate - Construction	\$ 398	\$ (201)	\$ —	\$ —	\$ 197
Real Estate - Commercial	1,277	1,028	—	—	2,305
Real Estate - Residential	1,832	(13)	—	—	1,819
Commercial Non-Real Estate	1,298	(558)	—	19	759
Agricultural	240	(29)	—	—	211
Other Consumer	334	26	—	—	360
Land Development and SIDs	278	(62)	—	—	216
Total	\$ 5,657	\$ 191	\$ —	\$ 19	\$ 5,867

148

[Table of Contents](#)

(dollars in thousands)	Three Months Ended December 31, 2022				
	Beginning	Provision for	Loans		Ending
	Allowance	(Recovery of)			Allowance
	Balance	Loan Losses	Charged off	Recoveries	Balance
1-4 Family Residential	\$ 600	\$ 11	\$ —	\$ —	\$ 611
Multi Family Residential	620	50	—	—	670
Commercial Real Estate	1,962	85	—	—	2,047
Agricultural Real Estate	203	—	—	—	203
Commercial Non-Real Estate	965	2,426	(2,448)	20	963
Agricultural Non-Real Estate	281	—	—	—	281
SIDS	50	—	—	—	50
Consumer Auto	44	—	—	—	44
Consumer Other	131	—	—	—	131
Non 1-4 Family Construction and Land Development	427	(50)	—	—	377
Total	\$ 5,283	\$ 2,522	\$ (2,448)	\$ 20	\$ 5,377
(dollars in thousands)	Nine Months Ended December 31, 2023				

	Beginning Allowance Balance	Impact of ASC326 Adoption	Provision for (Recovery of) Credit Losses	Loans Charged off	Recoveries	Ending Allowance Balance
Real Estate - Construction	\$ 334	\$ 28	\$ (165)	\$ —	\$ —	\$ 197
Real Estate - Commercial	2,048	(904)	1,161	—	—	2,305
Real Estate - Residential	1,286	775	(242)	—	—	1,819
Commercial Non-Real Estate	915	450	(661)	—	55	759
Agricultural	484	(255)	(18)	—	—	211
Other Consumer	157	138	64	(1)	2	360
Land Development and SIDs	188	67	(40)	—	1	216
Total	\$ 5,412	\$ 299	\$ 99	\$ (1)	\$ 58	\$ 5,867

(dollars in thousands)

Nine Months Ended December 31, 2022

	Beginning Allowance Balance	Provision for (Recovery of) Loan Losses	Loans Charged off	Recoveries	Ending Allowance Balance
1-4 Family Residential	\$ 636	\$ (25)	\$ —	\$ —	\$ 611
Multi Family Residential	481	189	—	—	670
Commercial Real Estate	1,845	202	—	—	2,047
Agricultural Real Estate	213	(10)	—	—	203
Commercial Non-Real Estate	930	2,426	(2,448)	55	963
Agricultural Non-Real Estate	281	—	—	—	281
SIDS	50	—	—	—	50
Consumer Auto	64	(20)	—	—	44
Consumer Other	71	60	—	—	131
Non 1-4 Family Construction and Land Development	357	20	—	—	377
Total	\$ 4,928	\$ 2,842	\$ (2,448)	\$ 55	\$ 5,377

15

[Table of Contents](#)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segments and based on impairment method as of March 31, 2023.

	Year Ended March 31, 2023		
	Individually Evaluated for Impairment	Collectively Evaluated For Impairment	Ending Allowance Balance
Ending allowance balance attributed to loans:			
1-4 Family Residential	\$ 193	\$ 493	\$ 686
Multi Family Residential	—	670	670
Commercial Real Estate	—	2,048	2,048
Agricultural Real Estate	—	203	203
Commercial Non-Real Estate	28	887	915
Agricultural Non-Real Estate	—	281	281
SIDS	—	50	50

Consumer Auto	—	44	44
Consumer Other	—	113	113
Non 1-4 Family Construction and Land Development	—	402	402
Total	\$ 221	\$ 5,191	\$ 5,412
(dollars in thousands)	Year Ended March 31, 2023		
	Individually	Collectively	
	Evaluated for	Evaluated For	Total
Loans:	Impairment	Impairment	Loans
1-4 Family Residential	\$ 338	\$ 119,272	\$ 119,610
Multi Family Residential	—	34,296	34,296
Commercial Real Estate	483	101,963	102,446
Agricultural Real Estate	—	9,245	9,245
Commercial Non-Real Estate	29	30,072	30,101
Agricultural Non-Real Estate	—	8,921	8,921
SIDS	—	5,468	5,468
Consumer Auto	—	5,622	5,622
Consumer Other	—	14,334	14,334
Non 1-4 Family Construction and Land Development	—	23,644	23,644
Total	\$ 850	\$ 352,837	\$ 353,687

16

[Table of Contents](#)

The Association's impaired loans at March 31, 2023, were as follows:

(dollars in thousands)	Unpaid			
	Recorded	Principal	Specific	Average
	Balance	Balance	Allowance	Investment in Impaired Loans
With no related allowance recorded:				
1-4 Family Residential	\$ —	\$ —	\$ —	\$ —
Multi-Family Residential	—	—	—	—
Commercial Real Estate	483	605	—	516
Agriculture Real Estate	—	—	—	—
Commercial Non-Real Estate	1	103	—	6
Agriculture Non-Real Estate	—	—	—	—
Sanitary & Improvement Districts	—	—	—	—
Consumer Auto	—	3	—	—
Consumer Other	—	—	—	—
Non 1-4 Family Construction and Land Development	—	—	—	—
With an allowance recorded:				
1-4 Family Residential	338	366	193	303
Multi-family Residential	—	—	—	—
Commercial Real Estate	—	—	—	42

Agriculture Real Estate	—	—	—	—
Commercial Non-Real Estate	28	43	28	35
Agriculture Non-Real Estate	—	—	—	—
Consumer Auto	—	—	—	—
Consumer Other	—	—	—	2
Non 1–4 Family Construction and Land Development	—	—	—	—
Total impaired loans	\$ 850	\$ 1,120	\$ 221	\$ 904

Collateral dependent loans individually evaluated for purposes of the ACL by collateral type were as follows at **December 31, 2023**, **June 30, 2024** and **March 31, 2024**:

Portfolio Segment	Real Estate		Other	
Real Estate - Construction	\$	—	\$	—
Real Estate - Commercial		431		—
Real Estate - Residential		101		—
Commercial Non-Real Estate		—		19
Agricultural		—		—
Other Consumer		—		6
Land Development and SIDs		—		—
Total	\$	532	\$	25

Portfolio Segment	June 30, 2024		
	Real Estate	Other	ACL Allocation
	(Dollars in thousands)		
Real Estate - Construction	\$ —	\$ —	\$ —
Real Estate - Commercial	396	—	—
Real Estate - Residential	95	—	78
Commercial Non-Real Estate	—	12	12
Agricultural	—	—	—
Other Consumer	—	3	3
Land Development and SIDs	—	—	—
Total	\$ 491	\$ 15	\$ 93

Portfolio Segment	March 31, 2024		
	Real Estate	Other	ACL Allocation
	(Dollars in thousands)		
Real Estate - Construction	\$ —	\$ —	\$ —
Real Estate - Commercial	419	—	—
Real Estate - Residential	98	—	81
Commercial Non-Real Estate	—	16	16
Agricultural	—	—	—
Other Consumer	—	4	4
Land Development and SIDs	—	—	—

Total	\$	517	\$	20	\$	101
-------	----	-----	----	----	----	-----

Credit Risk—The Association monitors the credit risk within the loan portfolio by assessing the strength of the borrower’s repayment capacity and the probability of default. The Association first assesses the paying capacity of the borrower; then, it analyzes the sound worth of any pledged collateral or guarantees. In estimating the allowance for loan credit losses management also uses a quarterly Loan Concentration Report to monitor any concentrations that may develop in any specific category of the loan portfolio. It identifies four varying degrees of credit worthiness:

- Pass Loans: Loans in the pass category are loans that do not raise Association concerns.
- Special Mention Loans: Loans in this category may have a potential for weakness which, if not corrected, could weaken the asset and increase risk in the future. By classifying a loan as Special Mention the Association can give the loan the attention needed to remedy any credit defect or potential weaknesses.

17

[Table of Contents](#)

- Substandard Loans: Loans identified as Substandard are assets that are inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Loans in this classification category must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Association will sustain some loss if the deficiencies are corrected. If a loan is classified as Substandard, a determination based upon objective evidence must be made as to any specific or general valuation allowance within the guidelines of generally accepted accounting principles.
- Doubtful Loans: Loans in this category have all the weaknesses inherent in Substandard loans with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. If a loan is classified as Doubtful, a determination based upon objective evidence must be made as to any specific or general valuation allowance within the guidelines of generally accepted accounting principles.

Based on the most recent analysis performed, the risk category of loans by class and year of origination is as follows:

(dollars in thousands)	Term Loans by Origination Year				Revolving	Total
	2023	2022	2021	Prior	Loans	
At December 31, 2023						
Real Estate - Construction						
Pass	\$ 6,129	\$ 2,011	\$ —	\$ 1,832	\$ —	\$ 9,972
Special Mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total Real Estate - Construction	\$ 6,129	\$ 2,011	\$ —	\$ 1,832	\$ —	\$ 9,972
Current year-to-date gross write-offs	—	—	—	—	—	—
Real Estate - Commercial						
Pass	22,598	29,857	24,390	37,740	6,364	\$ 120,949
Special Mention	—	—	—	—	—	—
Substandard	—	—	—	2,805	—	2,805
Doubtful	—	—	—	—	—	—
Total Real Estate - Commercial	\$ 22,598	\$ 29,857	\$ 24,390	\$ 40,545	\$ 6,364	\$ 123,754
Current year-to-date gross write-offs	—	—	—	—	—	—
Real Estate - Residential						
Pass	16,011	31,469	51,976	39,842	11,455	\$ 150,753

Special Mention	—	—	—	—	—	—
Substandard	—	—	—	378	—	378
Doubtful	84	—	—	—	—	84
Total Real Estate - Residential	\$ 16,095	\$ 31,469	\$ 51,976	\$ 40,220	\$ 11,455	\$ 151,215
Current year-to-date gross write-offs	—	—	—	—	—	—
Commercial - Non Real Estate						
Pass	7,153	8,009	2,243	11,685	4,378	\$ 33,468
Special Mention	—	—	—	—	—	—
Substandard	—	136	—	445	—	581
Doubtful	—	—	—	19	—	19
Total Commercial - Non Real Estate	\$ 7,153	\$ 8,145	\$ 2,243	\$ 12,149	\$ 4,378	\$ 34,068
Current year-to-date gross write-offs	—	—	—	—	—	—
Agricultural						
Pass	1,313	3,708	2,647	4,158	6,527	\$ 18,353
Special Mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total - Agricultural	\$ 1,313	\$ 3,708	\$ 2,647	\$ 4,158	\$ 6,527	\$ 18,353
Current year-to-date gross write-offs	—	—	—	—	—	—
Other Consumer						
Pass	13,462	5,436	940	2,617	—	\$ 22,455
Special Mention	—	—	—	—	—	—
Substandard	6	5	42	—	—	53
Doubtful	—	—	—	—	—	—
Total Other Consumer	\$ 13,468	\$ 5,441	\$ 982	\$ 2,617	\$ —	\$ 22,508
Current year-to-date gross write-offs	—	1	—	—	—	1
Land Development and SIDs						
Pass	854	7,448	6,209	1,467	200	\$ 16,178
Special Mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total Land Development and SIDs	\$ 854	\$ 7,448	\$ 6,209	\$ 1,467	\$ 200	\$ 16,178
Current year-to-date gross write-offs	—	—	—	—	—	—
Total loans	\$ 67,610	\$ 88,079	\$ 88,447	\$ 102,988	\$ 28,924	\$ 376,048

189

[Table of Contents](#)

The Association's following tables present the credit risk profile of the Company's loan classifications portfolio based on risk rating category and year of origination as of March 31, 2023, are as follows: June 30, 2024 and March 31, 2024.

(dollars in thousands)	Special	Total
------------------------	---------	-------

	Pass	Mention	Substandard	Doubtful	Loans
1–4 Family Residential	\$ 118,839	\$ —	\$ 771	\$ —	\$ 119,610
Multi-Family Residential	34,296	—	—	—	34,296
Commercial Real Estate	99,367	—	3,079	—	102,446
Agriculture Real Estate	9,245	—	—	—	9,245
Commercial Non-Real Estate	29,390	—	711	—	30,101
Agriculture Non-Real Estate	8,921	—	—	—	8,921
Sanitary & Improvement Districts	5,468	—	—	—	5,468
Consumer Auto	5,591	—	31	—	5,622
Consumer Other	14,334	—	—	—	14,334
Non 1–4 Family Construction & Land Development	23,644	—	—	—	23,644
Total	\$ 349,095	\$ —	\$ 4,592	\$ —	\$ 353,687

As of June 30, 2024

	Term Loans by Origination Year (Fiscal Year)				Revolving	Total
	2025	2024	2023	Prior	Loans	
	(Dollars in thousands)					
Real Estate - Construction						
Pass	\$ 623	\$ 10,321	\$ 3,651	\$ —	\$ 1,995	\$ 16,590
Special mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total Real Estate - Construction	\$ 623	\$ 10,321	\$ 3,651	\$ —	\$ 1,995	\$ 16,590
Current year-to-date gross write-offs	—	—	—	—	—	—
Real Estate - Commercial						
Pass	11,808	13,894	27,272	69,149	490	\$ 122,613
Special mention	—	—	—	—	—	—
Substandard	—	398	—	1,895	—	2,293
Doubtful	—	—	—	—	—	—
Total Real Estate - Commercial	\$ 11,808	\$ 14,292	\$ 27,272	\$ 71,044	\$ 490	\$ 124,906
Current year-to-date gross write-offs	—	—	—	—	—	—
Real Estate - Residential						
Pass	7,986	15,604	25,066	98,844	7,707	\$ 155,207
Special mention	—	—	—	—	—	—
Substandard	—	—	—	139	—	139
Doubtful	—	—	78	—	—	78
Total Real Estate - Residential	\$ 7,986	\$ 15,604	\$ 25,144	\$ 98,983	\$ 7,707	\$ 155,424
Current year-to-date gross write-offs	—	—	—	—	—	—
Commercial - Non-Real Estate						
Pass	296	7,475	4,755	14,348	5,625	\$ 32,499
Special mention	—	—	—	—	—	—
Substandard	—	—	130	415	—	545
Doubtful	—	—	—	12	—	12
Total Commercial - Non-Real Estate	\$ 296	\$ 7,475	\$ 4,885	\$ 14,775	\$ 5,625	\$ 33,056
Current year-to-date gross write-offs	—	—	—	—	—	—

Agricultural						
Pass	3,106	2,709	3,256	6,577	8,447	\$ 24,095
Special mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total - Agricultural	\$ 3,106	\$ 2,709	\$ 3,256	\$ 6,577	\$ 8,447	\$ 24,095
Current year-to-date gross write-offs	—	—	—	—	—	—
Other Consumer						
Pass	1,153	7,066	7,533	2,988	—	\$ 18,740
Special mention	—	—	—	—	—	—
Substandard	—	3	—	12	—	15
Doubtful	—	—	—	—	—	—
Total Other Consumer	\$ 1,153	\$ 7,069	\$ 7,533	\$ 3,000	\$ —	\$ 18,755
Current year-to-date gross write-offs	4	—	—	—	—	4
Land Development and SIDs						
Pass	—	849	6,915	8,977	—	\$ 16,741
Special mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total Land Development and SIDs	\$ —	\$ 849	\$ 6,915	\$ 8,977	\$ —	\$ 16,741
Current year-to-date gross write-offs	—	—	—	—	—	—
Total loans	\$ 24,972	\$ 58,319	\$ 78,656	\$ 203,356	\$ 24,264	\$ 389,567

[Table of Contents](#)

	As of March 31, 2024					
	Term Loans by Origination Year (Fiscal Year)				Revolving Loans	Total
	2024	2023	2022	Prior		
	(Dollars in thousands)					
Real Estate - Construction						
Pass	\$ 10,822	\$ 3,231	\$ —	\$ —	\$ 1,958	\$ 16,011
Special mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total Real Estate - Construction	\$ 10,822	\$ 3,231	\$ —	\$ —	\$ 1,958	\$ 16,011
Current year-to-date gross write-offs	—	—	—	—	—	—
Real Estate - Commercial						
Pass	16,878	30,294	27,294	46,259	244	\$ 120,969
Special mention	—	—	—	—	—	—
Substandard	399	—	—	1,945	—	2,344

Doubtful	—	—	—	—	—	—
Total Real Estate - Commercial	\$ 17,277	\$ 30,294	\$ 27,294	\$ 48,204	\$ 244	\$ 123,313
Current year-to-date gross write-offs	—	—	—	—	—	—
Real Estate - Residential						
Pass	16,391	25,357	49,959	50,621	7,326	\$ 149,654
Special mention	—	—	—	—	—	—
Substandard	—	—	—	119	—	119
Doubtful	—	81	—	—	—	81
Total Real Estate - Residential	\$ 16,391	\$ 25,438	\$ 49,959	\$ 50,740	\$ 7,326	\$ 149,854
Current year-to-date gross write-offs	—	—	—	—	—	—
Commercial - Non-Real Estate						
Pass	8,111	5,140	4,228	11,298	5,712	\$ 34,489
Special mention	—	—	—	—	—	—
Substandard	—	133	—	329	80	542
Doubtful	—	—	—	16	—	16
Total Commercial - Non-Real Estate	\$ 8,111	\$ 5,273	\$ 4,228	\$ 11,643	\$ 5,792	\$ 35,047
Current year-to-date gross write-offs	—	—	—	—	—	—
Agricultural						
Pass	3,391	3,283	2,537	4,353	6,130	\$ 19,694
Special mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total - Agricultural	\$ 3,391	\$ 3,283	\$ 2,537	\$ 4,353	\$ 6,130	\$ 19,694
Current year-to-date gross write-offs	—	—	—	—	—	—
Other Consumer						
Pass	8,020	8,436	966	2,520	—	\$ 19,942
Special mention	—	—	—	—	—	—
Substandard	10	5	14	14	—	43
Doubtful	—	—	—	—	—	—
Total Other Consumer	\$ 8,030	\$ 8,441	\$ 980	\$ 2,534	\$ —	\$ 19,985
Current year-to-date gross write-offs	6	—	—	—	—	6
Land Development and SIDs						
Pass	613	6,776	7,305	1,447	200	\$ 16,341
Special mention	—	—	—	—	—	—
Substandard	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—
Total Land Development and SIDs	\$ 613	\$ 6,776	\$ 7,305	\$ 1,447	\$ 200	\$ 16,341
Current year-to-date gross write-offs	—	—	—	—	—	—
Total loans	\$ 64,635	\$ 82,736	\$ 92,303	\$ 118,921	\$ 21,650	\$ 380,245

Nonperforming and Past-Due Loans—All loans in the Association’s portfolio are considered past due if the required principal and interest payments have not been received as of the date such payments were due.

The following table presents certain information with respect to loans on nonaccrual status as of and for the **nine** months ended **December 31, 2023**, **June 30, 2024** and **March 31, 2024**:

(dollars in thousands)	Nonaccrual loans		Nonaccrual with no	Nonaccrual with	Interest					
	beginning of period	Nonaccrual loans end of period	Allowance for Credit Loss	Allowance for Credit Loss	Recognized During the Period	Nonaccrual	Nonaccrual	Nonaccrual with no	Nonaccrual with	Interest Income
December 31, 2023										
	loans at March 31, 2024	loans at June 30, 2024	Allowance for Credit Loss	Allowance for Credit Loss	Recognized During the Period					
June 30, 2024	(Dollars in thousands)									
Real Estate - Commercial	\$ 483	\$ 431	\$ 431	\$ —	\$ 26	\$ 419	\$ 396	\$ 396	\$ —	\$ 8
Real Estate-Residential	338	101	17	84	5					
Real Estate - Residential	98	95	18	77	2					
Commercial Non-Real Estate	29	19	—	19	6	16	12	—	12	1
Other Consumer	—	6	—	6	—	4	3	—	3	—
Total	\$ 850	\$ 557	\$ 448	\$ 109	\$ 37	\$ 537	\$ 506	\$ 414	\$ 92	\$ 11

The following table presents the recorded investment in nonaccrual and loans past due 90 days or more and still on accrual, by class as of **March 31, 2023**:

	Nonaccrual loans at December 31, 2023	Nonaccrual loans at March 31, 2024	Nonaccrual with no Allowance for Credit Loss	Nonaccrual with Allowance for Credit Loss	Interest Income Recognized During the Period
March 31, 2024	(Dollars in thousands)				
Real Estate - Commercial	\$ 431	\$ 419	\$ 419	\$ —	\$ 4
Real Estate - Residential	101	98	17	81	2
Commercial Non-Real Estate	19	16	—	16	—
Other Consumer	6	4	—	4	—
Total	\$ 557	\$ 537	\$ 436	\$ 101	\$ 6

(dollars in thousands)	Loans Past Due 90 Days or More Still	
March 31, 2023	Nonaccrual	Accruing
1-4 Family Residential	\$ 338	\$ —
Commercial Real Estate	483	—

Commercial Non-Real Estate		29	—
Consumer Other		—	178
Total	\$	850	\$ 178

The following is an aging analysis of the contractually past due loans as of December 31, 2023 June 30, 2024 and March 31, 2024:

(dollars in thousands)								Loans Past							
	30-59 Days	60-89 Days	Greater than 89 Days	Total Past Due	Current	Total	Accruing	Due 90 Days or More	Still	Greater than					
June 30, 2024	Past Due	Past Due	Past Due	Past Due	Current	Total	Accruing	or More	Still	Due 90 Days					
	(Dollars in thousands)														
Real Estate - Construction	\$ —	\$ —	\$ —	\$ —	\$ 9,972	\$ 9,972	\$ —	\$ —	\$ —	\$ —	\$ 16,590	\$ 16,590	\$ —		
Real Estate - Commercial	—	—	—	—	123,754	123,754	—	30	—	12	42	124,864	124,906	—	
Real Estate - Residential	238	30	—	268	150,947	151,215	—	50	22	1	73	155,351	155,424	—	
Commercial Non-RE	—	—	—	—	34,068	34,068	—	—	—	—	—	—	—	—	
Commercial Non-Real Estate	—	—	—	—	33,056	33,056	—	—	—	—	—	—	—	—	
Agricultural	—	—	—	—	18,353	18,353	—	75	—	—	75	24,020	24,095	—	
Other Consumer	52	458	176	686	21,822	22,508	176	118	384	122	624	18,131	18,755	111	
Land Development and SIDs	—	—	—	—	16,178	16,178	—	—	—	—	—	16,741	16,741	—	
Total	\$ 290	\$ 488	\$ 176	\$ 954	\$ 375,094	\$ 376,048	\$ 176	\$ 273	\$ 406	\$ 135	\$ 814	\$ 388,753	\$ 389,567	\$ 111	

[Table of Contents](#)

The following is an aging analysis of the contractually past due loans as of March 31, 2023:

(dollars in thousands)	30-59 Days	60-89 Days	Greater than 89 Days	Total	Current	Total
	Past Due	Past Due	Past Due	Past Due	Current	Total
1-4 Family Residential	\$ 585	\$ —	\$ —	\$ 585	\$ 119,025	\$ 119,610
Multi Family Residential	—	—	—	—	34,296	34,296
Commercial Real Estate	—	—	—	—	102,446	102,446
Agricultural Real Estate	—	—	—	—	9,245	9,245
Commercial Non-Real Estate	—	—	28	28	30,073	30,101
Agricultural Non-Real Estate	—	—	—	—	8,921	8,921

SIDS	—	—	—	—	5,468	5,468
Consumer Auto	43	24	—	67	5,555	5,622
Consumer Other	344	—	178	522	13,812	14,334
Non 1-4 Family Construction and Land Development	—	—	—	—	23,644	23,644
Total	\$ 972	\$ 24	\$ 206	\$ 1,202	\$ 352,485	\$ 353,687

	Greater than				Current	Total	Loans Past
	30–59 Days	60–89 Days	89 Days	Total			Due 90 Days
	Past Due	Past Due	Past Due	Past Due			or More Still
March 31, 2024	(Dollars in thousands)						Accruing
Real Estate - Construction	\$ —	\$ —	\$ —	\$ —	\$ 16,011	\$ 16,011	\$ —
Real Estate - Commercial	—	—	—	—	123,313	123,313	—
Real Estate - Residential	154	51	—	205	149,649	149,854	—
Commercial Non-Real Estate	—	—	16	16	35,031	35,047	—
Agricultural	—	—	—	—	19,694	19,694	—
Other Consumer	37	375	125	537	19,448	19,985	125
Land Development and SIDS	—	—	—	—	16,341	16,341	—
Total	\$ 191	\$ 426	\$ 141	\$ 758	\$ 379,487	\$ 380,245	\$ 125

The Association may modify loans to borrowers experiencing financial difficulty by providing modifications to repayment terms; more specifically, modifications to loan interest rates. Management performs an analysis at the time of loan modification. Any reserve required is recorded through a provision to the allowance for credit losses on loans.

As of April 1, 2023, the Association adopted ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosures. There were no modifications on loans to borrowers experiencing financial difficulty during the nine three months ended December 31, 2023. See Note 1. There were June 30, 2024 and 2023.

no 12

[Table of Contents](#)

new troubled debt restructurings during the nine months ended December 31, 2022.

NOTE 4 - PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2023 and March 31, 2023, consist of the following:

(dollars in thousands)	December 31, 2023	March 31, 2023
Land	\$ 838	\$ 818
Buildings and leasehold improvements	9,294	8,855
Equipment	3,370	3,150
Automobiles	136	48
Computer software	1,036	1,031
Total cost	14,674	13,902
Less accumulated depreciation	10,414	9,798
Total premises and equipment	\$ 4,260	\$ 4,104

Depreciation expense included in occupancy and equipment on the consolidated statements of income totaled \$129 and \$125 for the three months ended December 31, 2023 and 2022, and \$377 and \$352 for the nine months ended December 31, 2023 and 2022, respectively.

NOTE 5 - DEPOSITS

A summary of certificates of deposit included in interest bearing deposits in the consolidated statements of financial condition by maturity at December 31, 2023 June 30, 2024, is as follows:

(dollars in thousands)			
12 Months Ending December 31,		Amount	
2024	\$	98,285	
12 Months Ending June 30,		Amount	
		(Dollars in thousands)	
2025		4,485	\$ 103,805
2026		2,270	4,840
2027		993	4,684
2028 or later		283	
2028		1,338	
2029 or later		34	
Total certificate accounts	\$	106,316	\$ 114,701

The aggregate amount of jumbo certificates of deposit, each with a minimum denomination of \$250,000, was \$33,324.35 million at December 31, 2023 June 30, 2024 and \$31,376.34 million at March 31, 2023 March 31, 2024, respectively. At March 31, 2023 June 30, 2024, the Company had \$8,062.2 million in brokered deposits. The Company had no brokered deposits at December 31, 2023 March 31, 2024.

[Table of Contents](#)

NOTE 5 - BORROWINGS

The Company had \$2.0 million in overnight borrowings outstanding from the Federal Home Loan Bank ("FHLB") of Topeka as of June 30, 2024 and no outstanding borrowings as of December 31, 2023 and March 31, 2023 March 31, 2024.

The following table shows certain information regarding our borrowings at or for the dates indicated:

	For the three months ended June 30,	
	2024	2023
(Dollars in thousands)		
FHLB of Topeka advances and other borrowings:		
Average balance outstanding	\$ 1,719	\$ 5,107
Maximum amount outstanding at any month-end during the period	5,700	8,000
Average interest rate during the period	5.82%	5.40%
	June 30, 2024	March 31, 2024
(Dollars in thousands)		
FHLB of Topeka advances and other borrowings:		
Balance outstanding at end of period	\$ 2,000	\$ —
Weighted average interest rate at end of period	5.83%	—
	June 30, 2024	March 31, 2024

	(Dollars in thousands)	
Outstanding advances	\$ 2,000	\$ —
Additional borrowing capacity	43,093	45,099
Total borrowing capacity	<u>\$ 45,093</u>	<u>\$ 45,099</u>

The Company had remaining availability for FHLB borrowings of approximately \$40,873 38.1 million and \$40,579 40.1 million at December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024, respectively. The FHLB has sole discretion to deny additional advances. \$80 59,000 of investment securities and \$50,000 52.0 million of loans were pledged as collateral for FHLB advances at December 31, 2023 June 30, 2024.

Additionally, the Company had the capacity to borrow \$5,000 5.0 million from a private bankers' bank at December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024.

NOTE 76 - REGULATORY CAPITAL REQUIREMENTS

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

13

[Table of Contents](#)

Quantitative measures established by regulation to ensure capital adequacy require the Association to maintain minimum amounts and ratios as set forth in the following tables of tangible, core, and total risk-based capital. To be considered well-capitalized under the regulatory framework for Prompt Corrective Action provisions, the Association must maintain minimum Tier I leverage, Tier I risk-based, common equity Tier 1, and total risk-based capital ratios (as defined) as set forth in the following tables.

As of December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024, the Association was well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, the Association must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since December 31, 2023 June 30, 2024, that management believes have changed the Association's category.

The Association's actual capital amounts and ratios as of December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024, are also presented in the table below:

(dollars in thousands)	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2023						
Total Capital (to Risk- Weighted Assets)	\$ 66,949	17.98%	\$ 29,782	8.00%	\$ 37,228	10.00%
Tier 1 Capital (to Risk- Weighted Assets)	\$ 62,278	16.73%	\$ 22,337	6.00%	\$ 29,782	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 62,278	16.73%	\$ 16,753	4.50%	\$ 24,198	6.50%
Tier 1 Capital (to Average Assets)	\$ 62,278	13.77%	\$ 18,091	4.00%	\$ 22,614	5.00%

As of March 31, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk- Weighted Assets)	\$ 47,809	13.45%	\$ 28,432	8.00%	\$ 35,540	10.00%
Tier 1 Capital (to Risk- Weighted Assets)	\$ 43,355	12.20%	\$ 21,324	6.00%	\$ 28,432	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 43,355	12.20%	\$ 15,993	4.50%	\$ 23,101	6.50%
Tier 1 Capital (to Average Assets)	\$ 43,355	10.12%	\$ 17,139	4.00%	\$ 21,424	5.00%

As of June 30, 2024	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required To be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
Total Capital (to Risk- Weighted Assets)	\$ 69,225	17.87%	\$ 30,985	8.00%	\$ 38,731	10.00%
Tier 1 Capital (to Risk- Weighted Assets)	\$ 64,369	16.62%	\$ 23,239	6.00%	\$ 30,985	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 64,369	16.62%	\$ 17,429	4.50%	\$ 25,175	6.50%
Tier 1 Capital (to Average Assets)	\$ 64,369	13.84%	\$ 18,603	4.00%	\$ 23,254	5.00%

As of March 31, 2024	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk- Weighted Assets)	\$ 68,071	18.01%	\$ 30,244	8.00%	\$ 37,805	10.00%
Tier 1 Capital (to Risk- Weighted Assets)	\$ 63,329	16.75%	\$ 22,683	6.00%	\$ 30,244	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets	\$ 63,329	16.75%	\$ 17,012	4.50%	\$ 24,573	6.50%
Tier 1 Capital (to Average Assets)	\$ 63,329	13.98%	\$ 18,125	4.00%	\$ 22,656	5.00%

21 14

[Table of Contents](#)

NOTE 8 - MORTGAGE SERVICING

Activity for mortgage servicing rights ("MSRs") measured using the amortized cost method was as follows:

(dollars in thousands)	As of December 31, 2023		As of March 31, 2023	
Mortgage servicing rights				
Balance at beginning of year	\$	434	\$	563
Additions		103		33

Repayments and amortization		(113)	(162)
Balance at end of period	\$	424	\$ 434

At December 31, 2023, no allowance for impairment on the Association's MSRs was established.

At December 31, 2023 and March 31, 2023, the Association was servicing loans for others amounting to \$152,759 and \$149,521, respectively. These loans are not reflected in the Association's financial statements. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors, and foreclosure processing. Loan servicing income is recorded on the accrual basis and includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees. In connection with these loans serviced for others, the Association held borrowers' escrow balances of \$2,570 and \$3,211 at December 31, 2023 and March 31, 2023, respectively, which are included in interest bearing deposits.

Derivative instruments include interest rate locks on commitments to originate loans for the held for sale portfolio and forward commitments on contracts to deliver mortgage-backed securities. The Association has entered into forward commitments for the sale of mortgage loans principally to protect against the risk of adverse interest rate movements on net income. These derivatives are not designated in a hedging relationship. In addition, the Association has entered into commitments to originate loans, which when funded, are classified as held for sale. Such commitments meet the definition of a derivative and are not designated in a hedging relationship. The notional amount and estimated fair value of all such derivative instruments are immaterial.

NOTE 97 - COMMITMENTS AND CONTINGENCIES

The Association 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 including commitments to extend credit and lines or letters of credit and commitments to sell to investors loans held for sale. The Association uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

At December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024, the Association had approved outstanding loan origination commitments of \$183,626,000 and \$4,681.2 million, respectively. Loan commitments, which are funded subject to certain limitations, extend over various periods of time and may expire without being drawn upon. Generally, unused commitments are canceled upon expiration of the commitment term as outlined in each individual contract. All outstanding loan origination commitments were subject to forward sales commitments to various entities. Also, at December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024, the Association has committed unused lines of credit, equity lines, loans in process and letters of credit to consumers totaling \$45,258.4 million and \$48,938.4 million, respectively. The Association evaluates each customer's credit worthiness on a separate basis and requires collateral based on this evaluation. Collateral consists mainly of residential family units and personal property.

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Association's consolidated financial statements.

NOTE 108 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Association measures certain financial assets and liabilities at fair value in accordance with GAAP, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

[Table of Contents](#)

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not

limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy.

The Association's financial assets measured at fair value on a recurring basis are available-for-sale securities. Available-for-sale securities are classified within Level 2 because they are valued based on market prices for similar assets. The fair value of the Association's available-for-sale securities as of **December 31, 2023** **June 30, 2024** and **March 31, 2023** **March 31, 2024** was \$**57,316** **60.1** million and \$**57,842** **60.4** million, respectively. The Association does not have any other assets or liabilities measured at fair value on a recurring basis as of **December 31, 2023** **June 30, 2024** or **March 31, 2023** **March 31, 2024**.

[Table of Contents](#)

(dollars in thousands)	Fair Value Measurements at Reporting Date Using				Fair Value Measurements at Reporting Date Using			
	Estimated Fair Value	Level 1	Level 2	Level 3	Estimated Fair Value	Level 1	Level 2	Level 3
December 31, 2023								
June 30, 2024								
Securities Available-for-sale								
Mortgage Backed Securities	\$ 50,024	\$ —	\$ 50,024	\$ —				
Mortgage-Backed Securities	\$ 53,009	\$ —	\$ 53,009	\$ —				
Municipal Bonds	7,292	—	7,292	—	7,132	—	7,132	—
Total	\$ 57,316	\$ —	\$ 57,316	\$ —	\$ 60,141	\$ —	\$ 60,141	\$ —
March 31, 2023								
March 31, 2024								
Securities Available-for-sale								
Mortgage Backed Securities	\$ 50,136	\$ —	\$ 50,136	\$ —				
Mortgage-Backed Securities	\$ 53,176	\$ —	\$ 53,176	\$ —				
Municipal Bonds	7,706	—	7,706	—	7,180	—	7,180	—
Total	\$ 57,842	\$ —	\$ 57,842	\$ —	\$ 60,356	\$ —	\$ 60,356	\$ —

There were no transfers of financial instruments between Levels 1, 2, and 3 during the **nine** **three** months ended **December 31, 2023** **June 30, 2024**. The Association does not have any financial instruments measured at fair value on a recurring basis classified as Level 3.

Nonrecurring Measurements

The following table presents the fair value measurement of assets and liabilities measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at **December 31, 2023** **June 30, 2024** and **March 31, 2023** **March 31, 2024**:

(dollars in thousands)	Fair Value Measurements at Reporting Date Using			
	Estimated Fair Value	Level 1	Level 2	Level 3

December 31, 2023				
Financial Assets				
Individually evaluated loans	\$ 448	\$ —	\$ —	\$ 448
Total	\$ 448	\$ —	\$ —	\$ 448
March 31, 2023				
Financial Assets				
Impaired loans	\$ 629	\$ —	\$ —	\$ 629
Total	\$ 629	\$ —	\$ —	\$ 629

16

[Table of Contents](#)

	Fair Value Measurements at Reporting Date Using			
	Estimated	Level 1	Level 2	Level 3
	Fair Value			
(Dollars in thousands)				
June 30, 2024				
Financial Assets				
Individually evaluated loans	\$ 414	\$ —	\$ —	\$ 414
Total	\$ 414	\$ —	\$ —	\$ 414
March 31, 2024				
Financial Assets				
Individually evaluated loans	\$ 436	\$ —	\$ —	\$ 436
Total	\$ 436	\$ —	\$ —	\$ 436

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Impaired Loans (March 31, 2023) / Individually Evaluated Loans (December 31, 2023)

Impaired/Individually evaluated loans are recorded at fair value on a nonrecurring basis. The fair value of loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired/Individually evaluated loans are evaluated on a monthly basis for additional impairment and adjusted accordingly.

The numerical range of unobservable inputs for these valuation assumptions is not meaningful to this presentation.

NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss for the three and nine months ended December 31, 2023 and 2022 are as follows:

24

[Table of Contents](#)

(dollars in thousands)	Unrealized Gains and Losses on Available-for-Sale Debt Securities			Defined Benefit Pension Plans	Total
Three Months Ended December 31, 2023					
Balance at beginning of period	\$	(6,419)	\$	(389)	\$ (6,808)
Other comprehensive income		2,190		—	2,190
Balance at end of period	\$	(4,229)	\$	(389)	\$ (4,618)
Three Months Ended December 31, 2022					
Balance at beginning of period	\$	(5,236)	\$	(1,656)	\$ (6,892)
Other comprehensive income		197		15	212
Balance at end of period	\$	(5,039)	\$	(1,641)	\$ (6,680)
Nine Months Ended December 31, 2023					
Balance at beginning of period	\$	(4,718)	\$	(389)	\$ (5,107)
Other comprehensive income		489		—	489
Balance at end of period	\$	(4,229)	\$	(389)	\$ (4,618)
Nine Months Ended December 31, 2022					
Balance at beginning of period	\$	(2,033)	\$	(1,692)	\$ (3,725)
Other comprehensive (loss) income		(3,006)		51	(2,955)
Balance at end of period	\$	(5,039)	\$	(1,641)	\$ (6,680)

The following table summarizes the significant amounts reclassified out of each component of AOCI for three and nine months ended December 31, 2023 and 2022:

(dollars in thousands)	Three Months Ended December 31,		
	2023	2022	
	Amount Reclassified from AOCI		
Details about AOCI Components			
Unrealized gains and losses on available-for-sale securities	\$ 2,772	\$ 251	Debt Securities gains, net
	(582)	(54)	Income tax expense
	\$ 2,190	\$ 197	Net income
Amortization of defined benefit pension items			
Actuarial gains (losses)	\$ —	\$ 19	Salaries and employee benefits
	—	(4)	Income tax expense

	\$ —	\$ 15	Net income
Total reclassification for the period	\$ 2,190	\$ 212	Net income

25

[Table of Contents](#)

(dollars in thousands)	Nine Months Ended December 31,		
	2023	2022	
	Amount Reclassified from AOCI		
Details about AOCI Components			
Unrealized gains and losses on available-for-sale securities	\$ 617	\$ (3,800)	Debt Securities gains (losses), net
	(128)	794	Income tax (expense) benefit
	<u>\$ 489</u>	<u>\$ (3,006)</u>	Net income (loss)
Amortization of defined benefit pension items			
Actuarial gains (losses)	\$ —	\$ 59	Salaries and employee benefits
	—	(8)	Income tax expense
	<u>\$ —</u>	<u>\$ 51</u>	Net income
Total reclassification for the period	<u>\$ 489</u>	<u>\$ (2,955)</u>	Net income (loss)

NOTE 12 -LEASES

The Association leases office space under operating leases that expire at various dates through October 2030.

Rent expense, which is included in occupancy expenses on the consolidated statements of income, was \$57 and \$57 for the nine months ended December 31, 2023 and 2022, respectively.

The following table shows the future undiscounted lease payments required under the leases described above as of December 31, 2023:

12 Months Ending December 31,	Operating Leases
2024	\$ 71
2025	54
2026	46
2027	37
2028	37
Thereafter	103
Total undiscounted lease payments	<u>\$ 348</u>
Less: Imputed interest	<u>(29)</u>
Net lease liability	<u>\$ 319</u>

NOTE 13 9 - EARNINGS PER SHARE

Basic EPS represents income available to common stockholders divided by weighted-average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares (such as stock options) were

exercised or converted into additional common shares that should then share in the earnings of the entity. Diluted EPS is computed by dividing net income attributed to common stockholders by the weighted-average number of common shares outstanding for the period, plus the effect of potential dilutive common share equivalents.

There were no securities or other contracts that had a dilutive effect during for the three and nine months ended December 31, 2023 June 30, 2024, and therefore the weighted-average common shares outstanding used to calculate both basic and diluted EPS are the same. Shares held by the Employee Stock Ownership Plan ("ESOP") that have not been allocated to employees in accordance with the terms of the ESOP, referred to as "unallocated ESOP shares", are not deemed outstanding for EPS calculations. EPS data is not applicable for the three and nine months ended December 31, 2022 June 30, 2023 as the Company had no shares outstanding.

(income in thousands)	Three Months Ended December 31, 2023
Net income applicable to common shares	\$ 937
Average number of common shares outstanding	3,322,612
Less: Average unallocated ESOP shares	264,620
Average number of common shares outstanding used to calculate basic earnings per common share	3,057,992
Earnings per common share basic and diluted	\$ 0.31

(Dollars in thousands)	Three Months Ended June 30, 2024
Net income applicable to common shares	\$ 903
Average number of common shares outstanding	4,130,815
Less: Average unallocated ESOP shares	312,803
Average number of common shares outstanding used to calculate basic earnings per common share	3,818,012
Earnings per common share basic and diluted	\$ 0.24

26 17

[Table of Contents](#)

All unallocated ESOP shares have been excluded from the calculation of basic and diluted EPS. The Company did not present earnings per share for the nine months ended December 31, 2023 because the year-to-date weighted average computation, as a result of the conversion during the period, would present a figure that would not aid investors in understanding the Company's financial results.

NOTE 14 10 - ESOP

Employees participate in an Employee Stock Ownership Plan ("the ESOP"). The ESOP borrowed funds from the Company to purchase 330,465 shares of stock at \$10 per share. The Association makes discretionary contributions to the ESOP and the ESOP uses funds it receives to repay the loan. When loan payments are made, ESOP shares are allocated to participants based on relative compensation. Participants receive the shares at the end of employment.

Each December, the Association makes discretionary There were no contributions to the ESOP which are equal to principal and interest payments required on during the term loan. In December 2023, three months ending June 30, 2024, as the Association annual loan payment will be made a

discretionary contribution of \$303,000 to the Company for payment on the loan, in December. Expense recorded was \$126,000 33,000 during the first nine three months of 2023, ending June 30, 2024, and is recognized over the service period.

Shares held by the ESOP were as follows:

(dollars in thousands)	As of December 31, 2023
Shares committed for allocation	13,218
Unallocated	317,247
Total ESOP shares	330,465
Less: Average unallocated ESOP shares	
Fair value of unearned shares at December 31, 2023	\$ 3,236
	As of June 30, 2024
	(Dollars in thousands)
Shares allocated	13,218
Shares committed for allocation	6,612
Unallocated	310,635
Total ESOP shares	330,465
Fair value of unearned shares at June 30, 2023	\$ 57
Fair value of unearned shares at June 30, 2024	\$ 3,141

Note 15 - SUBSEQUENT EVENTS Fair value of unearned shares is based on a stock price of \$

Management evaluated subsequent events through February 13, 2024, the date the unaudited consolidated financial statements were issued. Management does not believe there were any material subsequent events during this period that would have required further recognition or disclosure in the unaudited consolidated financial statements included in this report. 10.11 as of June 30, 2024.

27 18

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Management's discussion and analysis of financial condition and results of operations at December 31, 2023 June 30, 2024 and March 31, 2023 March 31, 2024 and for the three and nine three months ended December 31, 2023 June 30, 2024 and 2022 2023 is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the unaudited financial statements and the notes thereto appearing in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

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

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;

- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

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

- general economic conditions, including any recessionary conditions and/or increases in unemployment, either nationally or in our market that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding and to maintain adequate liquidity, primarily through deposits;
- fluctuations in real estate values and in the conditions of the residential real estate, commercial real estate, and agricultural real estate markets;
- demand for loans, deposits and non-banking services in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions, including with respect to our ability to charge overdraft fees;
- inflation and changes in the interest rate environment that reduce our margins and yields, the fair value of financial instruments or our levoriginations, or increase the level of defaults, losses and prepayments on loans we have made and will make;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions and/or their holding companies, including changes in regulatory fees, capital requirements and insurance premiums;
- monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board;
- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- the inability of third-party providers to perform as expected;

28 19

[Table of Contents](#)

- a failure or breach of our operational or information security systems or infrastructure, including cyberattacks;
- our ability to manage market risk, credit risk and operational risk;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate into our operations any assets, liabilities, customers, systems and management personnel we may acquire; our ability to realize related revenue synergies and cost savings within expected time frames, and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- changes in accounting and/or tax estimates;
- the effects of any national or global conflict, war or act of terrorism;
- the ability of the U.S. Government to remain open, function properly and manage federal debt limits;
- our compensation expense associated with equity allocated or awarded to our directors and/or employees;
- **the impact of the COVID-19 pandemic or any other pandemic on our operations and financial results and those of our customers;**

- our ability to attract and retain key employees; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Critical Accounting Policies

Our most significant accounting policies are described in Note 1 to the preparation of our consolidated financial statements. Of the significant accounting policies are described used in Note 1 to the preparation of our consolidated financial statements, we have identified certain items as critical accounting policies based on the associated estimates, assumptions, judgments and complexity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended March 31, 2024.

Certain of these accounting policies require management to use significant judgment and estimates, which can have a material impact on the carrying value of certain assets and liabilities. We consider these policies to be our critical accounting estimates.

The estimates and assumptions that we use are based on historical experience, future forecasts and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. Actual results could differ from these judgments and estimates under different conditions, resulting in a change that could have a material impact on the carrying values of our assets and liabilities and our results of operations.

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

See Note 1, "Basis of Presentation" for additional information on the adoption of ASC 326, which changes the methodology under which management calculates the reserve for loans and investment securities, now referred to as the allowance for credit losses. Management considers the measurement of the allowance for credit losses to be a critical accounting policy. Other than the adoption of ASC 326, there have been no significant changes to the Association's critical accounting policies since March 31, 2023.

29 20

[Table of Contents](#)

Comparison of Financial Condition at December 31, 2023, June 30, 2024 and March 31, 2023, March 31, 2024

	At June 30, 2024	At March 31, 2024
	(Dollars in thousands)	
Selected Consolidated Financial Condition Data:		
Cash and cash equivalents	\$ 5,512	\$ 11,454
Investment securities - available for sale	60,141	60,356
Investment securities - held to maturity	297	307
FHLB stock	591	584
Loans, net	383,702	374,389
Total assets	466,567	463,278
Total deposits	376,717	375,145
Total stockholders' equity	\$ 79,199	\$ 78,277

Total Assets. Total assets increased \$16.5 million \$3.3 million, or 3.8% 0.7%, to \$454.3 million \$466.6 million at December 31, 2023 June 30, 2024 from \$437.8 million \$463.3 million at March 31, 2023 March 31, 2024. The increase was driven primarily due to a \$22.3 million \$9.3 million, or 6.3% 2.5%, increase in gross loans. loans, net.

Cash and Cash Equivalents. cash equivalents. Cash and cash equivalents decreased \$4.9 million \$6.0 million, or 29.4% 51.9%, to \$11.7 million \$5.5 million at December 31, 2023 June 30, 2024 from \$16.6 million \$11.5 million at March 31, 2023 March 31, 2024. This decrease was primarily due to an increase in loan funding and a decrease in interest bearing deposits in other banks, partially offset by cash received in connection with the initial public offering of the Company's common stock. banks. We regularly review our liquidity position based on alternative uses of available funds as well as market conditions.

Investment Securities Available for Sale. Securities available-for-sale decreased \$526,000, \$215,000, or 0.9% 0.4%, to \$57.3 million \$60.1 million at December 31, 2023 June 30, 2024 from \$57.8 million \$60.4 million at March 31, 2023 March 31, 2024. We purchased \$6.0 million \$1.9 million in securities, received principal payments of \$7.0 million \$2.1 million, had net premium amortization and discount accretion of \$131,000 \$25,000 and had an increase a decrease in the net unrealized gain losses on the securities portfolio of \$617,000 \$18,000 during the nine-month three month period ended December 31, 2023 June 30, 2024.

Gross Loans. Loans, net. Gross Our loans, held for investment net, increased \$22.3 million \$9.3 million, or 6.3% 2.5%, to \$376.1 million \$383.7 million at December 31, 2023 June 30, 2024 from \$353.7 million \$374.4 million at March 31, 2023 March 31, 2024. We experienced increases in all loan categories except for construction real estate commercial non-real loans and other consumer loans. The largest increase was in commercial residential real estate loans, which increased \$21.4 million \$5.5 million, or 20.8% 3.7%, to \$123.8 million \$155.4 million at June 30, 2024, from \$102.4 \$149.9 million at March 31, 2023 March 31, 2024.

Total Deposits. Total deposits decreased \$23.6 million increased \$1.6 million, or 6.0% 0.4%, to \$367.4 million \$376.7 million at December 31, 2023 June 30, 2024 from \$391.0 million \$375.1 million at March 31, 2023 March 31, 2024. This decrease was The increase in deposits is primarily within time deposits as the result Company continued to offer a competitive CD special during the three months ended June 30, 2024. Management continues to actively monitor the deposit balances and interest rates offered to maintain an adequate level of customers using cash to purchase shares in our conversion. liquidity.

Noninterest-bearing deposits increased \$9.1 million \$1.5 million, or 12.5% 2.3%, to \$82.4 million \$68.4 million at December 31, 2023 June 30, 2024 from \$73.2 million \$66.9 million at March 31, 2023 March 31, 2024. Time certificates of deposit increased \$22.1 million \$1.3 million, or 28.8% 2.6%, to \$107.7 million \$114.7 million at December 31, 2023 June 30, 2024 from \$85.6 million \$113.4 million at March 31, 2023 March 31, 2024, as we believe that long-term customers have sought higher-yield deposits as a result of recent increases in market interest rates. We also had brokered time deposits of \$8.1 million \$2.2 million at March 31, 2023 that are included in the \$85.6 million total. June 30, 2024. The Company had no brokered time deposits at March 31, 2024.

Borrowings. Outstanding borrowings increased to \$2.0 million at June, 30 2024. We had no outstanding borrowings at December 31, 2023 or March 31, 2023 March 31, 2024. We have had limited borrowings in recent periods, as we have generally been able to utilize cash provided by our increase in deposits to fund our operations, although we will utilize FHLB advances as needed to support increased loan funding.

Stockholders' Equity. Stockholders' equity increased \$39.1 million, \$922,000, or 101.2% 1.2% to \$77.8 million \$79.2 million at December 31, 2023 June 30, 2024 from \$38.7 million \$78.3 million at March 31, 2023 March 31, 2024. This increase is the result of the net proceeds of the stock offering, less unallocated shares of the ESOP. Net income of \$2.9 million \$903,000 and other comprehensive income ESOP shares committed to be released of \$489,000 \$33,000, for the nine three months ended December 31, 2023 June 30, 2024, which was offset by a reduction an increase in equity other comprehensive loss of \$402,000 resulting from increasing our allowance for credit losses in connection with our adopting the CECL accounting methodology effective April 1, 2023, \$14,000.

The following tables set forth average annualized balance sheets, average yields and costs, and certain other information for the periods indicated. No tax-equivalent yield adjustments have been made, as the effects would be immaterial. All average balances are daily average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense. Loan fees are included in interest income on loans and are not material.

	For the Three Months Ended December 31,						For the Three Months Ended June 30,					
	2023			2022			2024			2023		
	Average			Average			Average			Average		
	Outstanding	Average	Outstanding	Average	Outstanding	Average	Outstanding	Average	Outstanding	Average	Outstanding	Average
Balance	Interest	Yield/Rate	Balance	Interest	Yield/Rate	Balance	Interest	Yield/Rate	Balance	Interest	Yield/Rate	
(Dollars in thousands)												
Interest-earning assets:												
Loans	\$ 367,941	\$ 4,892	5.32 %	\$ 341,703	\$ 3,876	4.54 %	\$ 378,393	\$ 5,308	5.61 %	\$ 358,535	\$ 4,320	4.82 %
Mortgage-backed securities	48,970	397	3.24 %	53,075	297	2.24 %	53,894	491	3.64 %	52,231	343	2.63 %
Investment securities (1)	7,213	45	2.50 %	8,036	45	2.24 %	7,079	42	2.37 %	7,631	45	2.36 %
Interest-bearing deposits and other	7,409	108	5.83 %	1,068	19	7.12 %	9,490	70	2.95 %	4,554	58	5.09 %
Total interest-earning assets	431,533	5,442	5.04 %	403,882	4,237	4.20 %	448,856	5,911	5.27 %	422,951	4,766	4.51 %
Non-interest-earning assets	18,898			14,574			15,132			15,633		
Total assets	\$ 450,431			\$ 418,456			\$ 463,988			\$ 438,584		
Interest-bearing liabilities:												
Savings accounts	\$ 42,485	\$ 53	0.50 %	\$ 51,132	\$ 17	0.13 %	\$ 42,689	\$ 39	0.37 %	\$ 46,324	\$ 27	0.23 %
Money market accounts	21,594	140	2.59 %	25,782	73	1.13 %	25,110	129	2.05 %	24,887	89	1.43 %
NOW accounts	134,427	401	1.19 %	158,411	281	0.71 %	125,934	518	1.65 %	150,367	530	1.41 %

Certificates of deposit	88,134	907	4.12%	42,717	243	2.28%	98,132	1,080	4.40%	73,668	638	3.46%
Individual retirement accounts	16,084	191	4.75%	15,544	95	2.44%	17,143	154	3.59%	15,497	78	2.01%
Total interest-bearing deposits	302,724	1,692	2.24%	293,586	709	0.97%	309,008	1,920	2.49%	310,743	1,362	1.75%
Borrowings	158	2	5.06%	15,946	152	3.81%	1,719	25	5.82%	5,107	69	5.40%
Total interest-bearing liabilities	302,882	1,694	2.24%	309,532	861	1.11%	310,727	1,945	2.50%	315,850	1,431	1.81%
Other non-interest-bearing liabilities	102,603			73,016			95,018			83,836		
Total liabilities	405,485			382,548			405,745			399,686		
Total equity	44,946			35,908			58,243			38,898		
Total liabilities and total equity	<u>\$ 450,431</u>			<u>\$ 418,456</u>			<u>\$ 463,988</u>			<u>\$ 438,584</u>		
Net interest income		<u>\$ 3,748</u>			<u>\$ 3,376</u>			<u>\$ 3,966</u>			<u>\$ 3,335</u>	
Net interest rate spread (2)			2.81%			3.08%			2.77%			2.70%
Net interest-earning assets (3)	<u>\$ 128,651</u>			<u>\$ 94,350</u>			<u>\$ 138,129</u>			<u>\$ 107,101</u>		
Net interest margin (4)			3.47%			3.34%			3.53%			3.15%
Average interest-earning assets to interest-bearing liabilities	142.48%			130.48%			144.45%			133.91%		

- (1) Represents investments in municipal bonds.
- (2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.
- (3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
- (4) Net interest margin represents net interest income divided by average total interest-earning assets.

31 22

Table of Contents

	Nine Months Ended December 31,					
	2023			2022		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans	\$ 359,515	\$ 13,801	5.12 %	\$ 331,219	\$ 10,698	4.31 %
Mortgage-backed securities	49,958	1,091	2.91 %	58,311	923	2.11 %
Investment securities (1)	7,937	138	2.32 %	8,136	135	2.21 %
Interest-bearing deposits and other	5,137	211	5.48 %	5,009	96	2.55 %
Total interest-earning assets	422,547	15,241	4.81 %	402,675	11,852	3.92 %
Non-interest-earning assets	18,170			14,257		
Total assets	\$ 440,717			\$ 416,932		
Interest-bearing liabilities:						
Savings accounts	\$ 45,040	\$ 107	0.32 %	\$ 53,106	\$ 35	0.09 %
Money market accounts	21,742	320	1.96 %	25,975	189	0.97 %
NOW accounts	125,685	1,461	1.55 %	164,572	547	0.44 %
Certificates of deposit	81,017	2,333	3.84 %	34,187	431	1.68 %
Individual retirement accounts	15,832	351	2.96 %	15,653	198	1.69 %
Total interest-bearing deposits	289,316	4,572	2.11 %	293,493	1,400	0.64 %
Borrowings	2,580	104	5.37 %	13,079	269	2.74 %
Total interest-bearing liabilities	291,896	4,676	2.14 %	306,572	1,669	0.73 %
Other non-interest-bearing liabilities	107,893			73,257		
Total liabilities	399,789			379,829		
Total equity	40,928			37,103		
Total liabilities and total equity	\$ 440,717			\$ 416,932		
Net interest income		\$ 10,565			\$ 10,183	
Net interest rate spread (2)			2.67 %			3.20 %
Net interest-earning assets (3)	\$ 130,651			\$ 96,103		
Net interest margin (4)			3.33 %			3.37 %
Average interest-earning assets to interest-bearing liabilities	144.76 %			131.35 %		

(1) Represents investments in municipal bonds.

(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average rate of interest-bearing liabilities.

- (3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
- (4) Net interest margin represents net interest income divided by average total interest-earning assets.

[Table of Contents](#)

Comparison of Operating Results for the Three Months Ended December 31, 2023 June 30, 2024 and December 31, 2022 June 30, 2023

General. Net income increased \$2.0 million, decreased \$43,000, or 188.7% 4.5%, to \$937,000 \$903,000 for the three months ended December 31, 2023 June 30, 2024, compared to a net loss income of \$1.1 million \$946,000 for the three months ended December 31, 2022 June 30, 2023. This increase was due The decrease in net income is primarily to the result of an increase of \$2.3 million in provision for credit losses for the three months ended December 31, 2022. The Association recorded a significant provision for credit losses as we recognized a charge-off of \$2.4 million on a commercial non-interest expense, primarily related to salaries and industrial loan during 2022. employee benefits and other general and administrative expenses, which was partially offset by an increase in net interest income.

Interest and Dividend Income. Interest and dividend income increased \$1.2 million \$1.1 million, or 28.4% 24.0%, to \$5.4 million \$5.9 million for the three months ended December 31, 2023 June 30, 2024 from \$4.2 million \$4.8 million for the three months ended December 31, 2022 June 30, 2023. The increase was due primarily to an increase in interest income on loans, which is our primary source of interest income, due to increases in market interest rates. rates and loan growth.

Interest income on loans increased \$1.0 million, \$988,000, or 26.2% 22.9%, to \$4.9 million \$5.3 million for the three months ended December 31, 2023 June 30, 2024 from \$3.9 million \$4.3 million for the three months ended December 31, 2022 June 30, 2023. The average balance of loans increased \$26.2 million \$19.9 million, or 7.7% 5.5%, to \$367.9 million \$378.4 million for the three months ended December 31, 2023 June 30, 2024 from \$341.7 million \$358.5 million for the three months ended December 31, 2022 June 30, 2023. The increase was primarily due to our continued focus on growing our loan portfolio consistent with maintaining asset quality. Our yield on loans increased 78 79 basis points to 5.32% 5.61% for the three months ended December 31, 2023 June 30, 2024 from 4.54% 4.82% for the three months ended December 31, 2022 June 30, 2023. The increase in yield was due to increases in market interest rates.

Interest income on securities increased \$100,000, \$145,000, or 29.2% 37.4%, to \$442,000 \$533,000 for the three months ended December 31, 2023 June 30, 2024 from \$342,000 \$388,000 for the three months ended December 31, 2022 June 30, 2023, due to a 91 basis point increase in the average yield from 2.24% 2.59% for the three months ended December 31, 2022 June 30, 2023 to 3.15% 3.50% for the three months ended December 31, 2023 June 30, 2024. The increase was offset by a \$4.9 million decrease in the average balance of securities increased \$1.1 million, or 1.9%, to \$56.2 million \$61.0 million for the three months ended December 31, 2023 June 30, 2024 from \$61.1 million \$59.9 million for the three months ended December 31, 2022 June 30, 2023. This decrease in the average balance of securities is attributed to paydowns received over the period.

Interest Expense. Interest expense increased \$833,000, \$514,000, or 96.7% 35.9%, to \$1.7 million \$1.9 million for the three months ended December 31, 2023 June 30, 2024 compared to \$861,000 \$1.4 million for the three months ended December 31, 2022 June 30, 2023, due to increases in the average balance of and higher costs of interest-bearing liabilities.

Interest expense on deposits increased \$983,000, \$558,000, or 138.6% 41.0%, to \$1.7 million \$1.9 million for the three months ended December 31, 2023 June 30, 2024 compared to \$709,000 \$1.4 million for the three months ended December 31, 2022 June 30, 2023. The increase was due to a 127 74 basis point increase in the average cost of deposits to 2.24% 2.49% for the three months ended December 31, 2023 June 30, 2024 from 0.97% 1.75% for the three months ended December 31, 2022 June 30, 2023. The increase in the average cost of deposits was due to the higher interest rate environment and an increase in the average balances of certificates of deposit of \$45.4 million \$24.5 million to \$88.1 million \$98.1 million for the three months ended December 31, 2023 June 30, 2024 from \$42.7 million \$73.6 million for the three months ended December 31, 2022 June 30, 2023.

Interest expense on FHLB borrowings decreased \$150,000, or 98.7%, to \$2,000 for the three months ended December 31, 2023 compared to \$152,000 for the three months ended December 31, 2022. The decrease was due to a decrease in the average balance of borrowings of \$15.7 million, or 99.0%, to \$158,000 for the three months ended December 31, 2023 compared to \$15.9 million for the three months ended December 31, 2022, as we have generally been able to utilize cash provided by our increase in deposits to fund our operations.

Net Interest Income. Net interest income less after provision for credit losses increased \$2.7 million, \$609,000, or 316.5% 18.1%, to \$3.6 million \$4.0 million for the three months ended December 31, 2023 June 30, 2024 compared to \$854,000 \$3.4 million for the three months ended December 31, 2022 June 30, 2023.

Our interest rate spread decreased 28 increased seven basis points to 2.81% 2.77% for the three months ended December 31, 2023 June 30, 2024, compared to 3.08% 2.70% for the three months ended December 31, 2022 June 30, 2023, and our net interest margin increased 13 38 basis points to 3.47% 3.53% for the three months ended December 31, 2023 June 30, 2024 compared to 3.34% 3.15% for the three months ended December 31, 2022 June 30, 2023.

Provision for Credit Losses. Effective April 1, 2023 For the three months ended June 30, 2024 and 2023, a reversal of the provision for credit losses was recorded based on the current allowance for credit loss ("ACL") assessment. During the three months ended June 30, 2024, we adopted recorded a reversal of provision for credit losses of \$5,000. During the CECL accounting methodology. As three months ended June 30, 2023, we recorded a result, we now determine periodic estimates reversal of lifetime expected provision for credit losses of \$27,000, comprised of \$32,000 in reversal of provision for credit losses on loans and unfunded commitments and recognize the expected credit losses as allowances for credit losses. Previously, provisions for loan losses were charged to operations to establish an allowance for loan losses at a level necessary to absorb known and inherent losses in our loan portfolio that were both probable and reasonably estimable at the date of the consolidated financial statements.

We recorded a \$5,000 provision for credit losses on unfunded commitments. We will continue to assess and evaluate the estimated future credit loss impact of \$191,000 current market conditions in subsequent reporting periods, which will be highly dependent on credit quality, macroeconomic forecasts and conditions, as well as the composition of our loan and available-for-sale securities portfolios.

Non-Interest Income. The following table shows the components of non-interest income for the three months ended December 31, 2023 compared to a provision for loan losses of \$2.5 million for the three months ended December 31, 2022. We had recoveries of \$19,000 during the three months ended December 31, 2023, and recoveries of \$20,000 during the three months ended December 31, 2022. We had no loans charged off during the three months ended December 31, 2023, and had loans charged off of \$2.4 million during the three months ended December 31, 2022. periods presented.

Non-interest income:	Three months ended June 30,	
	2024	2023
	(Dollars in thousands)	
Servicing fees on loans	\$ 32	\$ 86
Service charges on deposit accounts	192	187
Interchange income	322	305
Gain on sale of loans	48	41
Gain from real estate owned and other repossessed assets, net	—	1
Other non-interest income	18	32
Total non-interest income	<u>\$ 612</u>	<u>\$ 652</u>

33 23

[Table of Contents](#)

Non-Interest Income. Noninterest income increased \$326,000, decreased \$40,000, or 57.8% 6.1%, to \$890,000 \$612,000 for the three months ended December 31, 2023 June 30, 2024 from \$564,000 \$652,000 for the three months ended December 31, 2022 June 30, 2023. Other income increased \$227,000, Servicing fees on loans decreased \$54,000, or 398.2% 62.8%, to \$284,000 \$32,000 for the three months ended December 31, 2023 June 30, 2024 compared to \$57,000 \$86,000 for the three months ended December 31, 2022, due June 30, 2023.

Non-Interest Expense. The following table shows the components of non-interest expense for the periods presented.

	Three months ended June 30,
--	-----------------------------

Non-interest expense:	2024		2023	
	(Dollars in thousands)			
Salaries and employee benefits	\$	1,843	\$	1,564
Occupancy and equipment		252		242
Data processing		462		443
Federal deposit insurance premiums		44		81
Debit card processing		64		60
Advertising		75		68
Other general and administrative expenses		733		378
Total non-interest expense	\$	3,473	\$	2,836

Noninterest expense increased \$637,000, or 22.5% to a recovery of a previously written off receivable. Service charges on deposit accounts increased \$30,000, or 18.3%, to \$194,000 \$3.5 million for the three months ended December 31, 2023 compared to \$164,000 June 30, 2024 from \$2.8 million for the three months ended December 31, 2023, primarily due to an increase in overdraft income and debit card usage.

Non-Interest Expense. Noninterest expense increased \$558,000, or 20.4% to \$3.3 million for the three months ended December 31, 2023 from \$2.7 million for the three months ended December 31, 2022 June 30, 2023. Salaries and employee benefits expense increased \$522,000, \$279,000, or 37.8% 17.8%, to \$1.9 million \$1.8 million for the three months ended December 31, 2023 June 30, 2024 from \$1.4 million \$1.6 million for the three months ended December 31, 2022 June 30, 2023, due to additional lenders added to the reversal of the executive bonus accrual in November 2022. Executive bonus accruals are calculated monthly based on a forecast of year-end earnings. However, due to a significant provision for credit losses the Association recognized during 2022, it was determined that no executive bonus payouts would be made for the year ended March 31, 2023. Company. Additionally, the Association entered into an Employee Stock Ownership Plan at the closing of the conversion, which resulted in additional ESOP related expenses of \$126,000 \$33,000 during the three months ended December 31, 2023 June 30, 2024.

Federal deposit insurance premiums Other general and administrative expenses increased \$20,000, \$355,000, or 46.5% 93.9%, to \$63,000 \$733,000 for the three months ended December 31, 2023 June 30, 2024 from \$43,000 \$378,000 for the three months ended December 31, 2022 June 30, 2023, due to a combination of an increase increases in deposits insurance, auditing and an increase in federal deposit insurance premium rates. consulting fees. These additional fees relate to public filing requirements and further regulatory compliance consulting.

Income Tax Expense. We recognized income tax expense of \$218,000 \$207,000 for the three months ended December 31, 2023 June 30, 2024 and an income tax benefit expense of \$260,000 \$232,000 for the three months ended December 31, 2022 June 30, 2023, respectively, resulting in effective rates of 18.9% 18.7% for the three months ended December 31, 2023 June 30, 2024 and 19.9% 19.7% for the three months ended December 31, 2022 June 30, 2023. The most significant difference between our effective tax rate and statutory rates results from investment partnership tax credits. credits and tax-exempt municipal bond interest.

Comparison of Operating Results for the Nine Months Ended December 31, 2023 and December 31, 2022

General. Net income increased \$2.2 million, or 313.3%, to \$2.9 million for the nine months ended December 31, 2023, compared to \$691,000 for the nine months ended December 31, 2022. This increase was due primarily to an increase of \$2.7 million in provision for credit losses for the nine months ended December 31, 2022. The Association recorded a significant provision for credit losses as we recognized a charge-off of \$2.4 million on a commercial and industrial loan during 2022.

Interest and Dividend Income. Interest and dividend income increased \$3.3 million, or 28.6%, to \$15.2 million for the nine months ended December 31, 2023 from \$11.9 million for the nine months ended December 31, 2022. The increase was due primarily to an increase in interest income on loans, which is our primary source of interest income, due to increases in market interest rates.

Interest income on loans increased \$3.1 million, or 29.0%, to \$13.8 million for the nine months ended December 31, 2023 from \$10.7 million for the nine months ended December 31, 2022. The average balance of loans increased \$28.3 million, or 8.5%, to \$359.5 million for the nine months ended December 31, 2023 from \$331.2 million for the nine months ended December 31, 2022. The increase is due to our continued focus on growing our loan portfolio consistent with maintaining asset quality. Our yield on loans increased 81 basis points to 5.12% for the nine months ended December 31, 2023 from 4.31% for the nine months ended December 31, 2022. The increase in yield was due to increases in market interest rates.

Interest income on securities increased \$171,000, or 16.2%, to \$1.2 million for the nine months ended December 31, 2023 from \$1.1 million for the nine months ended December 31, 2022, due to a 71 basis point increase in the average yield from 2.12% for the nine months ended December 31, 2022 to 2.83% for the nine months ended December 31, 2023. The increase was offset by a \$8.5 million decrease in the average balance of securities to \$57.9 million for the nine months ended December 31, 2023 from \$66.4 million for the nine months ended December 31, 2022. This decrease in the average balance of securities is attributed to paydowns received over the period.

Interest Expense. Interest expense increased \$3.0 million, or 180.2%, to \$4.7 million for the nine months ended December 31, 2023 compared to \$1.7 million for the nine months ended December 31, 2022, due to increases in the average balance of and higher costs of interest-bearing liabilities.

Interest expense on deposits increased \$3.2 million, or 226.6%, to \$4.6 million for the nine months ended December 31, 2023 compared to \$1.4 million for the nine months ended December 31, 2022. The increase was due to a 147 basis point increase in the average cost of deposits to 2.11% for the nine months ended December 31, 2023 from 0.64% for the nine months ended December 31, 2022. The increase in the average cost of deposits was due to the higher interest rate environment and an increase in the average balances of certificates of deposit of \$46.8 million to \$81.0 million for the nine months ended December 31, 2023 from \$34.2 million for the nine months ended December 31, 2022.

[Table of Contents](#)

Interest expense on FHLB borrowings decreased \$165,000, or 61.3%, to \$104,000 for the nine months ended December 31, 2023 compared to \$269,000 for the nine months ended December 31, 2022. The decrease was due to a decrease in the average balance of borrowings of \$10.5 million, or 80.3%, to \$2.6 million for the nine months ended December 31, 2023 compared to \$13.1 million for nine months ended December 31, 2022.

Net Interest Income. Net interest income less provision for credit losses increased \$3.1 million, or 42.6%, to \$10.5 million for the nine months ended December 31, 2023 compared to \$7.3 million for the nine months ended December 31, 2022.

Our interest rate spread decreased 53 basis points to 2.67% for the nine months ended December 31, 2023, compared to 3.20% for the nine months ended December 31, 2022, and our net interest margin decreased four basis points to 3.33% for the nine months ended December 31, 2023 compared to 3.37% for the nine months ended December 31, 2022.

Provision for Credit Losses. Effective April 1, 2023, we adopted the CECL accounting methodology. As a result, we now determine periodic estimates of lifetime expected credit losses on loans and unfunded commitments and recognize the expected credit losses as allowances for credit losses. Previously, provisions for loan losses were charged to operations to establish an allowance for loan losses at a level necessary to absorb known and inherent losses in our loan portfolio that are both probable and reasonably estimable at the date of the consolidated financial statements.

We recorded a provision for loan losses of \$99,000 for the nine months ended December 31, 2023 compared to a provision for loan losses of \$2.8 million for the nine months ended December 31, 2022. In addition, we recognized a reduction in beginning retained earnings of \$402,000 related to an increase in our allowance for credit losses in connection with our adoption of CECL. Our allowance for credit losses was \$5.9 million at December 31, 2023 compared to an allowance for loan losses of \$5.4 million at March 31, 2023 and \$5.4 million at December 31, 2022. The ratio of our allowance for credit/loan losses to total loans was 1.56% at December 31, 2023 compared to 1.53% at March 31, 2023 and 1.54% at December 31, 2022.

We had charge-offs of less than \$1,000 and recoveries of \$58,000 during the nine months ended December 31, 2023, compared to charge-offs of \$2.4 million and recoveries of \$55,000 during the nine months ended December 31, 2022.

To the best of our knowledge, we have recorded all lifetime expected credit losses on loans and unfunded commitments at December 31, 2023. However, future changes could result in material increases in our provision for credit losses. In addition, the OCC, as an integral part of its examination process, will periodically review our allowance for credit losses, and as a result of such reviews, we may have to adjust our allowance for credit losses.

Non-Interest Income. Noninterest income increased \$379,000, or 20.6%, to \$2.2 million for the nine months ended December 31, 2023 compared to \$1.8 million for the nine months ended December 31, 2022. Service charges on deposit accounts increased \$89,000, or 18.2%, to \$579,000 for the nine months ended December 31, 2023 compared to \$490,000 for the nine months ended December 31, 2022, primarily due to increases in overdraft income and

debit card usage. Other income increased \$125,000, or 55.8%, to \$349,000 for the nine months ended December 31, 2023 compared to \$224,000 for the nine months ended December 31, 2022. Gain on sale of loans increased \$83,000, or 92.2%, to \$173,000 for the nine months ended December 31, 2023 from \$90,000 for the nine months ended December 31, 2022.

Non-Interest Expense. Noninterest expense increased \$767,000, or 9.2%, to \$9.1 million for the nine months ended December 31, 2023 from \$8.4 million for the nine months ended December 31, 2022. Salaries and employee benefits increased \$613,000, or 13.7%, to \$5.1 million for the nine months ended December 31, 2023 from \$4.5 million for the nine months ended December 31, 2022, due to the reversal of the executive bonus accrual in November 2022. Executive bonus accruals are calculated monthly based on a forecast of year-end earnings. However, due to a significant provision for credit losses the Association recognized during 2022, it was determined that no executive bonus payouts would be made for the year ended March 31, 2023. Additionally, the Association entered into an Employee Stock Ownership Plan at the closing of the conversion, which resulted in additional ESOP related expenses of \$126,000 during the nine months ended December 31, 2023.

Federal deposit insurance premiums increased \$92,000, or 77.3%, to \$211,000 for the nine months ended December 31, 2023 from \$119,000 for the nine months ended December 31, 2022, due to a combination of an increase in deposits and an increase in federal deposit insurance premium rates.

Income Tax Expense. Income tax expense increased \$572,000, or 417.5%, to \$709,000 for the nine months ended December 31, 2023 from \$137,000 for the nine months ended December 31, 2022. The effective tax rate for the nine months ended December 31, 2023 and 2022 were 19.9% and 16.6%, respectively. The most significant difference between our effective tax rate and statutory rates results from investment partnership tax credits.

[Table of Contents](#)

Management of Market Risk

General. Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our financial condition and results of operations to changes in market interest rates. All directors participate in discussions during the regular board meetings evaluating the interest rate risk inherent in our assets and liabilities, and the level of risk that is appropriate. These discussions take into consideration our business strategy, operating environment, capital, liquidity and performance objectives consistent with the policy and guidelines approved by them.

Our asset/liability management strategy attempts to manage the impact of changes in interest rates on net interest income, our primary source of earnings. Among the techniques we are using to manage interest rate risk are:

- maintaining capital levels that exceed the thresholds for well-capitalized status under federal regulations;
- maintaining adequate levels of liquidity;
- selling longer-term, fixed-rate loans, subject to market conditions; and
- continuing to diversify our loan portfolio by adding more commercial-related loans, which typically have shorter maturities and/or adjustable rates.

By following these strategies, we believe that we are better positioned to react to increases and decreases in market interest rates.

We have not engaged in hedging activities, such as engaging in futures or options. We do not anticipate entering into similar transactions in the future.

[Table of Contents](#)

Net Interest Income Analysis. We analyze our sensitivity to changes in interest rates through a third-party net interest income ("NII") model. NII is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our NII would be for a one-year period and then calculate what the NII would be for the same period under the assumptions that the United States Treasury yield curve increases or decreases gradually by up to 400 basis points. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in the interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below.

The following table sets forth, at **December 31, 2023** **June 30, 2024**, the calculation of the estimated changes in our NII that would result from the designated changes in the United States Treasury yield curve over a one-year period.

Changes in Interest Rates (basis points) ⁽¹⁾	NII Year 1 Forecast (Dollars in thousands)		Change in Net Interest Income Year One (% change from year one base)		NII Year 1 Forecast (Dollars in thousands)		Change in Net Interest Income Year One (% change from year one base)	
	400	\$	15,327	(2.71)%	\$	17,045	(2.59)%	
300		15,429	(2.06)		17,168	(1.89)		
200		15,536	(1.38)		17,292	(1.18)		
100		15,641	(0.72)		17,398	(0.58)		
Base		15,754	—		17,499	—		
(100)		15,845	0.58		17,557	0.33		
(200)		15,952	1.26		17,593	0.54		
(300)		16,148	2.50		17,620	0.69		
(400)		16,338	3.71		17,660	0.92		

(1) Assumes a gradual change in interest rates at all maturities over a one-year period.

The table above indicates that at **December 31, 2023** **June 30, 2024**, we would have experienced a **1.38%** **1.18%** decrease in NII in the event of a gradual, one-year 200 basis point increase in market interest rates, and a **1.26%** **0.54%** increase in NII in the event of a gradual, one-year 200 basis point decrease in market interest rates.

[Table of Contents](#)

Market Value of Equity

We also use a third-party model to compute amounts by which the net present value of our assets and liabilities (market value of equity or "MVE") would change in the event of a range of assumed changes in market interest rates. This model uses a discounted cash flow analysis and an option-based pricing approach to measure the interest rate sensitivity of net portfolio value. The model estimates the economic value of each type of asset, liability and off-balance sheet contract under the assumptions that the United States Treasury yield curve increases or decreases instantaneously by up to 400 basis points.

The following table sets forth, at **December 31, 2023** **June 30, 2024**, the calculation of the estimated changes in our MVE that would result from the designated immediate changes in the United States Treasury yield curve.

Estimated Increase (Decrease) in MVE (Dollars in thousands)	MVE as a Percentage of Present Value of Assets(3)	Estimated Increase (Decrease) in MVE (Dollars in thousands)	MVE as a Percentage of Present Value of Assets(3)
---	--	---	--

Changes in Interest Rates (basis points) ⁽¹⁾	December 31, 2023					June 30, 2024				
	Estimated MVE ⁽²⁾	Dollar Change	Percent Change	MVE Ratio ⁽⁴⁾	Increase (Decrease) (basis points)	Estimated MVE ⁽²⁾	Dollar Change	Percent Change	MVE Ratio ⁽⁴⁾	Increase (Decrease) (basis points)
400	\$ 73,687	\$ (7,377)	(9.10)%	20.40%	78	\$ 97,625	\$ (5,029)	(4.90)%	25.38%	178
300	76,285	(4,779)	(5.90)	20.45	83	99,616	(3,038)	(2.96)	25.14	154
200	77,823	(3,241)	(4.00)	20.19	57	100,561	(2,093)	(2.04)	24.64	104
100	78,062	(3,002)	(3.70)	19.60	(2)	100,376	(2,278)	(2.22)	23.86	26
Base	81,064	—	—	19.62	—	102,654	—	—	23.60	—
(100)	75,095	(5,969)	(7.36)	17.54	(208)	96,546	(6,108)	(5.95)	21.52	(208)
(200)	66,993	(14,071)	(17.36)	15.21	(441)	87,907	(14,747)	(14.37)	19.11	(449)
(300)	56,621	(24,443)	(30.15)	12.48	(714)	76,585	(26,069)	(25.40)	16.25	(735)
(400)	58,407	(22,657)	(27.95)	12.53	(709)	63,956	(38,698)	(37.70)	13.25	(1,035)

- (1) Assumes an immediate uniform change in interest rate at all maturities.
(2) MVE is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(3) Present value of assets represents the discounted present value of incoming cash flows on interest-earning assets.
(4) MVE Ratio represents MVE divided by the present value of assets.

[Table of Contents](#)

The table above indicates that at **December 31, 2023** **June 30, 2024**, we would have experienced a **4.00%** **2.04%** decrease in MVE in the event of an instantaneous parallel 200 basis point increase in the market interest rates and a **17.36%** **14.37%** decrease in MVE in the event of an instantaneous 200 basis point decrease in market interest rates.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurement. Modeling changes in NII and MVE require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. For instance, the NII and MVE tables presented above assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. However, the shape of the yield curve changes constantly and the value and pricing of our assets and liabilities, including our deposits, may not closely correlate with changes in market interest rates. Accordingly, although the NII and MVE tables may provide an indication of our interest rate risk exposure at a particular point in time and in the context of a particular yield curve, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on NII and MVE and will differ from actual results.

NII and MVE calculations also may not reflect the fair values of financial instruments. For example, decreases in market interest rates can increase the fair values of our loans, deposits and borrowings.

Liquidity and Capital Resources

Liquidity. Liquidity describes our ability to meet financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from maturities of securities. We also have the ability to borrow from the FHLB. The Association had remaining availability for FHLB borrowings of approximately **\$40.9 million** **\$38.1 million** at **December 31, 2023** **June 30, 2024**. The FHLB has sole discretion to deny additional advances. **Additionally, the Association had the capacity to borrow \$5.0 from a private bankers' bank at December 31, 2023.** We could significantly increase our borrowing capacity from the FHLB Topeka if we pledged additional assets as security. We also have the ability to participate in the Federal Reserve Board's Bank Term Funding Program if needed. **Additionally, the Association had the capacity to borrow \$5.0 million from a private bankers' bank at June 30, 2024.**

[Table of Contents](#)

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments. The levels of these assets are dependent on our operating, financing, lending and investing activities during any period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities.

For the ~~nine~~ ~~three~~ months ended ~~December 31, 2023~~ ~~June 30, 2024~~, cash flows from operating, investing, and financing activities resulted in a net decrease in cash and cash equivalents of ~~\$4.9 million~~ ~~\$5.9 million~~. Net cash provided by operating activities amounted to ~~\$4.2 million~~, ~~\$505,000~~, primarily due to net income of ~~\$2.9 million~~, ~~\$903,000~~ and changes of other assets of \$413,000, partially offset by changes in accrued expenses and other liabilities of ~~\$981,000~~. Net cash used in investing activities amounted to ~~\$21.4 million~~ ~~\$9.6 million~~, primarily due to a net increase in loans of ~~\$22.0 million~~ ~~\$9.3 million~~ and the purchase of available-for-sale investment securities of ~~\$6.0 million~~ ~~\$1.9 million~~, partially offset by proceeds from paydowns of available-for-sale investment securities of ~~\$7.0 million~~ ~~\$2.1 million~~. Net cash provided by financing activities amounted to ~~\$12.3 million~~ ~~\$3.2 million~~, primarily due to ~~the proceeds from the issuance of common stock~~, ~~an increase in short-term FHLB advances and an increase in deposits~~.

For the ~~nine~~ ~~three~~ months ended ~~December 31, 2022~~ ~~June 30, 2023~~, cash flows from operating, investing, and financing activities resulted in a net ~~decrease~~ ~~increase~~ in cash and cash equivalents of ~~\$11.4 million~~, ~~\$112,000~~. Net cash provided by operating activities amounted to ~~\$3.3 million~~, ~~\$1.2 million~~, primarily due to net income of \$946,000. Net cash used in investing activities ~~amount~~ ~~amounted~~ to ~~\$30.8 million~~ ~~\$12.9 million~~, primarily due to a net increase in loans of ~~\$40.1 million~~ ~~\$11.4 million~~ and the purchase of available-for-sale investment securities of \$3.8 million, partially offset by proceeds from paydowns of available-for-sale investment securities of ~~\$9.7 million~~ ~~\$2.3 million~~. Net cash provided by financing activities amounted to ~~\$16.1 million~~ ~~\$11.9 million~~, primarily due to a net increase in ~~proceeds from short-term FHLB advances~~ ~~deposits~~ of ~~\$14.5 million~~ ~~\$12.3 million~~. For further information, see the statements of cash flows contained in the consolidated financial statements in Part 1, Item 1 of this Quarterly Report.

Impact of Inflation and Changing Prices

The consolidated financial statements and related data presented in this Quarterly Report have been prepared according to GAAP which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution

[Table of Contents](#)

are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Concentration - Commercial Real Estate

Our market areas have experienced strong population and job growth, contributing to favorable economic conditions for generating new commercial loans. We target new commercial real estate loan originations to experienced, growing small- and mid-size owners and investors in our market area. Our commercial real estate loans are secured by owner-occupied and non-owner-occupied properties, including medical practices, insurance offices, warehouses, single- and multi-tenant retail and hotels. Our commercial residential real estate loans are secured by properties located within our primary market area, or we generally participate with a Nebraska-based bank for loans outside of our primary market area. Generally, our commercial real estate loans have terms and amortization periods up to 20 years with options for balloon payments and interest rate adjustments to occur every five years. The

interest rate is fixed for the initial term (five years or less) and then adjusts again at the end of the next period matching the initial term or as negotiated at the end of the first term. Commercial real estate loans generally have terms and amortization periods up to 20 years. We generally limit the loan-to-value ratios of our commercial real estate loans to 75% of the purchase price or appraised value, whichever is lower.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property, and the debt service coverage ratio (the ratio of net operating income to debt service). Generally, the debt service coverage ratio on these loans is at least 1.20x. The significant majority of our commercial real estate loans are appraised by outside independent appraisers approved by the board of directors. Personal guarantees are generally obtained from the principals of commercial real estate borrowers.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Information with respect to qualitative disclosures about market risk can be found in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operation - Management of Market Risk."

38 27

[Table of Contents](#)

Item 4. Controls and Procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by the quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

39 28

[Table of Contents](#)

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

At December 31, 2023 June 30, 2024, we were not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business, the outcome of which would not be material to our financial condition or results of operations.

Item 1A. Risk Factors.

Not required for smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On October 19, 2023, the Company completed the sale of 4,130,815 shares of its common stock, par value \$0.01 per share, in connection with the mutual-to-stock conversion of the Association. The effective date of the Company's registration statement (Commission File No. 333-272636) was August 14, 2023. The Company registered for offer and sale shares of common stock, par value \$0.01, at a sales price of \$10.00 per share.

The selling agent who assisted the Company in the sale of its common stock was Keefe, Bruyette & Woods, Inc. ("KBW") For their services, KBW received a fee of 1.0% of the aggregate purchase price of the shares of common stock sold in the subscription offering, and \$30,000 for conversion agent and data processing records management agent, as well as reimbursements for out-of-pocket expenses and legal expenses related to its marketing agent services and its conversion agent and records manager services.

As of December 31, 2023, the Company incurred expenses in connection with the offer and sale of the common stock totaling \$1.9 million, resulting in net proceeds of \$39.4 million. The Company utilized \$3.3 million to fund an ESOP loan and invested \$19.7 million of the net proceeds it received from the sale into the Association's operations, and has retained the remaining amount for general corporate purposes. None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

40 29

[Table of Contents](#)

Item 6. Exhibits.

Furnish the exhibits required by Item 601 of Regulation S-K (§ 229.601 of this chapter).

Exhibit Number	Description
10.1	Employment Agreement with Steven D. Kunzman (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company (file no. 001-41844), filed with the SEC on October 26, 2023).
10.2	Change in Control Agreement with Lisa A. Harris (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of the Company (file no. 001-41844), filed with the SEC on October 26, 2023).
10.3	Change in Control Agreement with Kurt A. Haecker (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of the Company (file no. 001-41844), filed with the SEC on October 26, 2023).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2024 August 7, 2024

By: /s/ Bradley M. Kool

Bradley M. Kool
First Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Central Plains Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended December 31, 2023 June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: February 13, 2024 August 7, 2024

By: /s/ Steven D. Kunzman

Steven D. Kunzman
Chairman of the Board, President and Chief Executive Officer

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

In connection with the Quarterly Report of Central Plains Bancshares, Inc. (the "Company") on Form 10-Q for the quarter ended **December 31, 2023** **June 30, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: **February 13, 2024** **August 7, 2024**

By: _____ /s/ Bradley M. Kool

Bradley M. Kool

First Vice President and Chief Financial Officer

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.