CULLMAN BANCORP, INC.

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024 and 2023

CULLMAN BANCORP, INC.
Cullman, Alabama

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CONTENTS

INDEPENDENT AUDITOR'S REPORT

Management and the Audit Committee
Cullman Bancorp, Inc.
Cullman, Alabama

Opinion

We have audited the consolidated financial statements of Cullman Bancorp, Inc, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of net income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Crowe LLP

Crowe LLP

Franklin, Tennessee
March 26, 2025

CULLMAN BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2024 and 2023
(All amounts in thousands, except share and per share data)

	2024	2023
ASSETS		
Interest bearing cash and cash equivalents	$ 128	$ 229
Non-interest bearing cash and cash equivalents	2,963	4,157
Federal funds sold	16,150	8,650
Total cash and cash equivalents	19,241	13,036
Securities available for sale	23,103	28,356
Loans, net of allowance of $2,882 and $3,271, as of December 31, 2024 and 2023	355,699	339,402
Premises and equipment, net	17,168	13,957
Accrued interest receivable	1,338	1,260
Restricted equity securities	3,281	2,782
Bank owned life insurance	9,533	9,239
Deferred tax asset, net	2,250	2,440
Other assets	632	1,169
Total assets	$ 432,245	$ 411,641
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest bearing	$ 11,488	$ 12,297
Interest bearing	268,627	256,704
Total deposits	280,115	269,001
Federal Home Loan Bank advances	45,000	35,000
Accrued interest payable	386	239
Other liabilities	6,495	5,666
Total liabilities	331,996	309,906
Shareholders' equity		
Common stock, $0.01 par value; 50,000,000 shares authorized; 6,770,650 and 7,301,282 shares outstanding at December 31, 2024 and December 31, 2023	66	71
Additional paid-in capital	43,826	48,081
Retained earnings	61,975	59,344
Accumulated other comprehensive income (loss)	(2,963)	(2,913)
Unearned ESOP shares, at cost	(2,655)	(2,848)
Total shareholders' equity	100,249	101,735
Total liabilities and shareholders' equity	$ 432,245	$ 411,641

See accompanying notes to consolidated financial statements.

CULLMAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF NET INCOME
Years Ended December 31, 2024 and 2023
(All amounts in thousands, except share and per share data)

	2024	2023
Interest and dividend income:		
Loans, including fees	$ 19,718	$ 17,348
Non taxable securities	19	27
Securities	828	922
Federal funds sold and other	974	1,162
Total interest income	21,539	19,459
Interest expense:		
Deposits	5,032	2,855
Federal Home Loan Bank advances and other borrowings	1,921	1,422
Total interest expense	6,953	4,277
Net interest income	14,586	15,182
Provision for credit losses on loans	(382)	166
Provision for unfunded commitments	(25)	128
Net interest income after provision for credit losses	14,993	14,888
Noninterest income:		
Service charges on deposit accounts	1,126	1,097
Income on bank owned life insurance	294	275
Gain on sales of mortgage loans	54	22
Net gain on prepayment of Federal Home Loan Bank advances	—	127
Net loss on sale of foreclosed real estate	—	(6)
Other	218	195
Total noninterest income	1,692	1,710
Noninterest expense:		
Salaries and employee benefits	8,218	7,786
Occupancy and equipment	1,089	982
Data processing	1,187	1,003
Professional and supervisory fees	703	883
Office expense	227	166
Advertising	180	119
FDIC deposit insurance	161	162
Other	544	447
Total noninterest expense	12,309	11,548
Income before income taxes	4,376	5,050
Income tax expense	869	1,097
Net income	$ 3,507	$ 3,953
Earnings per share:		
Basic	$ 0.52	$ 0.56
Diluted	0.52	0.54

See accompanying notes to consolidated financial statements.

CULLMAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2024 and 2023
(All amounts in thousands, except share and per share data)

	2024	2023
Net income	$ 3,507	$ 3,953
Other comprehensive income, net of tax		
Unrealized gain (loss) on securities available for sale	(65)	612
Income tax effect	15	33
Other comprehensive income (loss)	(50)	645
Comprehensive income	$ 3,457	$ 4,598

See accompanying notes to consolidated financial statements.

CULLMAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2024 and 2023
(All amounts in thousands, except share and per share data)

	Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Unearned ESOP Shares	Total
Balance at January 1, 2023	7,394,615	$ 74	$ 50,161	$ 56,561	$ (3,558)	$ (3,056)	$ 100,182
Net Income	—	—	—	3,953	—	—	3,953
CECL implementation	—	—	—	(284)	—	—	(284)
Other comprehensive income	—	—	—	—	645	—	645
Share repurchase	(270,632)	(3)	(2,867)	—	—	—	(2,870)
ESOP shares earned	—	—	14	—	—	208	222
Dividend paid ($0.12/share)	—	—	—	(886)	—	—	(886)
Restricted shares awarded	177,299	—	—	—	—	—	—
Stock-based compensation expense	—	—	773	—	—	—	773
Balance at December 31, 2023	7,301,282	$ 71	$ 48,081	$ 59,344	$ (2,913)	$ (2,848)	$ 101,735
Balance at January 1, 2024	7,301,282	$ 71	$ 48,081	$ 59,344	$ (2,913)	$ (2,848)	$ 101,735
Net Income	—	—	—	3,507	—	—	3,507
Other comprehensive income	—	—	—	—	(50)	—	(50)
Share repurchase	(530,632)	(5)	(5,307)	—	—	—	(5,312)
ESOP shares earned	—	—	(2)	—	—	193	191
Dividend paid ($0.12/share)	—	—	—	(876)	—	—	(876)
Stock-based compensation expense	—	—	1,054	—	—	—	1,054
Balance at December 31, 2024	6,770,650	$ 66	$ 43,826	$ 61,975	$ (2,963)	$ (2,655)	$ 100,249

See accompanying notes to consolidated financial statements.

CULLMAN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

(All amounts in thousands, except share and per share data)

	2024	2023
Cash flows from operating activities		
Net income	$ 3,507	$ 3,953
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	(407)	294
Depreciation and amortization, net	594	469
Deferred income tax benefit (expense)	206	(119)
Net loss on disposal of fixed assets	7	12
Earnings on equity security	—	(18)
Net loss on sale of repossessions	—	3
Net gain on extinguishment of debt	—	(127)
Income on bank owned life insurance	(294)	(275)
Gain on sales of mortgage loans	(54)	(22)
Mortgage loans originated for sale	(1,795)	(714)
Mortgage loans sold	1,849	736
ESOP compensation expense	191	222
Stock based compensation expense	1,054	773
Net change in operating assets and liabilities		
Increase in accrued interest receivable	(78)	(98)
Decrease in accrued interest payable	147	84
Decrease other	1,377	688
Net cash provided by operating activities	6,304	5,861
Cash flows from investing activities		
Purchases of premises and equipment, net	(3,836)	(3,630)
Proceeds from maturities, prepayments and calls of securities	5,211	2,096
Proceeds from sales of foreclosed real estate	—	67
Purchases of restricted equity securities	(499)	(749)
Redemptions of equity securities	—	497
Loan originations and payments, net	(15,901)	(10,174)
Net cash used in investing activities	(15,025)	(11,893)
Cash flows from financing activities		
Net (decrease) increase in deposits	11,114	(23,948)
Proceeds from Federal Home Loan Bank advances	10,000	25,000
Repayment of Federal Home Loan Bank advances	—	(14,873)
Cash payment of dividends	(876)	(886)
Repurchase of common stock	(5,312)	(2,870)
Net cash provided by (used in) financing activities	14,926	(17,577)
Net change in cash and cash equivalents	6,205	(23,609)
Cash and cash equivalents at beginning of year	13,036	36,645
Cash and cash equivalents at end of year	$ 19,241	$ 13,036
Supplemental cash flow information		
Interest paid	$ 6,806	$ 4,193
Income taxes paid	364	804
Supplemental noncash disclosures:		
Day 1 impact of adoption of Current Expected Credit Losses methodology	—	379

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: The consolidated financial statements of Cullman Bancorp, Inc. (the Bancorp) include the accounts of its wholly owned subsidiary, Cullman Savings Bank (the Bank), together referred to as the Company. On July 8, 2024, the Company notified the NASDAQ Stock Market of its intent to file a Notification of Removal from Listing and/or Registration Under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the Securities and Exchange Commission (the "SEC") on July 18, 2024 to effect the voluntary delisting of its common stock from NASDAQ. In addition, the Company terminated the registration of its common stock under Section 12(b) of the Exchange Act and to suspend its periodic reporting obligations with the SEC. The Company has its shares quoted on the OTCQX Market following NASDAQ delisting.

The Company provides financial services through its offices in Cullman County, Alabama. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through March 26, 2025, which is the date the financial statements were available to be issued.

Risk and Uncertainties: The ongoing economic challenges, including issues such as rising inflation and effects of related governmental responses continue to evolve. Because of the significant uncertainties related to the inflation and its potential effects on customers and prospects, and on the national and local economy as a whole, there can be no assurances as to how it may ultimately affect the Company.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, federal funds purchased, and premises and equipment transactions.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Securities: Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization and accretion of purchase premiums and discounts. Premiums and discounts on securities are amortized and accreted using the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

A debit security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income.

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

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

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of deferred loan fees and costs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Management defers any material loan fees net of certain direct costs and amortizes these deferred fees or costs into interest income using the level yield method without anticipating prepayments. Interest income on commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer loans continue to accrue interest until they are changed off no later than 120 days past due unless the loan is in the process of collection or secured by 1-4 family residential property. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balances is reduced to zero. Under the cash bases method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Concentration of Credit Risk: Most of the Company's business activity is with customers located within Cullman County. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in the Cullman County area.

Allowance for Credit Losses- Loans: The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of the amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for the differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

For the year ending December 31, 2023 the Company utilized a third-party discounted cash flow method. The company elected to change from a third- party model to a simplified spreadsheet-based method. The previous model was overly complex for a smaller community bank and the change was not material.

For the year ending December 31, 2024, the Company elected to use the Scaled CECL Allowance for Losses Estimator (SCALE) methodology which is allowed under the accounting guidance. The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified the loan portfolio segments listed below.

One-to-four family real estate: One-to-four family residential loans consist primarily of loans secured by first or second liens or mortgages on primary residences. We originate adjustable-rate and fixed-rate, one-to-four-family residential real estate loans for the construction, purchase or refinancing of a mortgage. These loans are collateralized by owner occupied properties located in the Company's market area. Loans on one-to-four-family residential real estate are generally originated in amounts of up to 89.9% for owner-occupied one-to-four family homes and up to 80% for non-owner-occupied homes. Mortgage title insurance and hazard insurance are normally required.

Commercial real estate: Commercial real estate loans consist of loans to finance real estate purchases, refinancings, expansions and improvements to commercial properties. Commercial real estate loans are made to finance the purchases of real property, which generally consists of real estate with completed structures. These commercial real estate loans are secured by first liens on the real estate, which primarily include office buildings, farms, retail and mixed-use properties, churches, warehouses and restaurants located within the Company's market area. The Company's underwriting analysis includes credit verification, independent appraisals, a review of the borrower's financial condition, and a detailed analysis of the borrowers underlying cash flows.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commercial real estate loans are larger than one-to-four family residential loans and generally involve greater credit risk. Often these loans are made to single borrowers or groups of related borrowers, and the repayment of these loans largely depends on the results of operations and management of these properties. Adverse economic conditions also affect the repayment ability to a greater extent than one-to four real estate loans. These loans are typically originated in amounts of no more than 85% of the appraised value or the purchase price of the property with an appropriate projected debt service coverage ratio. The Company's underwriting analysis includes considering the borrower's expertise and requires verification of the borrower's credit history, income and financial statements, banking relationships, independent appraisals, references and income projections for the property. The Company generally obtains personal guarantees on these loans.

Multi-family real estate: Multi-family real estate loans generally have a maximum term of 20 years and are secured by apartment buildings in the Company's market area. The interest rates on these loans are generally fixed for an initial period five years. These loans are generally made in amounts of up to 85% of the lesser of the appraised value or the purchase price of the property with an appropriate projected debt service coverage ratio. The Company's underwriting analysis includes considering the borrower's expertise and requires verification of the borrower's credit history, income and financial statements, banking relationships, independent appraisals, references and income projections for the property. The Company generally obtains personal guarantees on these loans.

Multi-family real estate loans generally present a higher level of risk than loans secured by one-to-four family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income-producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multi-family residential real estate is typically dependent upon the successful operation of the related real estate project.

Construction real estate: Construction loans consist of loans to individuals for the construction of their primary residences and, to a limited extent, loans to builders and commercial borrowers for owner-occupied projects. Loans to individuals for the construction of their residences typically run for up to 12 months and then convert to permanent loans. These construction loans have rates and terms comparable to one-to-four family loans. During the construction phase, the borrower pays interest only. The maximum loan-to-value ratio of owner-occupied single-family construction loans is 85%. Residential construction loans are generally underwritten pursuant to the same guidelines used for originating permanent residential loans.

Construction loans generally are made for relatively short terms. However, to the extent construction loans are not made to owner-occupants of single-family homes, they are more vulnerable to changes in economic conditions and the concentration of credit with a limited number of borrowers. Further, the nature of these loans is such that they are more difficult to evaluate and monitor. The risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value upon completion of the project and the estimated cost (including interest) of the project. The maximum loan-to-value ratio of owner-occupied single-family construction loans is 85%.

Commercial: Commercial business loans and lines of credit consist of loans to small- and medium-sized companies in the Company's market area. Commercial business loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. Interest rates on these loans are fixed rates. Primarily all of the Company's commercial loans are secured loans, along with a small amount of unsecured loans. The Company's underwriting analysis consists of a review of the financial statements of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. Commercial business loans are generally secured by accounts receivable, inventory and equipment.

Commercial business loans are typically made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business, which makes them of higher risk than one-to-four family residential loans and the collateral securing loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. We seek to minimize these risks through our underwriting standards.

Consumer: Consumer loans mainly consist of variable-rate and fixed-rate home equity lines-of-credit secured by a lien on the borrower's primary residence. Home equity products are limited to 89.99% of the property value less any other mortgages if the first loan is with the Bank. Home equity products in a secondary lien position are limited to 80% of the property value less any superior liens. The Company uses the same underwriting standards for home equity lines-of-credit as it uses for one-to-four family residential mortgage loans. Home equity lines-of-credit provide for an initial draw period of up to ten years, with monthly payments of 1.5% of the outstanding balance or interest only payments calculated on the outstanding balance. At the end of the initial term, the line may be paid in full or restructured through our then current home equity program. To that extent, most of our consumer loans share the same level of risk as one-to-four family residential mortgages.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Management utilizes an internal loan grading system and assigns each loan a grade of pass, special mention, substandard, or doubtful, which are more fully explained in Note 3. All loan relationships over $100 graded substandard and doubtful are evaluated quarterly and adjusted if needed.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market, 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 released. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted through the provision for unfunded commitments. The estimate 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. The allowance for credit losses on off-balance sheet credit exposures as of December 31, 2024 and 2023 was $236 and $261, respectively which was included in other liabilities in in balance sheet.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company adopted Accounting Standards Codification (ASC) 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance sheet credit exposures. The Company recorded a net decrease to retained earnings of $284, an increase to deferred tax asset of $95, and an increase to the allowance for credit losses of $379 as of January 1, 2023 for the cumulative effect of adopting ASC 326.

Mortgage Banking Derivatives: Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as derivatives not qualifying for hedge accounting. The fair values of these derivatives have not been recognized at 2024 and 2023 because they are not material.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 15 to 43 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 3 to 20 years.

Foreclosed Real Estate: Real estate acquired through loan foreclosure is recorded at fair value less cost to sell when acquired, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. These assets are subsequently accounted for at the lower of cost or fair value less costs to sell. Valuations are periodically performed and any reductions in fair value result in a write down of the carrying value and a charge to the income statement. Revenues and expenses from operations are recognized in the income statement as earned or incurred. As of December 31, 2024 and 2023, the Company had no foreclosed real estate.

Federal Home Loan Bank (FHLB) Stock: The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Reserve Bank (FRB) Stock: The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. The principal differences relate to deferred compensation, foreclosed assets, premises and equipment, and the allowance for loan losses. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded. The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale which are also recognized as a separate component of equity.

Bank Owned Life Insurance: The Company has purchased life insurance policies on certain officers and directors. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

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

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Loan Commitments and Related Financial Instruments: 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. The fair value of standby letters of credit at December 31, 2024 and 2023 was not material and have not been recorded.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or market conditions could significantly affect the estimates.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Retirement Plans: Employee profit sharing plan expense is the amount of employer contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of services.

Employee Stock Ownership Plan: The cost of shares issued to the employee stock ownership plan ("ESOP"), but not yet allocated to participants, is shown as a reduction of shareholders equity. Compensation expense is based on the market price of shares as they are committed to be released to participant accounts. Dividends, when paid, on allocated ESOP shares reduce retained earnings; dividends, when paid, on unearned ESOP shares reduce debt and accrued interest.

Earnings per Common Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. ESOP shares are considered outstanding for this calculation unless unearned. All outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation.

Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options. Earnings and dividends per share are restated for all stock splits and stock dividends through the date of issuance of the financial statements.

Dividend Restriction: Banking regulations and policy require maintaining certain capital levels and may limit the dividends paid by the Bank to the Bancorp or by the Bancorp to shareholders.

RECENT ACCOUNTING PRONOUNCEMENTS AND ACCOUNTING CHANGES

In November 2023, the FASB issued *Accounting Standards Update 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which adds required disclosures of significant expenses for each reportable segment and certain other disclosures to help users of the financial statements understand how the chief operating decision maker ("CODM") evaluates segment expenses and operating results on an annual and interim basis. The amendments also require that entities disclose the titles and positions of the CODM. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company adopted ASU 2023-07 on January 1, 2024 and has included the required disclosures in Note 17 Segment Reporting.

(All amounts in thousands, except share and per share data)

NOTE 2 – SECURITIES AVAILABLE FOR SALE

The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income at December 31, 2024 and 2023 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2024				
U.S Government sponsored entities	$ 3,993	$ —	$ (705)	$ 3,288
Municipal – taxable	13,744	2	(2,649)	11,097
Municipal – tax exempt	695	—	(55)	640
Residential mortgage-backed	8,328	1	(538)	7,791
SBA[(1)] guaranteed debenture	299	—	(12)	287
Total	$ 27,059	$ 3	$ (3,959)	$ 23,103
2023				
U.S Government sponsored entities	$ 5,990	$ —	$ (704)	$ 5,286
Municipal – taxable	14,305	9	(2,522)	11,792
Municipal – tax exempt	945	—	(28)	917
Residential mortgage-backed	9,543	—	(600)	8,943
Commercial mortgage-backed	992	—	(16)	976
SBA[(1)] guaranteed debenture	472	—	(30)	442
Total	$ 32,247	$ 9	$ (3,900)	$ 28,356

(1) Small Business Administration

The Company's mortgage-backed securities are primarily issued by agencies such as Fannie Mae and Ginnie Mae.

The proceeds from sales and calls of securities and the associated gains and losses are listed below:

	2024	2023
Proceeds	$ 2,095	$ 75
Gross gains	—	—
Gross losses	—	—

(All amounts in thousands, except share and per share data)

NOTE 2 – SECURITIES AVAILABLE FOR SALE (Continued)

The amortized cost and fair value of the investment securities portfolio are shown below by expected maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	December 31, 2024	
	Amortized Cost	Estimated Fair Value
Due one year or less	$ —	$ —
Due from one to five years	2,440	2,385
Due after five to ten years	5,041	4,218
Due after ten years	10,951	8,422
Residential mortgage-backed	8,328	7,791
SBA guaranteed debenture	299	287
Total	$ 27,059	$ 23,103

Carrying amounts of securities pledged to secure public deposits as of December 31, 2024 and 2023 were $6,489 and $9,350, respectively. At December 31, 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies in an amount greater than 10% of shareholders' equity.

Securities with unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	Less Than 12 Months		12 Months or More		Total	
2024	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S Government sponsored entities	$ 993	$ (1)	$ 2,295	$ (704)	$ 3,288	$ (705)
Municipal – taxable	—	—	10,498	(2,649)	10,498	(2,649)
Municipal – tax exempt	—	—	640	(55)	640	(55)
Residential mortgage-backed	2	—	7,656	(538)	7,658	(538)
SBA guaranteed debenture	—	—	287	(12)	287	(12)
Total temporarily impaired	$ 995	$ (1)	$ 21,376	$ (3,958)	$ 22,371	$ (3,959)
2023						
U.S Government sponsored entities	$ —	$ —	$ 5,286	$ (704)	$ 5,286	$ (704)
Municipal – taxable	—	—	11,087	(2,522)	11,087	(2,522)
Municipal – tax exempt	250	(1)	667	(27)	917	(28)
Residential mortgage-backed	—	—	8,943	(600)	8,943	(600)
Commercial mortgage-backed	—	—	976	(16)	976	(16)
SBA guaranteed debenture	—	—	442	(30)	442	(30)
Total temporarily impaired	$ 250	$ (1)	$ 27,401	$ (3,899)	$ 27,651	$ (3,900)

(Continued)

NOTE 2 – SECURITIES AVAILABLE FOR SALE (Continued)

Unrealized losses have not been recognized into income because the issuers bonds are of high credit quality, management does not intend to sell and it is likely that management 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.

In 2024 and 2023, the Company evaluated securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. The Company considered the length of time and the extent to which the fair value has been less than cost and the financial condition and near-term prospects of the issuer. Additionally, the Company considered its intent to sell or whether it will be more likely than not it will be required to sell the security prior to the security's anticipated recovery in fair value. In analyzing an issuer's financial condition, the Company may have considered whether the securities were issued by the federal Government sponsored agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

All of the securities except for one municipal-taxable security and one residential mortgage-backed security have unrealized losses at December 31, 2024. None of the unrealized losses for these securities have been recognized into net income for the year ended December 31, 2024 because the issuer's bonds are of high credit quality, management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes interest rates. The fair value is expected to recover as the bonds approach their maturity date or reset date.

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS

Loans at December 31, 2024 and 2023 were as follows:

	2024	2023
Real estate loans:		
One- to four-family	$ 184,981	$ 178,861
Multi-family	3,653	3,458
Commercial	106,812	101,268
Construction	20,663	19,705
Total real estate loans	316,109	303,292
Commercial loans	30,758	29,354
Consumer loans:		
Home equity loans and lines of credit	8,133	6,291
Other consumer loans	3,588	3,744
Total consumer loans	11,721	10,035
Total loans	358,588	342,681
Net deferred loan fees	(7)	(8)
Allowance for credit losses	(2,882)	(3,271)
Loans, net	$ 355,699	$ 339,402

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS (Continued)

The following tables present the activity in the allowance for credit losses on loans for the year ended December 31, 2024 and 2023. On January 1, 2023, the Company adopted ASC 326. Refer to Note 1 for further details. The recorded investment in loans in any of the following tables does not include accrued and unpaid interest or any deferred loan fees or costs, as amounts are not significant.

	Real Estate						
December 31, 2024	One-to-Four Family	Multi-Family	Commercial	Construction	Commercial	Consumer	Total
Beginning balance	$ 1,602	$ 25	$ 855	$ 138	$ 456	$ 195	$ 3,271
Charge-offs	—	—	—	—	(300)	(8)	(308)
Recoveries	—	—	—	—	300	1	301
Provision for loan losses	(192)	2	(59)	74	(217)	10	(382)
Total ending balance December 31, 2024	$ 1,410	$ 27	$ 796	$ 212	$ 239	$ 198	$ 2,882

	Real Estate						
December 31, 2023	One-to-Four Family	Multi-Family	Commercial	Construction	Commercial	Consumer	Total
Beginning balance January 1, 2023, prior to adoption of ASC 326	$ 1,710	$ 17	$ 654	$ 145	$ 204	$ 111	$ 2,841
Impact of adopting 326	117	1	130	(21)	(75)	94	246
Charge-offs	—	—	—	—	(11)	—	(11)
Recoveries	16	—	—	13	—	—	29
Provision for loan losses	(241)	7	71	1	338	(10)	166
Total ending balance December 31, 2023	$ 1,602	$ 25	$ 855	$ 138	$ 456	$ 195	$ 3,271

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS (Continued)

For collateral-dependent loans, the allowance for credit losses is individually assessed based on the fair value of the collateral less estimated costs of sale. The following table presents the amortized cost of collateral-dependent loans by class of loans as December 31, 2024 and December 31, 2023.

	December 31, 2024	December 31, 2023
Real estate loans:		
One-to-four family	$ 424	$ 254
Multi-family	—	—
Commercial	4,038	4,152
Commercial	10	300
Consumer	—	—
Total	$ 4,472	$ 4,706

The following tables present the aging of the recorded investment in past due loans at December 31, 2024 and 2023 by portfolio class of loans:

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
Real estate loans:						
One- to four-family	$ 1,688	$ 1,266	$ 101	$ 3,055	$ 181,926	$ 184,981
Multi-family	—	—	—	—	3,653	3,653
Commercial	974	—	—	974	105,838	106,812
Construction	—	—	—	—	20,663	20,663
Total real estate loans	2,662	1,266	101	4,029	312,080	316,109
Commercial loans	9	—	—	9	30,749	30,758
Consumer loans:						
Home equity loans and lines of credit	59	97	—	156	7,977	8,133
Other consumer loans	6	—	—	6	3,582	3,588
Total	$ 2,736	$ 1,363	$ 101	$ 4,200	$ 354,388	$ 358,588

December 31, 2024	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans
Real estate loans:						
One- to four-family	$ 1,410	$ 960	$ 145	$ 2,515	$ 176,346	$ 178,861
Multi-family	—	—	—	—	3,458	3,458
Commercial	—	—	—	—	101,268	101,268
Construction	—	—	—	—	19,705	19,705
Total real estate loans	1,410	960	145	2,515	300,777	303,292
Commercial loans	10	—	—	10	29,344	29,354
Consumer loans:						
Home equity loans and lines of credit	70	10	—	80	6,211	6,291
Other consumer loans	18	—	—	18	3,726	3,744
Total	$ 1,508	$ 970	$ 145	$ 2,623	$ 340,058	$ 342,681

The loans that were past due 90 days or more were accruing interest as of December 31, 2024 due to the fact that they were well secured and in the process of collection. As of December 31, 2024 and December 31, 2023, there were no nonaccrual loans.

(Continued)

NOTE 3 – LOANS (Continued)

Loan Modifications to Borrowers Experiencing Financial Difficulty:

Occasionally, the Company may make certain modifications of loans to borrowers experiencing financial difficulty. These modifications may be in the form of an interest rate reduction, a term extension or a combination thereof. Upon the Company's determination that a modified loan has subsequently been uncollectible, the portion of the loan deemed uncollectible is charged off against the allowance for credit losses on loans held for investment. The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of these modification efforts. During the years ended December 31, 2024 and December 31, 2023, the Company had no modified loans to borrowers experiencing financial difficulty.

Credit Quality Indicators:

The Company utilizes a grading system whereby all loans are assigned a grade based on the risk profile of each loan. Loan grades are determined based on an evaluation of relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. All loans, regardless of size, are analyzed and are given a grade based upon the management's assessment of the ability of borrowers to service their debts. The analysis is performed on a quarterly basis.

The Company uses the following definitions for loan grades:

> **Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of repayment prospects for the loan or of the institution's credit position at some future date.
>
> **Substandard**. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
>
> **Doubtful**. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above are graded Pass. These loans are included within groups of homogenous pools of loans based upon portfolio segment and class for estimation of the allowance for credit losses on a collective basis.

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS (Continued)

At December 31, 2024 and 2023, based on the most recent analysis performed, the loan grade for each loan by portfolio class is as follows:

	Term Loans by Origination Year							
December 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
One-to-four family								
Risk rating								
Pass	$ 23,883	$ 23,424	$ 55,599	$ 27,294	$ 14,842	$ 39,616	$ —	$ 184,658
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	323	—	323
Doubtful	—	—	—	—	—	—	—	—
Total one-to-four family	$ 23,883	$ 23,424	$ 55,599	$ 27,294	$ 14,842	$ 39,939	$ —	$ 184,981
Multi-family								
Risk rating								
Pass	$ 420	$ —	$ 700	$ 822	$ 1,228	$ 483	$ —	$ 3,653
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total multi-family.	$ 420	$ —	$ 700	$ 822	$ 1,228	$ 483	$ —	$ 3,653
Commercial real estate								
Risk rating								
Pass	$ 16,825	$ 12,074	$ 30,506	$ 9,808	$ 10,813	$ 19,060	$ 3,688	$ 102,774
Special mention	—	—	—	—	—	—	—	—
Substandard	575	—	1,421	—	—	2,042	—	4,038
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate	$ 17,400	$ 12,074	$ 31,927	$ 9,808	$ 10,813	$ 21,102	$ 3,688	$ 106,812

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS (Continued)

	Term Loans by Origination Year							
December 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Construction								
Risk rating								
Pass	$ 13,125	$ 3,677	$ 2,601	$ 1,260	$ —	$ —	$ —	$ 20,663
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total construction	$ 13,125	$ 3,677	$ 2,601	$ 1,260	$ —	$ —	$ —	$ 20,663
Commercial								
Risk rating								
Pass	$ 3,325	$ 3,265	$ 5,867	$ 757	$ 261	$ 4,073	$ 13,200	$ 30,748
Special mention		—	—	—	—	—	—	—
Substandard	—	10	—	—	—	—	—	10
Doubtful	—	—	—	—	—	—	—	—
Total commercial	$ 3,325	$ 3,275	$ 5,867	$ 757	$ 261	$ 4,073	$ 13,200	$ 30,758
Home equity and lines of credit								
Risk rating								
Pass	$ —	$ —	$ —	$ —	$ —	$ —	$ 8,133	$ 8,133
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total home equity and lines of credit	$ —	$ —	$ —	$ —	$ —	$ —	$ 8,133	$ 8,133

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS (Continued)

	Term Loans by Origination Year							
December 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Consumer								
Risk rating								
Pass	$ 1,684	$ 1,041	$ 517	$ 243	$ 103	$ —	$ —	$ 3,588
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total consumer	$ 1,684	$ 1,041	$ 517	$ 243	$ 103	$ —	$ —	$ 3,588
Total Loans	$ 59,837	$ 43,491	$ 97,211	$ 40,184	$ 27,247	$ 65,597	$ 25,021	$ 358,588

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS (Continued)

December 31, 2023	Term Loans by Origination Year 2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
One-to-four family								
Risk rating								
Pass	$ 25,792	$ 60,210	$ 30,458	$ 17,155	$ 6,515	$ 38,477	$ —	$ 178,607
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	254	—	254
Doubtful	—	—	—	—	—	—	—	—
Total one-to-four family	$ 25,792	$ 60,210	$ 30,458	$ 17,155	$ 6,515	$ 38,731	$ —	$ 178,861
Multi-family								
Risk rating								
Pass	$ —	$ 744	$ 893	$ 1,281	$ —	$ 540	$ —	$ 3,458
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total multi-family.	$ —	$ 744	$ 893	$ 1,281	$ —	$ 540	$ —	$ 3,458
Commercial real estate								
Risk rating								
Pass	$ 14,695	$ 36,189	$ 11,297	$ 12,022	$ 1,997	$ 17,722	$ 3,194	$ 97,116
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—		2,463	1,689	—	4,152
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate	$ 14,695	$ 36,189	$ 11,297	$ 12,022	$ 4,460	$ 19,411	$ 3,194	$ 101,268

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS (Continued)

	Term Loans by Origination Year							
December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Construction								
Risk rating								
Pass	$ 9,105	$ 9,489	$ 1,111	$ —	$ —	$ —	$ —	$ 19,705
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total construction	$ 9,105	$ 9,489	$ 1,111	$ —	$ —	$ —	$ —	$ 19,705
Commercial								
Risk rating								
Pass	$ 5,304	$ 7,260	$ 1,304	$ 617	$ 48	$ 4,278	$ 10,140	$ 28,951
Special mention	103	—	—	—	—	—	—	103
Substandard	—	—	300	—	—	—	—	300
Doubtful	—	—	—	—	—	—	—	—
Total commercial	$ 5,407	$ 7,260	$ 1,604	$ 617	$ 48	$ 4,278	$ 10,140	$ 29,354
Home equity and lines of credit								
Risk rating								
Pass	$ —	$ —	$ —	$ —	$ —	$ —	$ 6,291	$ 6,291
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total home equity and lines of credit	$ —	$ —	$ —	$ —	$ —	$ —	$ 6,291	$ 6,291

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 3 – LOANS (Continued)

	Term Loans by Origination Year							
December 31, 2023	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
Consumer								
Risk rating								
Pass	$ 2,171	$ 984	$ 418	$ 171	$ —	$ —	$ —	$ 3,744
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total consumer	$ 2,171	$ 984	$ 418	$ 171	$ —	$ —	$ —	$ 3,744
Total Loans	$ 57,170	$ 114,876	$ 45,781	$ 31,246	$ 11,023	$ 62,960	$ 19,625	$ 342,681

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 4 – PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2024 and 2023 were as follows:

	2024	2023
Land	$ 1,924	$ 1,924
Buildings and improvements	22,157	19,264
Furniture, fixtures and equipment	3,097	2,556
	27,178	23,744
Less: Accumulated depreciation	(10,010)	(9,787)
	$ 17,168	$ 13,957

Depreciation expense for the years ended December 31, 2024 and 2023 was $618 and $512, respectively.

NOTE 5 – DEPOSITS

Time deposits that meet or exceed the FDIC Insurance limit of $250 at December 31, 2024 and 2023 were $55,694 and $36,395, respectively. Scheduled maturities of time deposits at December 31, 2024 for the next five years were as follows:

2024	$ 92,217
2025	13,789
2026	6,813
2027	1,865
2028	512

At December 31, 2024 and 2023, overdraft demand and savings deposits reclassified to loans totaled $67 and $102, respectively.

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 6 – FEDERAL HOME LOAN BANK ADVANCES AND OTHER DEBT

At year-end, advances from the Federal Home Loan Bank were as follows:

	2024	2023
Maturities October 2025 through January 2029, fixed rate at rates from 4.12% to 4.61%, averaging 4.26%	$ 45,000	$ —
Maturities October 2025 through March 2028, fixed rate at rates from 4.23% to 4.61%, averaging 4.26%	—	35,000
Total	$ 45,000	$ 35,000

During the year ended December 31, 2023, the Company restructured $15,000 of outstanding advances, recognizing a net gain of $127.

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances were collateralized by $78,297 and $80,011 of eligible first mortgage 1-4 family, multi-family, and commercial loans under a blanket lien arrangement at December 31, 2024 and 2023, respectively. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow additional funds of $28,297 at year-end 2024.

Payments over the next five years are as follows:

2025	$ 5,000
2026	10,000
2027	10,000
2028	10,000
2029	10,000

The Company had approximately $10 million in available lines of credit for federal funds (or the equivalent thereof) with correspondent banks at December 31, 2024. There were no amounts outstanding as of December 31, 2024 or December 31, 2023. Additionally, the Company had a $5,000 letter of credit with Federal Home Loan Bank of Atlanta which was used to secure public deposits under the Security for Alabama Funds Enhancement (SAFE) program.

(All amounts in thousands, except share and per share data)

NOTE 7 – INCOME TAXES

Income tax expense for the years ended December 31, 2024 and 2023 was as follows:

	2024	2023
Current		
Federal	$ 567	$ 966
State	96	250
Total current	663	1,216
Deferred		
Federal	164	(94)
State	42	(25)
Total deferred	206	(119)
Total	$ 869	$ 1,097

Temporary differences between tax and financial reporting that result in net deferred tax assets (liabilities) are as follows at December 31, 2024 and 2023:

	2024	2023
Deferred tax assets:		
Deferred compensation	$ 1,246	$ 1,148
Allowance for credit losses	734	829
Charitable contribution carryforward	26	105
Net unrealized loss on securities available for sale	993	977
Other	17	46
Total deferred tax assets	3,016	3,105
Deferred tax liabilities:		
FHLB stock dividends	(55)	(55)
Deferred loan fees, net	(11)	(11)
Basis difference in fixed assets	(639)	(544)
Other	(61)	(55)
Total deferred tax liabilities	(766)	(665)
Net deferred tax asset	$ 2,250	$ 2,440

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 7 – INCOME TAXES (Continued)

In years ended December 31, 1985 and prior the Company was allowed under the Internal Revenue Code to deduct, subject to certain conditions, an annual addition to a reserve for bad debts (reserve method) in determining taxable income. Legislation enacted in August 1986 repealed the reserved method effective for the Company for the year ended December 31, 1986. Therefore, retained earnings at December 31, 2024 and 2023 included approximately $1,248, which represents such bad debt deductions for which no deferred income taxes have been provided.

A reconciliation of the amount computed by applying the federal statutory rate of 21% to pretax income with income tax expense (benefit) for the year ended December 31, 2024 and 2023 is as follows:

	2024	2023
Tax expense at statutory rate	$ 919	$ 1,061
State taxes, net of federal effect	109	178
Tax exempt income	(66)	(63)
Other, net	(93)	(79)
Income tax	$ 869	$ 1,097

The Company does not have any uncertain tax positions and does not expect any significant change in uncertain tax positions in the next year, and the Company does not have any interest and penalties recorded in the statement of income for the years ended December 31, 2024 and 2023. The Company and its subsidiary are subject to U.S. federal income tax as well as income tax of the state of Alabama. The Company is no longer subject to examination by taxing authorities for years before 2021.

NOTE 8 – EMPLOYEE BENEFIT PLANS

The Company has two deferred compensation plans. One plan covers Company directors whereby directors' fees are deferred and matched by the Company at an amount of $6 per year. Under the director's plan, the Company pays each participant, or their beneficiary, the amount of compensation deferred and any matching thereon accumulated over the service period plus interest over 10 years, beginning with the individual's termination of service. The other plan is an officers' deferred bonus plan. Under the officers' plan, participants are fully vested in their deferrals plus interest accrued after five years of service. The expense incurred under these plans for the years ended December 31, 2024 and 2023 was $759 and $702, respectively. The liability accrued under these plans for the years ended December 31, 2024 and 2023 was $4,532 and $4,123, respectively.

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 8 – EMPLOYEE BENEFIT PLANS (Continued)

The Company sponsors a profit-sharing plan that covers all employees (salaried and hourly employees who worked 1,000 hours or more) who have one or more years of service. Contributions are 100% vested after three years of service. The Company may contribute to the plan of up to 15% of the annual compensation of the employees covered under the plan. Charges to expense with respect to the plan for the years ended December 31, 2024 and 2023 were $708 and $616, respectively.

NOTE 9 – EMPLOYEE STOCK OWNERSHIP PLAN

With the conversion to the stock holding company, 354,599 shares were sold to the ESOP. The ESOP borrowed from the Company to purchase the shares of the Company's common stock at $10 per share. The Company combined the preexisting loan with the current loan.

The Company will make discretionary contributions to the ESOP, as well as paying dividends on unallocated shares 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 and expense is recorded. Dividends on allocated shares increase participant accounts.

Participants receive the shares at the end of employment. A participant may require stock received to be repurchased unless the stock is traded on an established market.

Contributions to the ESOP were $234 for both 2024 and 2023. The expense recognized for the same periods was $191 and $222, respectively.

Shares held by the ESOP at December 31, 2024 and 2023 were as follows at year-end:

	2024	2023
Allocated to participants	727,678	706,864
Unearned	262,027	282,557
Total ESOP shares	989,705	989,421
Fair value of unearned shares [1]	$ 2,508	$ 3,043

[1] Fair value of unearned shares based on the last trade of $9.57 on December 31, 2024 and $10.77 on December 31, 2023.

NOTE 10 – REGULATORY CAPITAL MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2024, the Bank meets all capital adequacy requirements to which they are subject. The Bancorp is not subject to regulatory capital requirements due to its size.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

At December 31, 2024 and 2023, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The community bank leverage ratio framework (CBLR framework), provides qualifying community banking organizations an optional, simplified measure to determine capital adequacy. The Bank made the election to be subject to the CBLR framework as of December 31, 2020.

The community bank leverage ratio removes the requirement for qualifying banking organizations to calculate and report risk-based capital but rather only requires a Tier 1 to average assets (leverage) ratio. Qualifying banking organizations that elect to use the community bank leverage rate framework and that maintain a leverage ratio of greater than required minimums will be considered to have satisfied the generally applicable risk based and leverage capital requirements in the agencies capital rules (generally applicable rule) and, if applicable, will be considered to have met the well capitalized ratio requirements for purposes of Section 38 of the Federal Deposit Insurance Act. The community bank leverage ratio minimum requirement is currently 9.00%.

An eligible banking organization can opt out of the CBLR framework and revert back to the risk-weighting framework without restriction. As of December 31, 2024 and 2023 the Bank was a qualifying community banking organization as defined by the federal banking agencies and elected to measure capital adequacy under the CBLR framework.

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 10 – REGULATORY CAPITAL MATTERS (Continued)

Actual and required capital amounts for the Bank and ratios at December 31, 2024 and 2023 are presented below:

	Actual		To Be Well Capitalized Under Prompt Corrective Action Regulations (CBLR Framework)	
	Amount	Ratio	Amount	Ratio
December 31, 2024				
Tier 1 (Core) Capital to average total assets	$ 81,040	18.50%	$ 39,417	9.00%
December 31, 2023				
Tier 1 (Core) Capital to average total assets	$ 79,101	19.04%	$ 37,384	9.00%

Dividend Restrictions: The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. During 2025, the Bank could, without prior approval from its regulators, declare dividends of approximately $3,433 plus any 2025 net profits retained to the date of the dividend declaration.

NOTE 11 – LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amount of financial instruments with off-balance-sheet risk at December 31, 2024 and 2023 was as follows:

	2024	2023
Unused lines of credit	$ 34,348	$ 34,962
Standby letters of credit	804	876

(All amounts in thousands, except share and per share data)

NOTE 12 - RELATED-PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates during 2024 were as follows:

Beginning balance	$	5,902
New loans		35
Repayments		(248)
Ending balance	$	5,689

Deposits from principal officers, directors, and their affiliates at December 31, 2024 and 2023 were $3,873 and $5,057, respectively.

NOTE 13 – FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate fair value:

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities relationship to other benchmark quoted securities (Level 2 inputs).

For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3). The Company's taxable municipal investment securities fair values are determined based on a discounted cash flow analysis prepared by an independent third party.

(All amounts in thousands, except share and per share data)

NOTE 13 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Collateral Dependent Loans: For collateral dependent loans, fair value is commonly 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. Collateral-dependent loans are evaluated on a quarterly basis and adjusted accordingly.

Foreclosed Real Estate: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair value is commonly 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.

For appraisals where the value is $100 or above for both collateral-dependent impaired loans and other real estate owned are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company. Once received, a member of the Loan Department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. In accordance to company policy, if the Company holds the property for over two years, an updated appraisal would be obtained in order to determine if the fair value amount should be adjusted.

Assets and Liabilities Measured on a Recurring Basis

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

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024			
Securities available for sale			
U.S. Government sponsored agencies	$ —	$ 3,288	$ —
Municipal – taxable	—	11,097	—
Municipal – taxable exempt	—	640	—
Residential mortgage-backed	—	7,791	—
SBA guaranteed debenture	—	287	—
Total investment securities available for sale	$ —	$ 23,103	$ —

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 13 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023			
Securities available for sale			
U.S. Government sponsored agencies	$ —	$ 5,286	$ —
Municipal – taxable	—	11,792	—
Municipal – taxable exempt	—	917	—
Residential mortgage-backed	—	8,943	—
Commercial mortgage-backed	—	976	
SBA guaranteed debenture	—	442	—
Total investment securities available for sale	$ —	$ 28,356	$ —

There were no assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of December 31, 2024 or 2023.

There were no transfers between levels during 2024 or 2023.

(Continued)

NOTE 13 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Assets and Liabilities Measured on a Non-Recurring Basis

The Company may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of December 31, 2024 and 2023 (amounts in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	December 31			
Individually Evaluated loans:	2024	2023	Valuation Technique (s)	Unobeervable Input(s)
Real estate loans:				
One- to four-family	$ 424	$ 254	Appraisal approach	Adjustment for differences between appraisal value
Commercial	4,038	4,153	Appraisal approach	Adjustment for differences between appraisal value
Commercial	10	300	Appraisal approach	Adjustment for differences between appraisal value
Foreclosed real estate:				
One- to four-family	$ —	$ —		
Commercial	—	—		

The Company has estimated the fair values of these assets using Level 3 inputs, specifically the appraised value of the collateral. Individually evaluated loan balances represent those collateral dependent loans where management has estimated the credit loss by comparing the loan's carrying value against the expected realizable fair value of the impaired loan for the amount of the credit loss. The Company had no Level 3 assets measured at fair value on a recurring basis at December 31, 2024 and December 31, 2023. For Level 3 assets measured at fair value on a nonrecurring basis as of December 31, 2024 and December 31, 2023, appraisals were used for the valuation technique.

(All amounts in thousands, except share and per share data)

NOTE 13 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts and estimated fair values of the Company's on-balance sheet financial instruments at December 31, 2024 and 2023 are summarized below:

		Fair Value Measurements at December 31, 2024 Using:			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	$ 19,241	$ 19,241	$ —	$ —	$ 19,241
Securities available for sale	23,103	—	23,103	—	23,103
Loan, net	355,699	—	—	346,434	346,434
Accrued interest receivable	1,338	—	170	1,168	1,338
Restricted equity securities	3,281	—	—	—	N/A
Financial liabilities:					
Deposits	$ 280,115	$ 164,918	$ 114,149	$ —	$ 279,067
Federal Home Loan Bank advances	45,000	—	45,336	—	45,336
Accrued interest payable	386	11	375	—	386

		Fair Value Measurements at December 31, 2023 Using:			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	$ 13,036	$ 13,036	$ —	$ —	$ 13,036
Securities available for sale	28,356	—	28,356	—	28,356
Loan, net	339,402	—	—	335,144	335,144
Accrued interest receivable	1,260	—	210	1,050	1,260
Restricted equity securities	2,782	—	—	—	N/A
Financial liabilities:					
Deposits	$ 269,001	$ 178,239	$ 89,265	$ —	267,504
Federal Home Loan Bank advances	35,000	—	36,522	—	36,522
Accrued interest payable	239	10	229	—	239

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 14 – STOCK BASED COMPENSATION

In May 2020, the stockholders approved the Cullman Bancorp, Inc. 2020 Equity Incentive Plan (the "2020 Equity Incentive Plan") for employees and directors of the Company. The Equity Incentive Plan authorizes the issuance of up to 200,000 shares of the Company's common stock, with no more than 80,000 of shares as restricted stock awards and 120,000 as stock options, either incentive stock options or non-qualified stock options. The amounts have been subsequently converted at the exchange ratio of 2.8409-to-one for the mutual-to-stock conversion, rounding down for fractional shares. The exercise price of options granted under the 2020 Equity Incentive Plan may not be less than the fair market value on the date the stock option is granted. The Compensation Committee of the Board of Directors has sole discretion to determine the amount and to whom equity incentive awards are granted.

In May 2023, the stockholders approved the Cullman Bancorp, Inc. 2023 Equity Incentive Plan (the "2023 Equity Incentive Plan") for employees and directors of the Company. The 2023 Equity Incentive Plan authorizes the issuance of up to 620,548 shares of the Company's common stock, with no more than 177,299 of shares as restricted stock awards and 443,249 as stock options, either incentive stock options or non-qualified stock options. The exercise price of the options granted under the 2023 Equity Incentive Plan may not be less than the fair market value on the date the stock options is granted. The Compensation Committee of the Board of Directors has sole discretion to determine the amount and to whom equity incentive awards are granted.

As of December 31, 2024, there were no shares available for future grants under these plans.

The following table summarizes stock option activity for the year ended December 31, 2024:

	Options	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Life (in years)
Outstanding – January 1, 2024	784,152	$ 10.24	8.50
Granted	—	—	—
Exercised	—	—	
Outstanding – December 31, 2024	784,152	$ 10.24	8.50
Fully vested and expected to vest – December 31, 2024	784,152	$ 10.24	8.50
Exercisable at period end	361,352		

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 14 – STOCK BASED COMPENSATION (Continued)

In relation to the 2020 Equity Incentive Plan, there were 68,177 options that vested during year ended December 31, 2024. Stock-based compensation expense for stock options for the years ended December 31, 2024 and 2023 was $108 for both years in relation to the 340,903 options. Unrecognized compensation cost related to nonvested stock options at December 31, 2024 was $63 and is expected to be recognized over 0.58 years.

In relation to the 2023 Equity Incentive Plan, there were 88,644 options vested as of December 31, 2024. Stock based compensation expense for the stock options for the year ended December 31, 2024 and 2023 was $119 and $60 respectively. Unrecognized compensation cost related to nonvested stock options at December 31, 2024 was $415 and is expected to be recognized over 3.58 years.

Both Equity Incentive Plans provide for the issuance of restricted shares to directors and officers. Compensation expense is recognized over the vesting period of the awards based on the fair value of the stock at issue date. The fair value of the stock was determined using the closing price of the day the shares were awarded. Restricted shares fully vest of the fifth anniversary of the grant date.

The following table summarizes non-vested restricted stock activity for the year ended December 31, 2024:

	2024	Weighted Average Grant-Date Fair Value
Balance – beginning of year	268,200	$ 10.42
Granted	—	$ —
Vested	(80,906)	$ 10.22
Balance – end of period	187,294	$ 10.50

Stock-based compensation expense for restricted stock included in non-interest expense for December 31, 2024 and 2023 was $448 for both years in relation to the 2020 Equity Plan. Unrecognized compensation expense for nonvested restricted stock awards was $261 and is expected to be recognized over 0.58 years related to the 2020 Equity Plan.

For the years ended December 31, 2024 and 2023, stock-based compensation expense for restricted stock included in noninterest expense was $379 and $157 respectively**.** Unrecognized compensation expense for nonvested restricted stock awards was $1,360 as of December 31, 2024 and is expected to be recognized over 3.58 years related to the 2023 Equity Plan.

(Continued)

(All amounts in thousands, except share and per share data)

NOTE 15 – EARNINGS PER COMMON SHARE

The factors used in the earnings per common share computation follow:

	For the Years Ended December 31,			
	2024		2023	
Earnings per share				
Net Income	$	3,507	$	3,953
Less: Distributed earning allocated to participating securities		—		—
Less: Earnings allocated to participating securities		(89)		(50)
Net earnings allocated to common stock	$	3,418	$	3,903
Weighted common shares outstanding including participating securities		7,032,638		7,335,933
Less: Participating securities		(238,276)		(119,985)
Less: Average unearned ESOP shares		(276,045)		(295,263)
Weighted average shares		6,518,317		6,920,685
Basic earnings per share	$	0.52	$	0.56
Net earnings allocated to common stock	$	3,418	$	3,903
Weighted average shares		6,518,317		6,920,685
Add: dilutive effects of assumed exercises of stock options		34,017		258,181
Average shares and dilutive potential common shares		6,552,334		7,178,866
Dilutive earnings per share	$	0.52	$	0.54

Stock options for 187,294 and 268,200 shares of common stock were not considered in computing diluted earnings per share for 2024 and 2023, because they were antidilutive.

NOTE 16- LEASES

On December 30, 2019, the Company entered into a 5-year contract with its core processing vendor, which is an embedded lease. Lease expense for the operating leases is recognized on a straight-line basis over the lease term. The right-of-use asset represents our right to use an underlying asset for the lease term and the lease liability represents our obligation to make lease payments arising for the lease. The right-of-use asset and the lease liabilities are recognized at the lease commencement date base of the estimated present value of lease payment over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of the lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors. Based on these factors, the rate used was 1.67%.

NOTE 16- LEASES (Continued)

For the years ended December 31, 2024 and 2023, right-of-use asset and lease liability is as follows (in thousands):

	2024	2023
Right-of-use assets:		
Operating leases	$ —	$ 71
Lease Liabilities:		
Operating leases	$ 26	$ 59

For the year ended December 31, 2024, the total lease cost is as follows for the period ending (in thousands):

Operating lease costs	$ 71

Effective January 1, 2025 through August 1, 2028, the Company entered into a 3.5-year contract with Fiserv for our core processing needs, which is an embedded lease. Lease expense for the operating lease is recognized on a straight-line basis over the lease term. The right-of-use asset represents our right to use an underlying asset for the lease term and the lease liability represents our obligation to make lease payments arising for the lease. The right-of-use asset and the lease liabilities are recognized at the lease commencement date base of the estimated present value of the lease payment over the lease term.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of the lease payments when the rate implicit is not known. The Company's incremental borrowing rate is based on a blended rate of Company's 3-year FHLB advance borrowing rate of 4.36% and the company's Overnight Fed Funds Rate of 4.65%. Base on these factors, the rate used was 4.51%.

Future undiscounted lease payments for the new operating lease with initial terms of 3.5 years as of December 31, 2024 is as follows (in thousands):

2025	$ 77
2026	79
2027	82
2028	50
Total undiscounted lease payments	$ 288

(All amounts in thousands, except share and per share data)

NOTE 16- LEASES (Continued)

Operating Leases: The Company is the lessor for leases of properties under operating leases. Payments terms are generally fixed. Leases are typically payable in monthly installments. Leases do not contain purchase options that allow the customer to acquire the leased assets at or near then end of the lease. Rental income was $157 for 2024 and $119 for 2023. Future minimum rental income for the next five years are as follows:

2025	$	280
2026		293
2027		295
2028		298
2029		298

NOTE 17- SEGMENT REPORTING

The Company operates through a single operating and reporting segment primarily as a bank. The chief operating decision maker (CODM) is comprised of the Company's senior leadership team which during the year ended and at December 31, 2024 consisted of seven individuals including the Chief Executive Officer and Chief Financial Officer. Other members include the Chief Operating Officer, Executive Vice President, Chief Lending Officer, Secretary, and Retail Banking Operation Officer. The CODM assesses the performance, allocates resources and makes operating decisions for the Company on a consolidated basis primarily based on the Company's combined net interest income and noninterest income as well as net income as presented on the same basis as in the accompanying consolidated statement of operations. As the Company's operations comprise of a single reporting segment, the segment assets are reflected on the accompanying consolidated balance sheet as "total assets" and the significant segment expenses are listed on the accompanying consolidated statement of operations.