Logansport Financial Corp.

Independent Auditor’s Report and Consolidated Financial Statements

December 31, 2024 and 2023

Contents

Forvis Mazars, LLP
111 E. Wayne Street, Suite 600
Fort Wayne, IN 46802
P 260.460.4000 | F 260.426.2235
forvismazars.us

Independent Auditor's Report

Board of Directors and Stockholders
Logansport Financial Corp.
Logansport, Indiana

Opinion

We have audited the consolidated financial statements of Logansport Financial Corp. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2024 and 2023 and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Forvis Mazars, LLP

Fort Wayne, Indiana
February 3, 2025

Logansport Financial Corp.
Consolidated Balance Sheet
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands, Except Share Data)

	2024	2023
ASSETS		
Cash and due from banks	$ 1,415	$ 1,107
Federal funds sold	10,466	-
Interest-bearing demand deposits in banks	3,111	3,703
Cash and cash equivalents	14,992	4,810
Available-for-sale debt securities	54,567	59,404
Loans receivable, net of allowance for credit losses of $1,954 and $2,533 at December 31, 2024 and 2023, respectively	175,742	168,672
Loans held for sale	135	192
Premises and equipment, net	4,356	1,211
Federal Home Loan Bank stock	3,082	3,082
Accrued interest receivable	2,272	2,290
Cash surrender value of life insurance	4,207	4,070
Deferred income taxes	2,849	2,456
Other assets	1,658	1,526
Total assets	$ 263,860	$ 247,713
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	$ 225,904	$ 207,779
Federal Home Loan Bank advances	15,000	15,000
Federal funds borrowed	-	1,951
Accrued interest and other liabilities	2,525	2,266
Total liabilities	243,429	226,996
Stockholders’ Equity		
Preferred stock, no par value, 2,000,000 shares authorized; no shares outstanding	-	-
Common stock, no par, $7.00 stated value; 5,000,000 shares authorized; issued and outstanding 2024 - 611,597 and 2023 - 611,334 shares	4,281	4,279
Retained earnings	23,390	23,162
Accumulated other comprehensive loss	(7,240)	(6,724)
Total stockholders’ equity	20,431	20,717
Total liabilities and stockholders’ equity	$ 263,860	$ 247,713

Logansport Financial Corp.
Consolidated Statements of Income
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands, Except Share Data)

	2024	2023
Interest and Dividend Income		
Loans	$ 10,840	$ 9,902
Investment securities	1,495	1,721
Interest-bearing deposits and other	646	378
Total interest and dividend income	12,981	12,001
Interest Expense		
Deposits	5,250	4,107
Borrowings	959	790
Total interest expense	6,209	4,897
Net Interest Income	6,772	7,104
Provision for (Recovery of) Credit Loss Expense		
Loans	55	-
Off-balance sheet credit exposures	(134)	-
Total (recovery of) credit loss expense	(79)	-
Net Interest Income After Provision for (Recovery of) Loss Expense	6,851	7,104
Noninterest Income		
Service fees on deposit accounts	363	378
Loss on sale of available-for-sale debt securities	-	(34)
Gain on loan sales	393	170
Other operating	636	640
Total noninterest income	1,392	1,154
Noninterest Expense		
Employee compensation and benefits	3,643	3,668
Occupancy and equipment	416	418
Data processing	554	457
Deposit insurance expense	115	111
Other operating	2,240	1,593
Total noninterest expense	6,968	6,247
Income Before Income Taxes	1,275	2,011
Provision for Income Taxes	21	220
Net Income	$ 1,254	$ 1,791
Basic and Diluted Earnings per Share	$ 2.05	$ 2.93
Weighted-Average Shares Outstanding	608,124	608,272

Logansport Financial Corp.
Consolidated Statements of Comprehensive Income
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands, Except Share Data)

	2024	2023
Net Income	$ 1,254	$ 1,791
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on available-for-sale debt securities, net of tax expense (benefit) of $(565) and $494 for 2024 and 2023, respectively	(516)	1,889
Less: reclassification adjustment for realized losses included in net income, net of tax benefit of $0 and $(7) for 2024 and 2023, respectively	-	(27)
	(516)	1,916
Comprehensive Income	$ 738	$ 3,707

Logansport Financial Corp.
Consolidated Statements of Stockholders' Equity
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands, Except Share Data)

	Common Stock			Accumulated	
	Shares Outstanding	Amount	Retained Earnings	Other Comprehensive Loss	Total
Balance, January 1, 2023	609,742	$ 4,268	$ 24,041	$ (8,640)	$ 19,669
Net income	-	-	1,791	-	1,791
Other comprehensive income	-	-	-	1,916	1,916
Issuance of restricted stock, net of forfeitures of 100 shares	3,850	27	(27)	-	-
Issuance of director stock	1,130	8	36	-	44
Stock-based compensation expense	-	-	43	-	43
Purchase of common stock	(3,388)	(24)	(98)	-	(122)
Cash dividends ($4.30 per share)	-	-	(2,624)	-	(2,624)
Balance, December 31, 2023	611,334	4,279	23,162	(6,724)	20,717
Net income	-	-	1,254	-	1,254
Other comprehensive loss	-	-	-	(516)	(516)
Forfeitures of restricted stock	(325)	(2)	2	-	-
Issuance of director stock	1,588	11	38	-	49
Stock-based compensation expense	-	-	58	-	58
Purchase of common stock	(1,000)	(7)	(23)	-	(30)
Cash dividends ($1.80 per share)	-	-	(1,101)	-	(1,101)
Balance, December 31, 2024	611,597	$ 4,281	$ 23,390	$ (7,240)	$ 20,431

Logansport Financial Corp.
Consolidated Statements of Cash Flows
December 31, 2024 and 2023
(Table Dollar Amounts in Thousands, Except Share Data)

	2024	2023
Operating Activities		
Net income	$ 1,254	$ 1,791
Items not requiring (providing) cash		
Depreciation and amortization	265	175
Amortization on available-for-sale securities, net	346	392
Stock-based compensation expense	58	43
Deferred income taxes	58	17
Loans originated for sale in the secondary market	(16,303)	(11,495)
Proceeds from the sale of loans in the secondary market	16,753	11,473
Gain on sale of loans	(393)	(170)
Gain on sale of real estate acquired through foreclosure	-	34
Increase in cash surrender value of life insurance policies	(137)	(120)
Recovery of credit losses	(79)	-
Changes in		
Accrued interest receivable on loans	18	(378)
Prepaid expenses and other assets	(134)	(241)
Accrued interest and other liabilities	259	(37)
Net cash provided by operating activities	1,965	1,484
Investing Activities		
Net change in interest-bearing time deposits	-	3,000
Activity in available-for-sale debt securities		
Proceeds from maturities, paydowns and calls	3,410	12,822
Proceeds from sales	-	1,664
Net change in loans	(6,937)	(10,013)
Purchases of premises and equipment	(3,348)	(253)
Net cash provided by (used in) investing activities	(6,875)	7,220
Financing Activities		
Net change in deposits	18,125	(8,896)
Net change in federal funds	(1,951)	1,951
Principal payments on FHLB advances	-	(1,000)
Proceeds from stock issuance	49	44
Purchase of common stock	(30)	(122)
Dividends paid on common stock	(1,101)	(2,624)
Net cash provided by (used in) financing activities	15,092	(10,647)
Net Change in Cash and Cash Equivalents	$ 10,182	$ (1,943)
Cash and Cash Equivalents, Beginning of Year	4,810	6,753
Cash and Cash Equivalents, End of Year	$ 14,992	$ 4,810
Supplemental Cash Flows Information		
Cash paid for		
Interest on deposits and borrowings	$ 6,183	$ 4,871
Income taxes	61	203

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

Nature of Operations

Logansport Financial Corp. (Financial Corp.) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary, Logansport Savings Bank (Bank) (collectively, Corporation). During 2015, the Bank formed a 100% owned subsidiary, Logansport Investments, Inc., to manage a portion of the Bank's municipal investment portfolio. Logansport Investments, Inc. is consolidated into the Bank. The Bank is primarily engaged in providing a full range of banking and financial services to individual and corporate customers in Cass County, Indiana and surrounding counties. The Bank is subject to competition from other financial institutions. The Bank is subject to regulation by the Indiana Department of Financial Institutions and the FDIC and undergoes periodic examinations by these regulatory bodies.

The Corporation's revenue, operating income and assets are almost exclusively derived from banking. Accordingly, all of the Corporation's banking operations are considered by management to be aggregated in one reportable operating segment. The Corporation's 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 real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. Real estate loans are secured by both residential and commercial real estate. Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and the interest received or paid on these balances. The level of interest rates paid or received by the Corporation can be significantly influenced by a number of environmental factors, such as governmental monetary policy, that are outside of management's control.

Principles of Consolidation

The consolidated financial statements include the accounts of the Financial Corp., the Bank and Logansport Investments, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, valuation of deferred tax assets and fair values of financial instruments.

Cash and Cash Equivalents

The Corporation considers all liquid investments with original maturities of three months or less to be cash equivalents. This includes cash on hand, amounts due from banks and federal funds sold.

At December 31, 2024, approximately $251,000 of the Corporation's cash accounts at nongovernmental banks exceeded FDIC insurance limits.

Debt Securities

Debt securities held by the Corporation generally are classified and recorded in the consolidated financial statements as follows:

Classified as	Description	Recorded at
Held to maturity (HTM)	Certain debt securities that management has the positive intent and ability to hold to maturity	Amortized cost
Trading	Securities that are bought and held principally for the purpose of selling in the near term and, therefore, held for only a short period of time	Fair value, with changes in fair value included in earnings
Available for sale (AFS)	Securities not classified as HTM or trading	Fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

When the fair value of securities is below the amortized cost and the Corporation will not be required to sell the security before recovery of its amortized cost basis, the Corporation evaluates whether the decline in fair value has resulted from credit losses or other factors. If the present value of cash flows expected to be collected from the security are less than the amortized costs basis of the security, an allowance for credit losses is recorded for the credit loss, limited to 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.

	Accounting Treatment	
Circumstances of Impairment Considerations	**Credit Component**	**Remaining Portion**
Not intended for sale and more likely than not that the Corporation will not have to sell before recovery of cost basis	Recognized as an allowance of credit loss	Recognized in other comprehensive income
Intended for sale or more likely than not that the Corporation will be required to sell before recovery of cost basis	Recognized in earnings	

For held-to-maturity debt securities, the amount of impairment recorded in other comprehensive income for the noncredit portion of a previous impairment is amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

When a credit loss component is separately recognized in earnings, the amount is identified as the total of principal cash flows not expected to be received over the remaining term of the security, as projected based on cash flow projections.

Loans

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

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

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

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses – Loans

The allowance for credit losses is established as losses are expected to occur through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of 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 differences in current loan-specific risk characteristics such as differences in inflation in current economic environment, experience of lending staff and unemployment factors in the geographical footprint that the Corporation operates.

Groups of loans with similar risk characteristics are collectively evaluated. Loans that do not share risk characteristics are evaluated on an individual basis. Loans with similar risk characteristics are grouped into homogenous segments, or pools, for analysis.

A Weighted Average Remaining Maturity, or WARM method, is used for each loan pool, and the results are aggregated by pool level. The WARM method requires us to reference historic loan loss data across a comparable data set and apply such loss rate to each of our loans over their expected remaining term, taking into consideration expected economic conditions over the relevant timeframe. Application of the WARM method to estimate a CECL reserve requires judgment, including (i) the appropriate historical loan loss reference data, (ii) the expected timing and amount of future loan fundings and repayments, and (iii) the current credit quality of our portfolio and our expectations of performance and market conditions over the relevant time period.

In determining the proper level of the allowance for credit loss, the Corporation determined that the use of peer data provides the best basis for the assessment of expected credit losses. The Corporation therefore used historical credit loss experience by each loan segment over an economic cycle.

The Corporation qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factors and other qualitative adjustments may increase or decrease the Corporation's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making qualitative adjustments include, among other things, the impact of:

(i) Changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries
(ii) Actual and expected changes in international, national, regional, and local economic and business conditions and developments that affect the collectibility of the loan pools
(iii) Changes in the nature and volume of the loan pools and in the terms of the underlying loans
(iv) Changes in the experience, ability, and depth of our lending management and staff
(v) Changes in volume and severity of past due financial assets, the volume of non-accrual assets, and the volume and severity of adversely classified or graded assets
(vi) Changes in the quality of our credit review function
(vii) Changes in the value of the underlying collateral for loans that are non-collateral dependent
(viii) The existence, growth, and effect of any concentrations of credit
(ix) Other factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters or health pandemics

Loans that do share similar characteristics with general loan pool are individually evaluated. The general component covers nonclassified loans and is estimated using relevant available information from internal and external sources, related 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 differences in current loan-specific risk characteristics and are applied as a qualitative factor.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Off Balance Sheet Credit Exposures (Unfunded Commitments)

The Corporation estimates expected credit losses over the contractual period in which the Corporation is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Corporation. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. 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.

Leases

The Corporation has adopted ASU 2016-02, *Leases (Topic 842).* The Corporation does not have material leases where it is the lessee. Lessor accounting under the new guidance remains largely unchanged as it is substantially equivalent to existing guidance for direct financing leases. The Corporation elected several practical expedients made available by the FASB. Specifically, the portfolio approach was elected since the direct financing leases are homogenous in nature. In addition, the Corporation elected the expedient to not evaluate whether certain sales taxes are lessor costs, and the practical expedient which permits the Corporation to not separate nonlease components from lease components in determining the consideration in the lease agreement when the Corporation is a lessor. The adoption of *Topic 842* did not have a material impact on the consolidated financial statements.

Premises and Equipment, net

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on disposition are included in current operations.

Long-Lived Asset Impairment

The Corporation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at cost and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

At December 31, 2024 and 2023, there was no residential real estate owned. At December 31, 2024 and 2023, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceeds are in process was approximately $41,000 and $26,000.

Mortgage Servicing Rights

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

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with gain on loan sales on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

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

Bank-Owned Life Insurance

The Corporation has purchased life insurance policies on certain key executives and members of the Board of Directors. Bank-owned life insurance is recorded at its cash surrender value or the amount that can be realized.

Stock-Based Compensation

The fair value of restricted common stock is the fair market value on the date of grant. The fair value of restricted stock is amortized as compensation expense over the requisite service period of the grant. Compensation expense recognized is included in employee compensation and benefits in the consolidated statements of income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Income Taxes

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

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

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

The Corporation uses the portfolio method for reclassifying material stranded tax effects in accumulated other comprehensive income to earnings.

The Corporation recognizes interest and penalties on income taxes, if any, as a component of income tax expense.

The Financial Corp. files consolidated income tax returns with the Bank and Logansport Investments, Inc.

With few exceptions, the Corporation is no longer subject to U.S. federal or state income tax examinations for years before 2021.

Revenue Recognition

The Corporation applies Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to some of its revenue. Under Topic 606, the Corporation must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Corporation satisfies a performance obligation.

The Corporation's primary sources of revenue are derived from interest and dividends earned on loans, investment securities and other financial instruments that are not within the scope of Topic 606. The Corporation has evaluated the nature of its contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the consolidated statements of income was not necessary. The Corporation generally fully satisfies its performance obligations on its contracts with customers as services are rendered and the transaction prices are typically fixed; charged either on a periodic basis or based on activity. Because performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgment involved in applying Topic 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during each period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed issuance.

Unvested stock-based payment awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered to participate with common stock in undistributed earnings for purposes of computing EPS. Accordingly, the Corporation is required to calculate basic and diluted EPS using the two-class method. Restricted stock awards granted by the Corporation are considered participating securities. Calculations of EPS under the two-class method (i) exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (ii) exclude from the denominator the dilutive impact of the participating securities. Application of the two-class method results in no additional potential dilution in calculating diluted earnings per share, therefore, basic and diluted earnings per share are the same.

Segment Information

The Corporation's chief operating decision maker (CODM) is Chad Higgins, President and CEO.

The Corporation has one reportable segment: the Corporation. The segment provides loan and deposit services to the Corporation's customers. The Corporation derives revenue primarily from the state of Indiana and manages activities on a consolidated basis.

The segment derives revenues from customers by providing loan and deposit products to customers

The accounting policies of the Corporation segment are the same as those described in the "Summary of Significant Accounting Policies". The CODM assesses performance for the segment and decides how to allocate resources based net income. The measure of segment assets is total assets.

The CODM uses net income when deciding whether to reinvest profits in the segment. The CODM also uses net income in relation to peer benchmarks when assessing profitability of the segment. The actual results are used in assessing the performance of the segment and in establishing management's compensation.

Since the operating segment is the entire entity, refer to the consolidated statements of income.

Comprehensive Income

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

Adoption of New Accounting Standards

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The new accounting guidance expands reportable segment disclosure requirements primarily through the enhanced disclosures of significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and disclosure of the amount and composition of other segment items. Other segment items are the amount that reconciles segment revenues, less significant expenses, to segment profit or loss by reportable segment. The new accounting guidance also requires entities to disclose the title and position of the CODM, an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources, and all segments' profit or loss and asset disclosures currently required annually by Topic 280 along with those introduced by the new accounting guidance to be reported on an interim basis.

The Corporation adopted this standard retrospectively to all prior periods presented in the consolidated financial statements on January 1, 2024. The Corporation has one reportable segment, see Note 1 for additional information.

The Corporation adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

(Table Dollar Amounts in Thousands, Except Share Data)

The following table describes the impact of ASC 326 on the adoption date:

	2023		
	As Reported Under ASC 326	**Pre-ASC 326 Adoption**	**Impact of ASC 326 Adoption**
Assets			
Allowance for credit losses on loans			
Commercial leases	$ 2	$ 7	$ (5)
Commercial real estate	1,285	1,529	(244)
Residential real estate	1,266	408	858
Consumer	23	25	(2)
Total allowance for credit losses on loans	2,576	1,969	607
Liabilities			
Allowance for credit losses on OBS credit exposures	371	-	371

The one-time cumulative effect adjustment of the CECL adoption included an increase in the allowance for credit losses on loans of $607,000, increase in the allowance for credit losses on off-balance-sheet (OBS) credit exposures of $371,000 recorded as part of Accrued Interest and Other Liabilities on the Consolidated Balance Sheets and a decrease of $772,000 to the retained earnings account to reflect the cumulative effect of adopting CECL on the Consolidated Balance Sheets, with the $206,000 tax impact portion being recorded as part of the deferred tax asset on the Consolidated Balance Sheets.

Subsequent Events

Subsequent events have been evaluated through February 3, 2025, which is the date the consolidated financial statements were available to be issued.

Note 2. Restriction on Cash and Due From Banks

The Bank is required to maintain reserve funds in cash and/or on deposit with the Federal Reserve Bank. The reserve required at December 31, 2024, was $0.

(Table Dollar Amounts in Thousands, Except Share Data)

Note 3. Debt Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses of securities are as follows:

	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Debt Securities				
U.S. government and federal agencies	$ 10,014	$ -	$ 1,468	$ 8,546
Tax obligations	1,722	-	184	1,538
Corporate	2,000	-	608	1,392
State and municipal obligations	43,527	1	6,535	36,993
Mortgage-backed governmental sponsored enterprise (GSE) residential	6,896	-	798	6,098
Total investment securities	$ 64,159	$ 1	$ 9,593	$ 54,567

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Debt Securities				
U.S. government and federal agencies	$ 10,022	$ -	$ 1,583	$ 8,439
Tax obligations	2,055	-	204	1,851
Corporate	2,000	-	361	1,639
State and municipal obligations	45,177	38	5,516	39,699
Mortgage-backed governmental sponsored enterprise (GSE) residential	8,661	-	885	7,776
Total investment securities	$ 67,915	$ 38	$ 8,549	$ 59,404

(Table Dollar Amounts in Thousands, Except Share Data)

The amortized cost and fair value of available-for-sale securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Fair Value
Within one year	$ 900	$ 898
One to five years	5,627	5,381
Five to ten years	15,784	13,761
After ten years	34,952	28,429
	57,263	48,469
Mortgage-backed GSE residential	6,896	6,098
Total	$ 64,159	$ 54,567

The carrying value of securities pledged as collateral to secure borrowings, was $27.8 million and $4.0 million at December 31, 2024 and 2023, respectively.

No gross gains or losses resulting from sales were realized in 2024. Gross gains of $10,000 and gross losses of $44,000 resulting from sales of available-for-sale securities were realized for 2023.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2024 and 2023, was approximately $50.6 million and $53.4 million, respectively, which is approximately 93% and 90%, respectively, of the Corporation's available-for-sale investment portfolio. These declines primarily resulted from changes in market interest rates since the date the securities were acquired.

Unrealized losses on available-for-sale investments have not been recorded as an allowance for credit loss because the Corporation does not intend 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.

(Table Dollar Amounts in Thousands, Except Share Data)

The following tables show the Corporation's investments gross unrealized losses and fair value of the Corporation's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023:

	2024					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and federal agencies	$ -	$ -	$ 8,546	$ 1,468	$ 8,546	$ 1,468
State and municipal obligations	3,596	55	31,994	6,480	35,590	6,535
Mortgage-backed GSE residential	-	-	3,809	798	3,809	798
Tax Obligations	169	7	1,068	177	1,237	184
Corporate	730	270	662	338	1,392	608
Total temporarily impaired securities	$ 4,495	$ 332	$ 46,079	$ 9,261	$ 50,574	$ 9,593

	2023					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and federal agencies	$ -	$ -	$ 8,439	$ 1,583	$ 8,439	$ 1,583
State and municipal obligations	2,219	10	31,570	5,506	33,789	5,516
Mortgage-backed GSE residential	11	-	7,696	885	7,707	885
Tax Obligations	168	2	1,683	202	1,851	204
Corporate	-	-	1,639	361	1,639	361
Total temporarily impaired securities	$ 2,398	$ 12	$ 51,027	$ 8,537	$ 53,425	$ 8,549

For the Corporation's investments in each type of security having significant unrealized losses, without a recorded allowance for credit loss note the following:

U.S. Government and Federal Agencies and Corporate

Unrealized losses on U.S. government and federal agencies and corporate securities have not been recorded as an allowance for credit loss because the Corporation does not intend 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.

State and Municipal Obligations and Tax Obligations

Unrealized losses on state and municipal obligations and tax obligations have not been recorded as an allowance for credit loss because the Corporation does not intend 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.

(Table Dollar Amounts in Thousands, Except Share Data)

Mortgage-back GSE Residential

Unrealized losses on mortgage-backed GSE residential securities have not been recorded as an allowance for credit loss because the Corporation does not intend 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.

Note 4. Loans and Allowance for Credit Losses

Loans at December 31 include:

	2024	2023
Residential real estate	$ 59,722	$ 54,775
Commercial	116,112	114,480
Commercial leases	88	230
Consumer and other	1,801	1,769
Total gross loans	177,723	171,254
Less: Net deferred loan fees	27	29
Less: Allowance for credit losses	1,954	2,553
Net loans	$ 175,742	$ 168,672

The components of the Corporations' direct financing commercial leases as of December 31, 2024 and 2023, are as follows:

	2024	2023
Future minimum lease payments	$ 44	$ 127
Residual value of leased equipment	46	120
Unearned lease income	(2)	(17)
Net investment in direct financing leases	$ 88	$ 230

Future minimum lease payments at December 31, 2024, are as follows:

2025	$ 44
2026	-
2027	-
Total lease payments	$ 44

(Table Dollar Amounts in Thousands, Except Share Data)

The following table presents the balance in the allowance for credit losses by portfolio segment for the year ended December 31, 2024:

	2024				
	Residential Real Estate	Commercial	Commercial Leases	Consumer and Other	Total
Allowance for Credit Losses					
Balance, beginning	1,049	1,474	1	29	2,553
Provision for (Recovery of) credit loss expense	(488)	541	(1)	3	55
Losses charged off	-	(652)	-	(2)	(654)
Recoveries	-	-	-	-	-
Balance, end of year	$ 561	$ 1,363	$ -	$ 30	$ 1,954

The following table presents the balance in the allowance for credit losses by portfolio segment for the year ended December 31, 2023:

	2023				
	Residential Real Estate	Commercial	Commercial Leases	Consumer and Other	Total
Allowance for Credit Losses					
Beginning balance prior to adoption of ASC 326	$ 408	$ 1,529	$ 7	$ 25	$ 1,969
Impact of adoption of ASC 326	858	(244)	(5)	(2)	607
Balance, beginning	1,266	1,285	2	23	2,576
Credit loss expense	(217)	189	(1)	29	-
Losses charged off	-	-	-	(24)	(24)
Recoveries	-	-	-	1	1
Balance, end of year	$ 1,049	$ 1,474	$ 1	$ 29	$ 2,553

Internal Risk Categories

Loan grades are numbered 1 through 7. Grades 1 through 4 are considered satisfactory grades. The grade of 5, or Special Mention, represents loans of lower quality and is considered criticized. The grades of 6, or Substandard, and 7, or Doubtful, refer to assets that are classified. The use and application of these grades by the Corporation will be uniform and shall conform to the Corporation's policy.

Pass (1) Loans are supported by assets that are directly pledged and easily converted to cash with little to no risk of value fluctuations.

Pass (2) The borrower's performance is superior to industry standards in all financial areas and/or collateral is easily marketable at face value. Cash flow and collateral support are strong and the borrower has multiple ways to pay the loan under almost any circumstance.

Pass (3) or (4) The borrower's performance is as agreed and stable based on industry standards. Collateral support is adequate to strong. Earnings variations from year to year are manageable and explainable. Any financial issues of the borrower are strongly mitigated by guarantor support.

Watchlist (4W) The borrower shows some deteriorating signs in earnings, however, core business issues appear sound and loans are adequately collateralized. Watch list status may be required if specific reporting is considered appropriate to monitor future operating performance.

Special Mention (5) The borrower has experienced either a major negative trend in earnings or multiple years of minor earnings deterioration. The borrower still appears well collateralized, although continuing trends could put pressure on collateral dependence. The borrower definitely requires above normal oversight and monitoring. Recovery from negative issues is expected, but not yet known. Specific recovery plans are being required of the borrower.

Substandard (6) The borrower has experienced negative trends that require immediate action. Continued negative trends may put the financial viability of the corporation in jeopardy. Collateral dependence may become a primary source of repayment. Detailed planning and analysis are required to determine loss exposure and recovery probability.

Doubtful (7) Collateral liquidation is the only viable alternative for recovery. Loss analysis is critical and must be adequately addressed by the allowance for loan losses.

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

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

Commercial and Commercial Leases: Commercial loans typically involve larger principal amounts and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Corporation's market areas. The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

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

(Table Dollar Amounts in Thousands, Except Share Data)

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

	2024	2023	2022	2021	2020	Prior	Total
Commercial							
Grade							
Pass (1-4)	$ 15,282	$ 13,600	$ 19,159	$ 15,256	$ 13,342	$ 29,147	$ 105,786
Watch (4W)	-	-	6	-	-	875	881
Special mention (5)	-	140	-	106	2,022	1,316	3,584
Substandard (6)	-	-	2,534	676	2,651	-	5,861
Doubtful (7)	-	-	-	-	-	-	-
Total Commercial	$ 15,282	$ 13,740	$ 21,699	$ 16,038	$ 18,015	$ 31,338	$ 116,112
Current YTD Gross Charge-Offs	$ -	$ -	$ 652	$ -	$ -	$ -	$ 652
Residential Real Estate (RRE) Grade							
Pass (1-4)	$ 18,828	$ 10,705	$ 10,518	$ 5,017	$ 3,749	$ 9,041	$ 57,858
Watch (4W)	-	23	-	-	-	831	854
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	526	-	28	-	456	1,010
Doubtful (7)	-	-	-	-	-	-	-
Total RRE	$ 18,828	$ 11,254	$ 10,518	$ 5,045	$ 3,749	$ 10,328	$ 59,722
Consumer and Other							
Pass (1-4)	$ 892	$ 536	$ 226	$ 88	$ 4	$ 24	$ 1,770
Watch (4W)	-	-	31	-	-	-	31
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Total Consumer and Other	$ 892	$ 536	$ 257	$ 88	$ 4	$ 24	$ 1,801
Current YTD Gross Charge-Offs	$ -	$ -	$ -	$ -	$ -	$ 2	$ 2
Leases							
Grade							
Pass (1-4)	$ -	$ -	$ -	$ -	$ -	$ 88	$ 88
Watch (4W)	-	-	-	-	-	-	-
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Total Leases	$ -	$ -	$ -	$ -	$ -	$ 88	$ 88

(Table Dollar Amounts in Thousands, Except Share Data)

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

	2023	2022	2021	2020	2019	Prior	Total
Commercial							
Grade							
Pass (1-4)	$ 15,790	$ 21,936	$ 16,889	$ 15,595	$ 11,696	$ 22,697	$ 104,603
Watch (4W)	16	241	112	19	200	813	1,401
Special mention (5)	-	2,915	716	1,981	-	-	5,612
Substandard (6)	-	96	-	2,768	-	-	2,864
Doubtful (7)	-	-	-	-	-	-	-
Total Commercial	$ 15,806	$ 25,188	$ 17,717	$ 20,363	$ 11,896	$ 23,510	$ 114,480
Residential Real Estate (RRE) Grade							
Pass (1-4)	$ 15,936	$ 14,326	$ 6,929	$ 4,477	$ 2,627	$ 8,811	$ 53,106
Watch (4W)	530	-	-	-	55	557	1,142
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	65	462	527
Doubtful (7)	-	-	-	-	-	-	-
Total RRE	$ 16,466	$ 14,326	$ 6,929	$ 4,477	$ 2,747	$ 9,830	$ 54,775

	2023	2022	2021	2020	2019	Prior	Total
Consumer and Other							
Pass (1-4)	$ 977	$ 439	$ 184	$ 17	$ 33	$ 77	$ 1,727
Watch (4W)	-	42	-	-	-	-	42
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Total Consumer and Other	$ 977	$ 481	$ 184	$ 17	$ 33	$ 77	$ 1,769
Current YTD Gross Charge-Offs	$ -	$ -	$ -	$ -	$ -	$ 24	$ 24

	2023	2022	2021	2020	2019	Prior	Total
Leases							
Grade							
Pass (1-4)	$ -	$ -	$ -	$ -	$ -	$ 230	$ 230
Watch (4W)	-	-	-	-	-	-	-
Special mention (5)	-	-	-	-	-	-	-
Substandard (6)	-	-	-	-	-	-	-
Doubtful (7)	-	-	-	-	-	-	-
Total Leases	$ -	$ -	$ -	$ -	$ -	$ 230	$ 230

The following table presents the Company's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2024 and 2023:

(Table Dollar Amounts in Thousands, Except Share Data)

	2024				
	30-89 Days Past Due	**Greater Than 90 Days**	**Total Past Due**	**Current**	**Total Loans**
Residential real estate	$ 558	$ 4	$ 562	$ 59,160	$ 59,722
Commercial	-	2,433	2,433	113,679	116,112
Commercial leases	-	-	-	88	88
Consumer and other	-	-	-	1,801	1,801
Total	$ 558	$ 2,437	$ 2,955	$ 174,768	$ 177,723

	2023				
	30-89 Days Past Due	**Greater Than 90 Days**	**Total Past Due**	**Current**	**Total Loans**
Residential real estate	$ 415	$ 4	$ 419	$ 53,937	$ 54,775
Commercial	-	-	-	114,480	114,480
Commercial leases	-	-	-	230	230
Consumer and other	-	-	-	1,769	1,769
Total	$ 415	$ 4	$ 419	$ 170,416	$ 171,254

(Table Dollar Amounts in Thousands, Except Share Data)

The following table presents the Corporation's nonaccrual loans at December 31, 2024 and 2023:

	2024		
	Nonaccrual with No ACL	**Nonaccrual**	**Loans Past Due Over 89 Days and Still Accruing**
Residential real estate	$ -	$ 413	$ 4
Commercial		2,433	-
Commercial leases		-	-
Consumer and other		61	-
Total	$ -	$ 2,907	$ 4

	2023		
	Nonaccrual with No ACL	**Nonaccrual**	**Loans Past Due Over 89 Days and Still Accruing**
Residential real estate	$ -	$ 504	$ 2
Commercial	-	-	-
Commercial leases	-	-	-
Consumer and other	-	-	-
Total	$ -	$ 504	$ 2

Occasionally, the Corporation modifies loans to borrowers in financial distress by providing various types of modifications. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Corporation provides multiple types of concession on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. As of December 31, 2024 and 2023, the Corporation did not have any loans that were under modification status.

(Table Dollar Amounts in Thousands, Except Share Data)

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024:

	2024	
	Real Estate	**Inventory & Personal Property**
Residential real estate	$ -	$ -
Commercial	5,760	526
Commercial leases	-	-
Consumer and other	-	-
Total	$ 5,760	$ 526

The Corporation did not have any collateral-dependent loans as of December 31, 2023.

Note 5. Premises and Equipment

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

	2024	2023
Land	$ 218	$ 218
Buildings and improvements	2,329	2,329
Furniture and equipment	1,401	1,366
Construction in process	3,349	36
	7,297	3,949
Less accumulated depreciation and amortization	(2,941)	(2,738)
Net premises and equipment	$ 4,356	$ 1,211

Depreciation expense was $203,000 and $196,000 for December 31, 2024 and 2023, respectively.

(Table Dollar Amounts in Thousands, Except Share Data)

Note 6. Loan Servicing

The Corporation has recognized servicing rights for residential mortgage loans sold with servicing retained. Residential mortgage loans serviced for others are subject to credit, prepayment and interest rate risks.

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced for others was $123.1 million and $119.1 million at December 31, 2024 and 2023, respectively. The unamortized value of mortgage servicing rights, which are included in other assets on the consolidated balance sheets, was approximately $636,000 and $610,000 at December 31, 2024 and 2023, respectively. Amortization of mortgage servicing rights was $116,000 and $51,000 for the years ending December 31, 2024 and 2023, respectively.

The fair market value of the mortgage servicing rights as of December 31, 2024, 2023, and 2022, was $1,004,000, $1,024,000 and $979,000, respectively.

Note 7. Deposits

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

	2024	2023
Demand	$ 55,386	$ 54,530
Savings and money market	119,779	100,700
Time	45,700	41,073
Brokered certificate of deposit	5,039	11,476
Total	$ 225,904	$ 207,779

In the deposit balance noted above, approximately $85.8 million and $61.4 million of the balance represents public funds, primarily from four entities, which was approximately 38% and 31% of total deposits at December 31, 2024 and 2023, respectively.

Interest-bearing time deposits in denominations of $250,000 or more were approximately $15.6 million and $12.8 million at December 31, 2024 and 2023, respectively.

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

2025	$ 38,798
2026	4,789
2027	987
2028	149
2029	977
	$ 45,700

(Table Dollar Amounts in Thousands, Except Share Data)

Note 8. Income Taxes

The Corporation files income tax returns in the U.S. federal and Indiana jurisdictions.

The provision for income taxes includes these components:

	2024	2023
Taxes currently payable (receivable)	$ (37)	$ 203
Deferred income taxes	58	17
Income tax expense	$ 21	$ 220

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

	2024	2023
Federal income taxes computed at the statutory rate (21%)	$ 268	$ 422
Increase (decrease) resulting from		
Tax-exempt interest	(225)	(269)
Cash surrender value of life insurance	(28)	(25)
State income tax provision	46	80
Other	(40)	12
Actual tax expense	$ 21	$ 220

(Table Dollar Amounts in Thousands, Except Share Data)

A cumulative net deferred tax asset is included on the balance sheets as of December 31, 2024 and 2023. The components of the asset are as follows:

	2024	2023
Deferred tax assets		
Retirement expense	$ 117	$ 119
General allowance for credit losses	479	619
Benefit plan expense	13	4
Unrealized loss on available-for-sale securities	2,351	1,787
Deferred loan fees	20	22
Other	147	184
Total deferred tax assets	3,127	2,735
Deferred tax liabilities		
Book versus tax depreciation	(49)	(79)
Investment in real estate partnership		
Mortgage servicing rights	(156)	(150)
FHLB stock dividends	(19)	(19)
Other	(54)	(31)
Total deferred tax liabilities	(278)	(279)
Net deferred tax asset	$ 2,849	$ 2,456

Note 9. Regulatory Matters

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

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to total risk-weighted assets (as defined) to total risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined).

(Table Dollar Amounts in Thousands, Except Share Data)

On November 13, 2019, the federal regulators finalized and adopted a regulatory capital rule establishing a new community bank leverage ratio (CBLR), which became effective on January 1, 2020. The intent of the CBLR is to provide a simple alternative measure of capital adequacy for electing qualifying depository institutions and depository institution holding companies, as directed under the Economic Growth, Regulatory Relief, and Consumer Protection Act. If a qualifying depository institution or depository institution holding company elects to use such measure, such institution or holding company will be considered well capitalized if its ratio of Tier 1 capital to average total consolidated assets (*i.e.*, leverage ratio) exceeds 9%, subject to a limited two quarter grace period, during which the leverage ratio cannot go 100 basis points below the then applicable threshold, and will not be required to calculate and report risk-based capital ratios. The Bank elected to begin using the CBLR for the first quarter of 2021. The Bank's CBLR was 10.50% and 11.32% as of December 31, 2024 and 2023, respectively.

Actual and required capital amounts and ratios are presented below as of December 31, 2024 and 2023:

	Actual		To Be Well Capitalized	
	Amount	**Ratio**	**Amount**	**Ratio**
2024				
Tier 1 capital (to average assets)	$ 27,887	10.50%	$ 23,894	9.00%
2023				
Tier 1 capital (to average assets)	$ 27,746	11.32%	$ 22,066	9.00%

Management believes, as of December 31, 2024, that the Bank meets all capital adequacy requirements to which it is subject.

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2024, retained earnings of approximately $1,569,000 were available for dividend declaration without prior regulatory approval.

Note 10. Related Party Transactions

At December 31, 2024 and 2023, the Bank had loans outstanding to executive officers, directors, significant stockholders and their affiliates (related parties), of approximately $1,048,000 and $1,107,000, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve a more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Bank at December 31, 2024 and 2023, totaled approximately $2,551,000 and $2,514,000, respectively.

Note 11. Benefit Plans

The Bank has a 401(k) plan covering substantially all employees. The Bank's contributions to the plan are determined annually by the Board of Directors. Contributions to the plan were approximately $167,000 and $170,000 for 2024 and 2023, respectively.

(Table Dollar Amounts in Thousands, Except Share Data)

The Bank has purchased life insurance policies on certain officers and directors. The insurance policies had an approximate cash surrender value of $4,207,000 and $4,070,000 at December 31, 2024 and 2023, respectively. The Bank has approved compensation arrangements that provide retirement benefits to certain officers and deferral of fees for directors covered by the policies. The benefits to be paid are being accrued from the date of approval of the arrangements to the date that full eligibility is attained. The balances were included in accrued interest and other liabilities on the consolidated balance sheets and were approximately $478,000 and $487,000, respectively, at December 31, 2024 and 2023. Expenses related to the above-described plans totaled approximately $72,000 and $76,000 for the years ended December 31, 2024 and 2023, respectively.

Note 12. Stock-Based Compensation

The Corporation's Stock Option Plan (Plan), which is stockholder approved, permitted the grant of share options to its officers, employees and members of the board of directors. The Corporation believes that such awards better align the interests of its personnel with those of its stockholders.

In 2016, the Corporation's shareholders approved the Logansport Financial Corp. 2016 Stock Option and Incentive Plan (2016 Plan) to provide officers, employees and directors of the Corporation and the Bank with additional incentives to promote the growth and performance of the Corporation. Each award is subject to conditions established by the board of directors that are set forth in the recipient's award agreement, and is subject to vesting conditions and restrictions as determined by the Board of Directors. To the extent any shares of stock covered by an award under the 2016 Plan are not delivered to a participant or beneficiary because the award is forfeited or canceled, then such shares shall not be deemed to have been delivered. Upon the occurrence of an involuntary termination of employment following a change in control of the Corporation, all outstanding restricted stock awards shall be fully earned and vested. All awards granted under the 2016 Plan have been in the form of restricted stock.

Compensation expense is recognized on a straight-line basis over the requisite service period for the entire award based on the fair value of the stock at issue date. The Corporation recognizes the effect of forfeitures in compensation expense when they occur.

A summary of the status of the Corporation's nonvested shares under the 2016 Plan as of December 31, 2024, and changes during the year then ended, is presented below:

	2024	
	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested, beginning of year	4,495	$ 35
Vested	(324)	47
Forfeited	(325)	34
Nonvested, end of year	3,846	$ 35

(Table Dollar Amounts in Thousands, Except Share Data)

As of December 31, 2024 and 2023, there was approximately $65,000 and $123,000 of unrecognized compensation cost related to nonvested shares granted under the 2016 Plan. The cost is expected to be recognized over a weighted-average period of 1.3 years. Expense recognized under the plan for the years ended December 31, 2024 and 2023, was approximately $58,000 and $43,000, respectively. The total fair value of shares vested during the years ended December 31, 2024 and 2023, was approximately $15,000 and $18,000, respectively.

Note 13. Earnings Per Share

Earnings per shares (EPS) were computed as follows:

	2024	2023
Net income	$ 1,254	$ 1,791
Dividends and undistributed earnings allocated to participating securities	(8)	(8)
Net income available to common stockholders	$ 1,246	$ 1,783
Weighted average shares outstanding including participating securities	$ 612,135	$ 611,031
Average unvested restricted stock	(4,011)	(2,759)
Weighted average common shares outstanding	$ 608,124	$ 608,272
Basic and diluted earnings per share	$ 2.05	$ 2.93

Note 14. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 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 for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

(Table Dollar Amounts in Thousands, Except Share Data)

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Oberservable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
2024				
Available-for-Sale Debt Securities				
U.S. government and federal agencies	$ 8,546	$ 954	$ 7,592	$ -
Tax obligations	1,538	-	1,538	-
Corporate	1,392	-	1,392	-
State and municipal obligations	36,993	-	36,993	-
Mortgage-backed GSE residential	6,098	-	6,098	-
2023				
Available-for-Sale Debt Securities				
U.S. government and federal agencies	$ 8,439	$ 936	$ 7,503	$ -
Tax obligations	1,851	-	1,851	-
Corporate	1,639	-	1,639	-
State and municipal			-	
obligations	39,699	-	39,699	-
Mortgage-backed			-	
GSE residential	7,776	-	7,776	-

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2024. The Corporation has no liabilities measured at fair value on a recurring basis.

Investment Securities Available-for-Sale

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by a third-party pricing service using pricing models, quoted market prices of securities with similar characteristics or discounted cash flows. The inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. These Level 2 securities include federal agencies, state and municipal obligations, tax obligations, corporate obligations and mortgage-backed GSE residential securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Corporation has no securities classified as Level 3.

Nonrecurring Measurements

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

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Oberservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2024				
Collateral-dependent loans	$ 6,286	$ -	$ -	$ 6,286
2023				
Collateral-dependent impaired loans	$ -	$ -	$ -	$ -

Collateral-Dependent Loans, Net of ACL

The estimated fair value of collateral-dependent loans is based on the appraised fair value of the collateral, less estimated costs to sell. Collateral-dependent loans are classified within Level 3 of the fair value hierarchy.

The Corporation considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by the Credit Department. Appraisals are reviewed for accuracy and consistency by the Credit Department. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of collateral. These discounts and estimates are developed by the Credit Department by comparison to historical results.

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

The Corporation has no liabilities measured at fair value on a nonrecurring basis.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements:

	December 31, 2024	Valuation Technique	Unobservable Inputs	(Weighted-Average)
Collateral-dependent loans	$ 6,286	Market comparable	Marketability	25.0% - 50.1% (46%)

	Fair Value at December 31, 2023	Valuation Technique	Unobservable Inputs	Range (Weighted-Average)
Collateral-dependent loans	$ -	Market comparabale	Marketability discount	-

Fair Value of Financial Instruments

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

Cash and Cash Equivalents, Interest-bearing Time Deposits, Loans Held for Sale, Federal Home Loan Bank Stock, Accrued Interest Receivable, and Accrued Interest Payable

The carrying amount approximates fair value.

Loans Receivable, Net

Fair values of loans are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

Deposits

Deposits include demand deposits, savings accounts, NOW accounts and certain money market deposits. The carrying amount approximates fair value. The fair value of fixed-maturity time deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

Federal Home Loan Bank Advances

Fair value is estimated by discounting the future cash flows using rates of similar advances with similar maturities. These rates were obtained from current rates offered by FHLB.

(Table Dollar Amounts in Thousands, Except Share Data)

The following table presents estimated fair values of the Corporation's financial instruments and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

		Fair Value Measurements Using		
	Carrying Amount	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2024				
Financial assets				
Cash and cash equivalents	$ 14,992	$ 14,992	$ -	$ -
Loans receivable, net	175,742	-	-	166,280
Loans held for sale	135	-	-	135
Federal Home Loan Bank stock	3,082	-	3,082	-
Accrued interest receivable	2,272	-	2,272	-
Financial liabilities				-
Deposits	225,904	-	204,428	-
Federal Home Loan Bank advances	15,000	-	15,000	-
Accrued interest payable	72	-	72	-
December 31, 2023				
Financial assets				
Cash and cash equivalents	$ 4,810	$ 4,810	$ -	$ -
Loans receivable, net	168,672	-	-	156,394
Loans held for sale	192			192
Federal Home Loan Bank stock	3,082	-	3,082	-
Accrued interest receivable	2,290		2,290	-
Financial liabilities		-	-	
Deposits	207,779	-	193,306	-
Federal Home Loan Bank advances	15,000	-	15,000	-
Federal funds borrowed	1,951	-	1,951	-
Accrued interest payable	46	-	46	-

Note 15. Significant Estimates and Concentrations

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

Note 16. Risks and Uncertainties

The Corporation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 17. Commitments and Credit Risk

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate, and residential real estate.

At December 31, 2024 and 2023, the Corporation had outstanding commitments on undisbursed construction loans of approximately $3,170,000 and $342,000, respectively. The commitments extended over varying periods of time with the majority being disbursed within a one-year period.

Lines of Credit

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

At December 31, 2024, the Corporation had granted unused lines of credit to commercial borrowers aggregating approximately $21.5 million and $18.2 million for consumer lines. At December 31, 2023, the Corporation had granted unused lines of credit to commercial borrowers aggregating approximately $25.7 million and $21.1 million for consumer lines.

Loans With High Loan-to-Value Ratios

Although the Corporation has a diversified loan portfolio, it does make single-family real estate loans to certain low-income customers at amounts over 90% of the underlying collateral value. The Corporation's underwriting standards otherwise limit loan amounts to 90% of underlying collateral values. Such loans comprised approximately 1% of the portfolio as of both December 31, 2024 and 2023. The total of these loans was approximately $2,591,000 and $530,000 at December 31, 2024 and 2023, respectively.

(Table Dollar Amounts in Thousands, Except Share Data)

Note 18. Revenue from Contracts with Customers

All of the Corporation's revenue from contracts with customers in the scope of Topic 606 is recognized within noninterest income in the accompanying statements of income. The following table presents the Corporation's noninterest income within the scope of Topic 606 by revenue stream for the years ended December 31, 2024 and 2023:

	2024	2023
Noninterest income within the scope of Topic 606		
Service fees on deposit accounts	$ 363	$ 378
Other	636	640
	$ 999	$ 1,018

A description of the Corporation's significant revenue streams accounted for under Topic 606 are as follows:

Service Fees on Deposit Accounts. The Corporation generates revenues through fees charged to depositors related to deposit account maintenance fees, overdrafts, ATM fees, wire transfers, and additional miscellaneous services provided at the request of the depositor. For deposit-related services, revenue is recognized when performance obligations are satisfied, which is, generally, at a point in time.