

Equitable Financial Corp.

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2025 and 2024

Equitable Financial Corp.
June 30, 2025 and 2024

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Independent Auditor's Report

Audit Committee, Board of Directors and Stockholders
Equitable Financial Corp.
Grand Island, Nebraska

Opinion

We have audited the consolidated financial statements of Equitable Financial Corp. and its subsidiary, which comprise the balance sheets as of June 30, 2025 and 2024, 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 Equitable Financial Corp. and its subsidiary as of June 30, 2025 and 2024, 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 Equitable 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 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 Equitable 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 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 Equitable 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 Equitable 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

**Omaha, Nebraska
September 29, 2025**

Equitable Financial Corp.
Consolidated Balance Sheets
June 30, 2025 and 2024

Assets	2025	2024
Cash and due from financial institutions	\$ 6,308,560	\$ 10,155,683
Interest-bearing deposits	995,021	4,484,312
Federal funds sold	-	2,407,000
	<u>7,303,581</u>	<u>17,046,995</u>
Interest-bearing time deposits in banks	2,356,856	424,000
Securities available-for-sale	42,019,037	23,997,405
Securities held-to-maturity	2,450	3,795
Federal Home Loan Bank stock, at cost	1,443,000	1,488,600
Federal Reserve stock, at cost	472,350	471,550
Loans, including loans held for sale of \$646,432 in 2025 and \$789,500 in 2024 and net of allowance for credit losses of \$6,100,000 in 2025 and \$6,027,000 in 2024	444,295,769	446,168,694
Premises and equipment, net	7,896,543	7,713,383
Foreclosed assets, net	-	1,467,000
Accrued interest receivable	3,719,227	3,780,792
Deferred taxes, net	798,250	795,581
Customer list intangibles	929,021	1,101,706
Bank-owned life insurance	4,173,441	4,054,607
Other assets	3,156,255	2,708,137
	<u>\$ 518,565,780</u>	<u>\$ 511,222,245</u>
Liabilities and Stockholders' Equity		
Liabilities		
Noninterest-bearing deposits	\$ 50,629,379	\$ 53,054,379
Interest-bearing deposits	403,291,406	396,100,537
	<u>453,920,785</u>	<u>449,154,916</u>
Line of credit	162,000	275,000
Federal Home Loan Bank borrowings	8,000,000	8,000,000
Advance payments from borrowers for taxes and insurance	1,013,735	995,822
Accrued interest payable and other liabilities	3,670,701	3,283,106
	<u>466,767,221</u>	<u>461,708,844</u>
Stockholders' Equity		
Common stock, \$0.01 par value, 25,000,000 shares authorized 2,529,476 and 2,624,265 shares issued and outstanding at June 30, 2025 and 2024, respectively	25,295	26,243
Additional paid-in capital	15,576,397	16,931,425
Retained earnings	36,733,331	33,291,123
Unearned ESOP shares	(499,936)	(547,432)
Shares reserved for stock compensation	8,036	(4,359)
Accumulated other comprehensive loss, net of tax	(44,564)	(183,599)
	<u>51,798,559</u>	<u>49,513,401</u>
Total liabilities and stockholders' equity	<u>\$ 518,565,780</u>	<u>\$ 511,222,245</u>

Equitable Financial Corp.
Consolidated Statements of Income
Years Ended June 30, 2025 and 2024

	2025	2024
Interest Income		
Loans	\$ 26,964,594	\$ 25,195,275
Securities	1,195,354	478,381
Other	712,194	640,474
Total interest income	28,872,142	26,314,130
Interest Expense		
Deposits	12,875,359	12,000,650
Federal Home Loan Bank borrowings	321,769	550,154
Other	28,760	83,511
Total interest expense	13,225,888	12,634,315
Net Interest Income	15,646,254	13,679,815
Provision for Credit Losses	389,884	(27,237)
Net Interest Income After Provision for Loan Losses	15,256,370	13,707,052
Noninterest Income		
Service charges on deposit accounts	1,159,933	1,188,811
Brokerage fee income	2,343,636	2,336,924
Gain on sale of loans	268,483	211,441
Other loan fees	787,387	778,426
Other income	521,580	499,104
Total noninterest income	5,081,019	5,014,706
Noninterest Expense		
Salaries and employee benefits	9,448,094	8,534,895
Director and committee fees	144,500	171,500
Data processing fees	1,232,262	1,270,909
Occupancy and equipment	1,201,174	1,342,116
Regulatory fees and deposit insurance premium	323,957	336,399
Advertising and public relations	345,888	362,335
Professional fees	412,606	496,816
Supplies, telephone and postage	93,215	98,276
Other expenses	2,643,542	2,631,228
Total noninterest expense	15,845,238	15,244,474
Income Before Income Taxes	4,492,151	3,477,284
Income Tax Expense	(1,049,943)	(763,538)
Net Income	\$ 3,442,208	\$ 2,713,746
Basic Earnings Per Share	\$ 1.18	\$ 0.92
Diluted Earnings Per Share	\$ 1.18	\$ 0.92

Equitable Financial Corp.
Consolidated Statements of Comprehensive Income
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Income	\$ 3,442,208	\$ 2,713,746
Other Comprehensive Gain		
Unrealized gain on securities available-for-sale, net of tax	<u>139,035</u>	<u>784,474</u>
Comprehensive Income	<u>\$ 3,581,243</u>	<u>\$ 3,498,220</u>

Equitable Financial Corp.
Consolidated Statements of Stockholders' Equity
Years Ended June 30, 2025 and 2024

	Common Stock	Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Shares Reserved for Stock Compensation	Accumulated Other Comprehensive (Loss)	Amount Reclassified on ESOP Shares	Total
Balance, July 1, 2023	\$ 26,663	\$ 17,483,294	\$ 30,535,299	\$ (595,096)	\$ (18,074)	\$ (968,073)	\$ (1,484,656)	\$ 44,979,357
Net income	-	-	2,713,746	-	-	-	-	2,713,746
CECL implementation	-	-	42,078	-	-	-	-	42,078
Other comprehensive gain	-	-	-	-	-	784,474	-	784,474
Release of 5,958 unearned ESOP shares	-	23,542	-	47,664	-	-	-	71,206
Stock compensation expense	-	6,591	-	-	13,715	-	-	20,306
Stock buyback	(420)	(497,166)	-	-	-	-	-	(497,586)
Other	-	(84,836)	-	-	-	-	-	(84,836)
Reclassification and change in fair value of common stock in ESOP subject to contingent repurchase obligation of ESOP	-	-	-	-	-	-	1,484,656	1,484,656
Balance, June 30, 2024	26,243	16,931,425	33,291,123	(547,432)	(4,359)	(183,599)	-	49,513,401
Net income	-	-	3,442,208	-	-	-	-	3,442,208
Other comprehensive gain	-	-	-	-	-	139,035	-	139,035
Release of 5,958 unearned ESOP shares	-	28,219	-	47,496	-	-	-	75,715
Stock compensation expense	-	6,230	-	-	12,395	-	-	18,625
Stock buyback	(948.00)	(1,389,477)	-	-	-	-	-	(1,390,425)
Balance, June 30, 2025	\$ 25,295	\$ 15,576,397	\$ 36,733,331	\$ (499,936)	\$ 8,036	\$ (44,564)	\$ -	\$ 51,798,559

Equitable Financial Corp.
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Activities		
Net income	\$ 3,442,208	\$ 2,713,746
Items not requiring (providing) cash		
Depreciation	553,367	632,012
Federal Home Loan Bank stock dividends	(106,500)	(137,900)
ESOP expense	75,715	71,206
Stock compensation expense	18,625	20,306
Bank-owned Life Insurance value adjustments	(118,834)	(112,348)
Amortization of deferred loan origination costs and fees, net	374,431	(366,163)
Amortization of intangibles	172,685	172,685
Amortization of premiums and discounts	(488,743)	25,441
Equity securities adjustment	(6,730)	(18,540)
Gain on sale of loans	(268,483)	(211,441)
Loss (Gain) on disposal of premises and equipment	(28,648)	17,574
Loss (Gain) on foreclosed assets held for sale	(48,687)	-
Provision for credit losses	389,884	(27,237)
Deferred taxes	(39,628)	(98,650)
Loans originated for sale	(15,120,661)	(10,390,731)
Proceeds from sale of loans	15,389,144	10,602,172
Other	-	(84,836)
Changes in		
Accrued interest receivable	61,565	(742,473)
Other assets	(441,388)	(69,468)
Accrued interest payable and other liabilities	356,595	322,873
Net cash provided by operating activities	4,165,917	2,318,228
Investing Activities		
Net change in loans	1,139,610	(27,376,247)
Purchase of certificates of deposit	(1,932,856)	(175,000)
Securities available-for-sale		
Proceeds from calls and principal repayments	43,434,009	21,868,943
Purchases	(60,790,904)	(14,665,784)
Securities held-to-maturity		
Proceeds from calls and principal repayments	1,345	4,184
Redemption of Federal Home Loan Bank stock	152,100	666,200
Purchases of Federal Reserve stock	(800)	(450)
Redemption of Federal Reserve stock	-	2,300
Proceeds from sale of foreclosed assets held for sale	1,515,687	-
Proceeds from sale of premises and equipment	69,000	-
Purchase of premises and equipment	(776,879)	(200,609)
Net cash used in investing activities	(17,189,688)	(19,876,463)
Financing Activities		
Net change in deposits	4,765,869	36,885,250
Net change in line of credit	(113,000)	(410,000)
Net federal funds purchased	-	(2,888,000)
Proceeds from Federal Home Loan Bank borrowings	-	10,000,000
Repayments of Federal Home Loan Bank borrowings	-	(17,000,000)
Net change in advance payments from borrowers for taxes and insurance	17,913	111,011
Stock buyback	(1,390,425)	(497,586)
Net cash provided by financing activities	3,280,357	26,200,675

Equitable Financial Corp.
Consolidated Statements of Cash Flows - Continued
Years Ended June 30, 2025 and 2024

	2025	2024
Increase (Decrease) in Cash and Cash Equivalents	\$ (9,743,414)	\$ 8,642,440
Cash and Cash Equivalents		
Beginning	17,046,995	8,404,555
Ending	\$ 7,303,581	\$ 17,046,995
Supplemental Cash Flows Information		
Interest paid on deposits and borrowings	\$ 13,412,382	\$ 12,183,758
Income taxes paid	\$ 1,037,000	\$ 862,940
Supplemental Noncash Disclosure		
Transfer of loans to foreclosed assets	\$ -	\$ 1,488,600

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Equitable Financial Corp. (the “Company”) and its wholly-owned subsidiary, Equitable Bank (the “Bank”). All significant intercompany transactions and balances are eliminated in consolidation.

Stock Conversion

On July 8, 2015, Equitable Financial, MHC, the Company’s former federally chartered mutual holding company, consummated its “second step” mutual-to-stock conversion, and the Company consummated its initial stock offering. In the offering, the Company sold 1,983,160 shares of its common stock, par value \$0.01 per share, at \$8.00 per share in a subscription offering and community offering, including 118,989 shares, equal to 6.0% of the shares sold in the offering, to the Equitable Bank employee stock ownership plan.

In accordance with applicable federal conversion regulations, at the time of the completion of our mutual-to-stock conversion, we established a liquidation account in an amount equal to the Company’s total equity as of the latest balance sheet date in the final prospectus used in the Conversion. Each eligible account holder or supplemental account holder is entitled to a proportionate share of this liquidation account in the event of a complete liquidation of the Bank, and only in such event. This share will be reduced if the eligible account holder’s or supplemental account holder’s deposit balance falls below the amounts on the date of record as of any June 30 and will cease to exist if the account is closed. The liquidation account will never be increased despite any increase after Conversion in the related deposit balance.

Following completion of the Conversion, the Bank may not declare, pay a dividend on, or repurchase any of its capital stock of the Bank if the effect thereof would cause retained earnings to be reduced below the liquidation account amount or regulatory capital requirements.

Nature of Business

The primary business of the Company is the ownership of the Bank. Through the Bank, the Company is engaged in the business of retail banking, with operations conducted through its main office and branches, which are located in Grand Island, North Platte, Omaha, and Elkhorn, Nebraska. The Bank’s primary services include accepting deposits, making loans, and investing in securities.

Use of Estimates

In preparing the accompanying consolidated financial statements, management is required 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 for the reporting period. Estimates significant to the consolidated financial statement include the allowance for credit losses (ACL), mortgage servicing rights,

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Use of Estimates - Continued

and fair values of financial instruments. Actual results could differ from those estimates. The allowance for credit losses is inherently subjective as it requires material estimates that are susceptible to significant change. The fair value disclosure of investments and other financial instruments is an estimate that can be computed within a range.

Risks and Uncertainties

Changes in economic conditions in the United States, and more specifically Nebraska, could impact the credit worthiness of the Company's borrowers and the borrowers' ability to service their outstanding loans with the Company. Additionally, the Company is subject to interest rate risk in which changes in the interest rate environment could negatively impact the Company's net interest margin.

Cash Flows

Cash and cash equivalents include cash, deposits with other financial institutions with maturities under 90 days when purchased, and federal funds sold, if any. Net cash flows are reported for customer loan and deposit transactions, and advance payments from borrowers for taxes and insurance.

At June 30, 2025, the Company's cash accounts exceeded federally insured limits by approximately \$1,158,000.

Interest-Bearing Time Deposits Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Securities

Securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available-for-sale when they might be sold before maturity. Securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses reported in other comprehensive income or loss, net of tax.

Interest income is recognized under the interest method and includes amortization of purchase premium and discount. Gains and losses on sales are recorded on the trade date based on the amortized cost of the security sold and determined using the specific identification method.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Securities - Continued

For available-for-sale 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 case is met, any previously recognized allowances are charged-off and the security's amortized cost is written down to fair value through income. If the aforementioned criteria are not met, the security is evaluated to determine 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 adverse conditions specifically related to the security, and any changes to the rating of the security by a rating agency, among other factors. If this assessment indicates 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 potential credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any estimated credit losses that have not been recorded through an ACL are recognized in other comprehensive income. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. Management has elected to exclude accrued interest receivable on available-for-sale securities from the estimate of credit losses.

Federal Home Loan Bank and Federal Reserve Stock

The Bank is a member of the Federal Home Loan Bank (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. The Bank is regulated by the Federal Reserve. Those regulated by the Federal Reserve are required to own a certain amount of stock based on the level of assets. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at cost, and evaluated for impairment. In accordance with the applicable accounting guidance, the stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB or Federal Reserve as compared to the capital stock amount and the length of time this situation has persisted (b) commitments by the FHLB or Federal Reserve to make payments required by law or regulation and the level of such payments in relation to the operating performance (c) the impact of legislative and regulatory changes on the customer base of the FHLB or Federal Reserve and (d) the liquidity position of the FHLB or Federal Reserve. With consideration given to the previous criteria, management concluded that the stock was not impaired at June 30, 2025 and June 30, 2024.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Loans, Net

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, less an allowance for credit losses, premiums and discounts on loans purchased, and net deferred loan fees/costs. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. Direct loan origination fees and costs are generally being deferred and the net amounts amortized as an adjustment of the related loan's yield. The Company generally amortizes these amounts over the contractual life. Direct loan origination fees and costs related to loans sold to unrelated third parties are recognized as income or expense in the current consolidated statements of income.

The Company's portfolio segments are as follows:

- Commercial
- Agricultural
- Residential real estate
- Other

The Company's classes of loans are as follows:

- Commercial – operating
- Commercial – real estate
- Agricultural – operating
- Agricultural – real estate
- Residential real estate – 1-4 family
- Residential real estate – home equity
- Other – construction and land
- Other – consumer

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Loans, Net - Continued

Generally, for all classes of loans, loans are considered past due when contractual payments are delinquent for 31 days or greater.

For all classes of loans, loans will generally be placed on nonaccrual status when the loan has become greater than 90 days past due; or when management believes, after considering collection efforts and other factors, that the borrower's financial condition is such that collection of interest is doubtful.

When a loan is placed on nonaccrual status, payments received will be applied to the principal balance. However, interest may be taken on a cash basis in the event the loan is fully secured and the risk of loss is minimal. Previously recorded but uncollected interest on a loan placed in nonaccrual status is accounted for as follows: if the previously accrued but uncollected interest and the principal amount of the loan is protected by sound collateral value based upon a current, independent qualified appraisal, such interest may remain on the Company's books. If such interest is not so protected, it is considered a loss with the amount thereof recorded in the current year being reversed against current interest income, and the amount recorded in the prior year being charged against the allowance for credit losses.

For all classes of loans, nonaccrual loans may be restored to accrual status provided the following criteria are met:

- The loan is current, and all principal and interest amounts contractually due have been made,
- The loan is well secured and in the process of collection, and
- Future principal and interest payments are not in doubt.

Allowance for credit losses on loans: The Company calculates its ACL on loans using the Open Pool method. This method estimates expected credit losses based on charge-offs over time as a percentage of the balance of assets originated in various years that are outstanding as of a base year. The segmentation of loans considered to have similar credit characteristics will be organized by Call Report code, with certain subsets of loans possibly added as needed. Loan losses are charged against the allowance when management believes the loan balance to be uncollectible. Management has elected to exclude accrued interest receivable on loans from the estimate of credit losses.

Subsequent recoveries, if any, are credited to the allowance. Determining the adequacy of the allowance is complex and requires a high degree of judgement by management about the effect of matters that are inherently uncertain. While management is frequently monitoring the allowance, significant changes to the then-existing loan portfolio may be necessary in future periods based on prevailing factors.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Loans, Net - Continued

Groups of loans with similar risk characteristics are collectively evaluated and referred to as the general component. 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.

For those loans that are individually evaluated, an allowance is established when the discounted cash flows or collateral value of the loan is lower than the carrying value of that loan. The general component covers nonclassified loans and 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.

A loan is individually evaluated for allowance for credit loss when the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. The Company evaluated all individually analyzed loans using collateral values for the years ending June 30, 2025 and 2024, respectively.

In determining the proper level of the ACL, management has determined that the loss experience of the Company provides the best basis for its assessment of expected credit losses. The Company therefore used its own historical credit loss experience by each loan segment over an economic cycle.

Management qualitatively adjusts model results for risk factors that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These qualitative factors (“Q-Factors”) and other qualitative adjustments may increase or decrease management'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 Q-Factors and other qualitative adjustments include, among other things, changes in economic conditions and projected future economic changes; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; the impact of peer experience; the experience, ability, and depth of lending management and other relevant staff; and loan underwriting volume, quality, and any significant loan concentrations.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least quarterly, the board of directors reviews the adequacy of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions, and other factors. If the board of directors and management determine changes are warranted based on those reviews, the allowance is adjusted. In addition, the Company’s primary regulator reviews the adequacy of the allowance. The regulatory agencies may require additions to the allowance based on their judgment about information available at the time of their examinations.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Loans, Net - Continued

A discussion of the risk characteristics and the allowance for credit losses by each portfolio segment follows:

For commercial loans, the Company focuses on small and mid-sized businesses in their geographical footprint. The Company provides a wide range of commercial loans, including lines of credit for working capital and operational purposes, and term loans for the acquisition of real estate, facilities, equipment, and other purposes. Approval is generally based on the following factors:

- Sufficient cash flow to support debt repayment;
- Ability and stability of current management of the borrower;
- Positive earnings and financial trends;
- Earnings projections based on reasonable assumptions;
- Financial strength of the industry and business;
- Value and marketability of collateral.

Collateral for commercial loans generally includes accounts receivable, inventory, equipment and real estate. The lending policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans typically exceeds the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash.

The lending policy specifies maximum term limits for commercial loans. For term loans, the typical maximum term is 10 years. The lending policy includes guidelines for real estate appraisals, including minimum appraisal standards based on certain transactions. Where the purpose of the loan is to finance depreciable equipment, the term loan generally does not exceed the estimated useful life of the asset. For lines of credit, the typical maximum term is 1 year. However, longer maturities may be approved if the loan is secured by readily marketable collateral.

In addition, the Company often takes personal guarantees to help assure repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

Agricultural loans are subject to underwriting standards and processes similar to commercial loans. The Company provides a wide range of agriculture loans, including lines of credit for working capital and operational purposes, and term loans for the acquisition of real estate, facilities, equipment, and other purposes.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Loans, Net - Continued

Approval is generally based on the following factors:

- Sufficient cash flow to support debt repayment;
- Ability and stability of current management of the borrower;
- Positive earnings and financial trends;
- Earnings projections based on reasonable assumptions;
- Financial strength of the industry and business; and
- Value and marketability of collateral.

Collateral for agricultural loans generally includes accounts receivable, inventory (typically grain or livestock), equipment and real estate. The lending policy specifies approved collateral types and corresponding maximum advance percentages. The value of collateral pledged on loans typically exceeds the loan amount by a margin sufficient to absorb potential erosion of its value in the event of foreclosure and cover the loan amount plus costs incurred to convert it to cash.

The lending policy specifies maximum term limits for agricultural loans. For term loans, the typical maximum term is 10 years. The lending policy includes guidelines for real estate appraisals, including minimum appraisal standards based on certain transactions. Where the purpose of the loan is to finance depreciable equipment, the term loan generally does not exceed the estimated useful life of the asset. For lines of credit, the typical maximum term is 1 year. However, longer maturities may be approved if the loan is secured by readily marketable collateral.

In addition, the Company often takes personal guarantees to help assure repayment. Loans may be made on an unsecured basis if warranted by the overall financial condition of the borrower.

In some instances, for all loans, it may be appropriate to originate or purchase loans that are exceptions to the guidelines and limits established within the lending policy described above and below. In general, exceptions to the lending policy do not significantly deviate from the guidelines and limits established within the lending policy and, if there are exceptions, they are clearly noted as such and specifically identified in loan approval documents.

For commercial, agriculture and construction and land loans, the Company utilizes the following internal risk rating scale:

- (1) Highest Quality – Loans represent a credit extension of the highest quality. Excellent liquidity, management and character in an industry with favorable conditions. High quality financial information, history of strong cash flows and superior collateral including readily marketable assets, prime real estate, U.S. government securities, U.S. government agencies, highly rated municipal bonds, insured savings accounts, and insured certificates of deposit drawn on high-quality financial institutions.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Loans, Net - Continued

- (2) Good Quality – Loans which have a sound primary and secondary source of repayment. Strong to good liquidity, management and character in an industry with favorable conditions. Good quality financial information and margins of cash flow coverage is consistently good. Loans may be unsecured, secured by quality (but less readily marketable) assets, high quality real estate or traded stocks, lower grade municipal bonds (which must still be investment grade), and uninsured certificates of deposit on other financial institutions may also be included in this grade.
- (3) Acceptable Quality – Loans where the borrower is a reasonable credit risk and demonstrates the ability to repay the debt from normal business operations. Good liquidity, management and character in an industry that is more sensitive to external factors. Alternative sources of refinancing may be less available in periods of uncertain economic conditions. Term debt is moderate but cash flow margins fall within bank policy guidelines. Quality of financial information is adequate but is not as detailed and sophisticated as information found on higher-grade loans. Secured by business assets that conform to usual lending parameters for margin and eligibility or real estate that is deemed to be of satisfactory quality in an area that may not be prime but still within viable economic centers.
- (4) Fair Quality – Loans where the borrower is a reasonable credit risk but shows a more erratic earnings history (a loss may have been realized in the past four years). Liquidity is limited and primary repayment is susceptible to unfavorable external factors. Industry characteristics are generally stable. Borrower is more highly leveraged with increased levels of term debt. Cash flow margins remain adequate but may not fall within the policy guidelines. Quality of financial information is adequate and interim reporting may be required. Secured by business assets with an adequate collateral margin or real estate that is of fair quality and location. Property may have limited alternative uses and may be considered a “special use” facility.
- (5) Watch – A watch asset warrants increased monitoring and could have potential weaknesses that require further downgrading. Loans in this category exhibit a lower degree of liquidity and a higher degree of leverage relative to norms of its industry. Primary repayment is susceptible to unfavorable external factors and deteriorating based on financial trends. Secured by business assets with an adequate collateral margin and/or real estate that is of fair quality and location. Loans in this category require close attention by the assigned account manager and Senior Loan Committee. Interim financial reporting is required, as alternative sources of funding are limited. If financial trends do not improve within a reasonable time period, the loan should be considered for classified status.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Loans, Net - Continued

- (6) Special Mention – Loans in this category have the potential for developing weaknesses that deserve extra attention from the account manager and other management personnel. If the developing weakness is not corrected or mitigated, the ability of the borrower to repay the Company’s debt in the future may deteriorate. This grade should not be assigned to loans that bear certain peculiar risks normally associated with the type of financing involved, unless circumstances have caused the risk to increase to a level higher than would have been acceptable when the credit was originally approved. If a loan’s actual, not potential, weakness or problems are clearly evident and significant it should generally be graded in one of the following grade categories.
- (7) Substandard – Loans and other credit extensions are considered to be inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. These loans, even if apparently protected by collateral value, have a well-defined weakness or weaknesses that jeopardize the liquidation of debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual loans classified substandard.
- (8) Doubtful – Loans and other credit extensions have all the weaknesses inherent in those graded “7” 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. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the advantage and strengthening of the loan, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include: proposed merger, acquisition, or liquidation actions; capital injection; perfecting liens on collateral and refinancing plans. Loans in this classification should be placed in non-accrual status, with collections applied to principal.
- (9) Loss – Loans are considered uncollectible and cannot be justified as a viable asset of the Bank. This classification does not mean the loan has absolutely no recovery value. However, it is not prudent to delay writing off this loan even though partial recovery may be obtained in the future.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Loans, Net - Continued

For commercial and agricultural loans or credit relationships with aggregate exposure greater than \$250,000, a loan review is required within 12 months of the most recent credit review. The reviews are completed in enough detail to, at a minimum, validate the risk rating. Additionally, the reviews shall determine whether any documentation exceptions exist, appropriate written analysis is included in the loan file, and whether credit policies have been properly adhered to.

Many of the residential real estate loans underwritten by the Company conform to the underwriting requirements of Freddie Mac or other secondary market aggregators to allow the Company to resell loans in the secondary market. Servicing rights are retained on many, but not all, of the residential real estate loans sold in the secondary market. The lending policy establishes minimum appraisal and other credit guidelines.

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. As of June 30, 2025 and 2024, loans held for sale were immaterial to the consolidated financial statements.

Periodically, the Company originates first mortgage loans for other investors. Generally, the Company receives fees equivalent to a stated percentage of the loan amount. This fee is recognized as income at the time of closing. From time to time, the Company also originates loans for sale in the secondary market. Gain on sale of loans in the secondary market is included in noninterest income.

The Company provides many types of consumer and other loans, including motor vehicle, home improvement, home equity, signature loans and small personal credit lines. The lending policy addresses specific credit guidelines by consumer loan type.

For residential real estate loans and consumer and other loans, these large groups of smaller balance homogenous loans are collectively evaluated for impairment. In estimating the allowance for credit losses for these loans, the Company applies quantitative and qualitative factors on a portfolio segment basis. Quantitative factors are based on historical charge-off experience and qualitative factors are based on an assessment of internal and/or external influences on credit quality that are not fully reflected in the historical loss data. Accordingly, the Company generally does not separately identify individual residential real estate loans and/or consumer and other loans for impairment disclosures, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Off-Balance-Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit arrangements, commercial letters of credit, and standby letters of credit. Expected credit losses for these unfunded lending commitments are calculated over the contractual period during which the Company is exposed to the credit risk. The off-balance sheet credit liability, recorded within other liabilities in the accompanying consolidated balance sheet, was \$134,000 and \$103,000 as of June 30, 2025 and 2024. The Company estimates the amount of expected losses by calculating a commitment usage factor over the contractual period for exposures and applying loss factors using the ACL methodology to the results of the usage calculation to estimate the liability for credit losses related to unfunded commitments. The Company does not recognize an allowance if there is an unconditional right to cancel the obligation.

Mortgage Servicing Rights

Mortgage servicing rights (included within other assets on the consolidated balance sheets) are recognized separately when rights are acquired through purchase or through sale of financial assets. The Company subsequently measures each class of servicing assets on 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 obligations based on fair value at each reporting date.

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 other expenses on the consolidated income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Intangible Assets

Intangible assets, which consist of customer list intangibles, with finite lives are being amortized on the straight-line basis over 10 or 15 years based on the recoverability of those assets. Such assets are periodically evaluated as to the recoverability of their carrying values.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

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 Company; (2) the transferee has the right to pledge or exchange the assets it received, and no condition both constrains the transferee from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor; and (3) the Company 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.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation is included in noninterest expense and is computed on 25 to 40 years for buildings and improvements that extend the life of the original building, 10 to 20 years for routine building improvements, 5 to 15 years for furniture and equipment, 5 years for vehicles, and 2 to 5 years for computer equipment. The cost of maintenance and repairs is charged to expense as incurred.

Long-term Asset Impairment

Premises and equipment and other long-term assets are reviewed for impairment when events indicate that their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. No impairment has been recognized by the Company for the years ended June 30, 2025 and 2024.

Bank-owned Life Insurance

The Company purchased life insurance policies on certain key executives. 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.

Foreclosed Assets

Assets acquired through foreclosure are initially recorded at fair value, less estimated costs to sell, establishing a new cost basis. If the fair value less costs to sell is less than the respective loan balance, a charge against the allowance for credit losses is recorded upon property acquisition. Declines in property value subsequent to acquisition are charged to operations. Holding costs are expensed as incurred. The Company had no foreclosed assets for the year ended June 30, 2025, and one for the year ended June 30, 2024.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Revenue Recognition

The Company recognizes revenue when services or products are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled. The Company's principal source of revenue is interest income from securities and loans. Revenue from contracts with customers within the scope of Accounting Standards Codification ("ASC") Topic 606 was approximately \$4,025,000 for the years ended June 30, 2025 and 2024, respectively. This revenue largely consisted of revenue from service charges and other fees from deposits (e.g., overdraft fees, ATM fees, debit card fees) and revenue from brokerage fee income. Due to the short-term nature of the Company's contracts with customers, an insignificant amount of receivables related to such revenue was recorded at June 30, 2025 and 2024 and there were no impairment losses recognized. Policies specific to revenue from contracts with customers include the following:

Service charges on deposit accounts: Revenue from service charges consists of service charges and fees on deposit accounts under depository agreements with customers to provide access to deposited funds and, when applicable, pay interest on deposits. Service charges on deposit accounts may be transactional or non-transactional in nature. Transactional service charges occur in the form of a service or penalty and are charged upon the occurrence of an event (e.g., overdraft fees, ATM fees, wire transfer fees). Transactional service charges are recognized as services are delivered to and consumed by the customer, or as penalty fees are charges. Non-transactional service charges are charges that are based on a broader service, such as account maintenance fees and dormancy fees, and are recognized on a monthly basis. Revenue from debit and credit card fees includes interchange fee income from debit and credit cards processed through card association networks.

Interchange fees represent a portion of a transaction amount that the Company and other involved parties retain to compensate themselves for giving the cardholder immediate access to funds. Interchange rates are generally set by the card association networks and are based on purchased volumes and other factors. The Company records interchange fees as services are provided.

Brokerage fee income: Revenue from brokerage fee income is a percentage of commissions and fees generated from the sale of advisory services of registered representatives. The amount of commissions and fees to be paid varies based on the different types of products sold.

Leases

The Company accounts for its leases under ASC Topic 842. The Company elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Company has lease agreements with nonlease components that relate to the lease components. The Company elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all leases.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Leases - Continued

Also, the Company elected to keep short-term leases with an initial term of 12 months outside of ASC 842 requirements.

In accordance with ASC 842, the Company has recognized one operating lease for commercial space in Omaha, Nebraska, that is scheduled to terminate in 2029. As of June 30, 2025, a Right-of-use (ROU) Asset of \$198,000 and the corresponding lease liability of \$205,000 are included on the accompanying balance sheet within other assets and other liabilities, respectively.

Income Taxes

Income tax expense or benefit is the sum of the current year income tax due or refundable and the change in the deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequence of temporary differences between the carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance reduces deferred tax assets to the amount expected to be realized.

The Company follows the guidance on accounting for uncertainty in income taxes which allows the Company to recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. When applicable, the Company recognizes interest and penalties on income taxes as a component of income tax (benefit) expense.

Employee Stock Ownership Plan

The cost of shares issued to the Employee Stock Ownership Plan (“ESOP”) but not yet allocated to participants is presented in the consolidated balance sheet as a reduction of stockholders’ equity. Compensation expense is recorded based on the market price of the shares as the shares are committed to be released for allocation to participant accounts. Participants may require the Company to purchase their ESOP shares upon termination of their employment. The appraised fair value of all earned and allocated ESOP shares was \$1,418,679 as of June 30, 2025. As of June 30, 2025, the Company changed the presentation of its ESOP Repurchase Obligation. Previously, the fair value of all earned and allocated ESOP shares was reclassified from stockholders’ equity and recognized as a temporary equity. Beginning in the fiscal year ending June 30, 2024, the Company has elected not to reclassify the obligation from stockholders’ equity or recognize a temporary equity on the financial statements. This change in presentation was made to align with industry practice and better reflect the nature of the obligation, which is contingent and not required to be recognized under

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

Employee Stock Ownership Plan - Continued

U.S. GAAP. The change had no impact on the Company's total consolidated equity or net income for the years ending June 30, 2025 and 2024, respectively.

Stock Based Compensation

Compensation cost for stock-based compensation is recognized based on the fair value of these awards at the date of the grant over the requisite service period, usually the vesting period. The Company uses a Black-Scholes pricing model and related assumption for estimating the fair value of stock options and a five-year vesting period for stock options and restricted stock awards.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer-financing needs, as more fully disclosed in Note 14. 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.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market value information and other assumptions, as more fully disclosed in Note 15. 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 in market conditions could significantly affect the estimates.

Earnings Per Share

Basic earnings per share is based on net income divided by the weighted average number of shares outstanding during the period, including allocated and committed to be released ESOP shares. Diluted earnings per share shows the dilutive effect, if any, of additional common shares issuable under stock options or awards.

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 that there are such matters that will have a material effect on the consolidated financial statements.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

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

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, net of tax.

Note 2: Securities

The fair value of securities available-for-sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive loss are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2025				
Residential mortgage-backed securities	\$ 5,386,611	\$ 9,061	\$ (64,219)	\$ 5,331,453
Municipal securities	1,763,973	-	-	1,763,973
U.S. Treasury	34,924,862	23,369	(24,620)	34,923,611
	<u>\$ 42,075,446</u>	<u>32,430</u>	<u>\$ (88,839)</u>	<u>\$ 42,019,037</u>
June 30, 2024				
Residential mortgage-backed securities	\$ 1,327,788	\$ -	\$ (106,564)	\$ 1,221,224
U.S. Treasury	22,902,021	-	(125,840)	22,776,181
	<u>\$ 24,229,809</u>	<u>\$ -</u>	<u>\$ (232,404)</u>	<u>\$ 23,997,405</u>

The carrying amount, unrecognized gross gains and losses, and fair value of securities held-to-maturity are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2025				
Residential mortgage-backed securities	\$ 2,450	\$ 42	\$ -	\$ 2,492
June 30, 2024				
Residential mortgage-backed securities	\$ 3,795	\$ 59	\$ (5)	\$ 3,849

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 2: Securities - Continued

The contractual maturities of the residential mortgage-backed securities at June 30, 2025 are not disclosed because the securities are not due at a single maturity date. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Approximately \$29,901,000 and \$5,022,000 in U.S. Treasury securities will mature in the year ending June 30, 2026 and 2027, respectively. All municipal securities will mature in the year ending June, 30, 2026.

There were no sales of securities for the years ended June 30, 2025 and 2024.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than historical cost. At June 30, 2025 and 2024, there were 9 and 9, respectively, available-for-sale and held-to-maturity securities in a loss position. Total fair value of these investments at June 30, 2025 and 2024, was \$27,909,383 and \$23,997,405, which is approximately 66.4% and 99.9%, respectively, of the Company's available-for-sale and held-to-maturity investment portfolio. These declines primarily resulted from recent increases in market interest rates and changes in the market's perception of the current risks or failure to meet projected earnings targets. Management believes the declines in fair value for these securities are temporary.

The following table shows the Company's investments' gross unrealized losses and fair value of the Company's investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2025 and 2024:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities						
June 30, 2025						
Residential mortgage-backed securities	\$ 2,050,142	\$ (6)	\$ 959,263	\$ (64,213)	\$ 3,009,405	\$ (64,219)
US Treasury	24,899,978	(24,620)	-	-	24,899,978	(24,620)
Total temporarily impaired securities	<u>\$ 26,950,120</u>	<u>\$ (24,626)</u>	<u>\$ 959,263</u>	<u>\$ (64,213)</u>	<u>\$ 27,909,383</u>	<u>\$ (88,839)</u>
Available-for-sale securities						
June 30, 2024						
Residential mortgage-backed securities	\$ -	\$ -	\$ 1,221,224	\$ (106,564)	\$ 1,221,224	\$ (106,564)
US Treasury	14,852,926	(18,867)	7,923,255	(106,973)	22,776,181	(125,840)
Total temporarily impaired securities	<u>\$ 14,852,926</u>	<u>\$ (18,867)</u>	<u>\$ 9,144,479</u>	<u>\$ (213,537)</u>	<u>\$ 23,997,405</u>	<u>\$ (232,404)</u>

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 2: Securities - Continued

U.S. Treasury

The unrealized losses on the Company's investments in U.S. Treasury obligations were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of its amortized cost bases, which may be maturity, and therefore the Company did not record any allowance for credit loss as of June 30, 2025 and 2024.

Residential Mortgage-backed Securities

The unrealized losses on the Company's investment in residential mortgage-backed securities were caused by changes in interest rates and illiquidity. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, and therefore the Company did not record any allowance for credit loss as of June 30, 2025 and 2024.

The following table shows the amount of securities pledged at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Securities available-for-sale, at fair value	\$ 1,155,179	\$ 1,020,764

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 3: Loans

Loans at June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Commercial		
Operating	\$ 32,253,376	\$ 43,160,856
Real estate	161,847,037	165,549,571
Agricultural		
Operating	47,477,391	44,244,659
Real estate	50,001,104	50,456,397
Residential real estate		
1-4 family	113,842,686	109,065,294
Home equity	29,654,675	27,612,854
Other		
Construction and land	10,418,474	6,843,248
Consumer	<u>4,272,529</u>	<u>4,576,101</u>
Total loans	<u>449,767,272</u>	<u>451,508,980</u>
Deferred loan origination (fees) and costs, net	628,497	686,714
Allowance for credit losses	<u>(6,100,000)</u>	<u>(6,027,000)</u>
	<u>(5,471,503)</u>	<u>(5,340,286)</u>
	<u>\$ 444,295,769</u>	<u>\$ 446,168,694</u>

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 3: Loans - Continued

Changes in the allowance for credit losses, by portfolio segment, during the years ended June 30, 2025 and 2024, respectively, are summarized as follows:

2025	Commercial	Agricultural	Residential Real Estate	Other	Total
Allowance for Credit Losses:					
Balance, beginning	\$ 2,861,000	\$ 1,250,000	\$ 1,862,000	\$ 54,000	\$ 6,027,000
Provision charged to expense	(198,432)	(53,000)	473,700	136,616	358,884
Recoveries	241,676	-	8,300	2,768	252,744
Loans charged off	(526,244)	-	-	(12,384)	(538,628)
Balance, ending	<u>\$ 2,378,000</u>	<u>\$ 1,197,000</u>	<u>\$ 2,344,000</u>	<u>\$ 181,000</u>	<u>\$ 6,100,000</u>
2024	Commercial	Agricultural	Residential Real Estate	Other	Total
Allowance for Credit Losses:					
Balance, beginning	\$ 3,122,000	\$ 1,200,000	\$ 1,546,000	\$ 349,000	\$ 6,217,000
Adoption of CECL	(453,000)	1,000	552,000	(290,000)	(190,000)
Provision charged to expense	519,925	49,000	(239,900)	(311,340)	17,685
Recoveries	46,250	-	3,900	315,031	365,181
Loans charged off	(374,175)	-	-	(8,691)	(382,866)
Balance, ending	<u>\$ 2,861,000</u>	<u>\$ 1,250,000</u>	<u>\$ 1,862,000</u>	<u>\$ 54,000</u>	<u>\$ 6,027,000</u>

The components of the provision for credit loss of \$389,884 recorded on the consolidated statement of income for the year ended June 30, 2025 included provision for credit loss on loans of \$358,884 and off-balance sheet provision for credit loss of \$31,000. The components of the provision for credit loss of \$(27,237) recorded on the consolidated statement of income for the year ended June 30, 2024 included provision for credit loss on loans of \$17,685 and off-balance sheet provision for credit loss of \$(49,922).

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 3: Loans - Continued

The aging in terms of unpaid principal balance of the loan portfolio, by classes of loans, as of June 30, 2025 and 2024, is summarized as follows:

	<u>Accruing Interest</u>			<u>Total Nonaccrual Loans</u>	<u>Total</u>
	<u>Current</u>	<u>30-90 Days Past Due</u>	<u>More Than 90 Days Past Due</u>		
2025					
Classes of loans					
Commercial					
Operating	\$ 32,169,265	\$ 84,111	\$ -	\$ -	\$ 32,253,376
Real estate	161,847,037	-	-	-	161,847,037
Agricultural					
Operating	47,429,003	48,388	-	-	47,477,391
Real estate	50,001,104	-	-	-	50,001,104
Residential real estate					
1-4 family	112,105,250	142,524	-	1,594,912	113,842,686
Home equity	29,654,675	-	-	-	29,654,675
Other					
Construction and land	10,418,474	-	-	-	10,418,474
Consumer	4,268,180	3,286	1,063	-	4,272,529
	<u>\$ 447,892,988</u>	<u>\$ 278,309</u>	<u>\$ 1,063</u>	<u>\$ 1,594,912</u>	<u>\$ 449,767,272</u>
2024					
Classes of loans					
Commercial					
Operating	\$ 41,426,197	\$ 755,218	\$ 19,363	\$ 960,078	\$ 43,160,856
Real estate	163,799,550	568,373	-	1,181,648	165,549,571
Agricultural					
Operating	44,184,251	60,408	-	-	44,244,659
Real estate	50,456,397	-	-	-	50,456,397
Residential real estate					
1-4 family	109,065,294	-	-	-	109,065,294
Home equity	27,534,435	78,419	-	-	27,612,854
Other					
Construction and land	6,843,248	-	-	-	6,843,248
Consumer	4,572,691	2,753	657	-	4,576,101
	<u>\$ 447,882,063</u>	<u>\$ 1,465,171</u>	<u>\$ 20,020</u>	<u>\$ 2,141,726</u>	<u>\$ 451,508,980</u>

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 3: Loans - Continued

At June 30, 2025 and 2024, there were no material loans 90 days past due and still accruing.

The following table presents the Company's nonaccrual loans at June 30, 2025 and 2024:

	2025		2024	
	Nonaccrual Loans Without a Specific Reserve	Total Nonaccrual	Nonaccrual Loans Without a Specific Reserve	Total Nonaccrual
Classes of loans				
Commercial	\$ -	\$ -	\$ 1,234,376	\$ 2,141,726
Agricultural	-	-	-	-
Residential real estate	11,275	1,594,912	-	-
	\$ 11,275	\$ 1,594,912	\$ 1,234,376	\$ 2,141,726

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 3: Loans - Continued

The following table presents the amortized cost basis within each credit quality indicator by year of origination as of June 30, 2025 and 2024:

2025	Prior	2021	2022	2023	2024	2025	Revolving	Total
Agricultural Operating								
Highest Quality (rating 1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254,106	\$ 254,106
Good Quality (rating 2)	159,727	68,274	494,174	83,113	80,142	494,544	6,651,925	8,031,899
Acceptable Quality (rating 3)	6,086	75,702	253,662	297,708	127,097	487,974	13,725,804	14,974,033
Fair Quality (rating 4)	-	104,702	1,124,615	549,896	1,065,373	924,891	16,626,998	20,396,475
Watch (rating 5)	-	-	-	-	-	543,747	3,228,743	3,772,490
Substandard (rating 7)	-	48,388	-	-	-	-	-	48,388
	<u>165,813</u>	<u>297,066</u>	<u>1,872,451</u>	<u>930,717</u>	<u>1,272,612</u>	<u>2,451,156</u>	<u>40,487,576</u>	<u>47,477,391</u>
Agricultural Real Estate								
Good Quality (rating 2)	2,506,480	1,267,317	1,311,070	786,352	388,521	1,102,114	473,218	7,835,072
Acceptable Quality (rating 3)	5,431,684	2,109,882	1,078,152	1,567,255	3,797,227	6,334,008	557,051	20,875,259
Fair Quality (rating 4)	5,701,390	3,013,891	4,235,261	860,428	3,082,640	2,795,409	1,073,579	20,762,598
Watch (rating 5)	528,175	-	-	-	-	-	-	528,175
	<u>14,167,729</u>	<u>6,391,090</u>	<u>6,624,483</u>	<u>3,214,035</u>	<u>7,268,388</u>	<u>10,231,531</u>	<u>2,103,848</u>	<u>50,001,104</u>
Commercial Operating								
Highest Quality (rating 1)	-	-	-	32,991	-	19,684	-	52,675
Good Quality (rating 2)	19,286	283,189	-	-	-	-	598,308	900,783
Acceptable Quality (rating 3)	1,161,144	2,440,106	2,059,948	2,652,649	1,135,021	894,154	1,732,705	12,075,727
Fair Quality (rating 4)	297,984	1,209,987	2,926,206	4,289,518	1,585,157	3,087,552	5,087,266	18,483,670
Watch (rating 5)	13,816	77,927	313,284	99,910	-	8,422	73,000	586,359
Special Mention (rating 6)	-	-	-	-	69,332	10,100	-	79,432
Substandard (rating 7)	36,131	-	-	38,600	-	-	-	74,731
	<u>1,528,361</u>	<u>4,011,209</u>	<u>5,299,438</u>	<u>7,113,668</u>	<u>2,789,510</u>	<u>4,019,912</u>	<u>7,491,279</u>	<u>32,253,377</u>
Commercial Real Estate								
Good Quality (rating 2)	8,639,853	13,111,171	4,851,464	1,781,744	2,890,486	2,841,350	189,696	34,305,764
Acceptable Quality (rating 3)	7,731,867	4,407,770	18,512,563	2,552,179	2,820,124	3,863,954	1,355,514	41,243,971
Fair Quality (rating 4)	14,734,627	6,677,496	24,718,451	13,591,353	10,708,288	9,350,738	806,582	80,587,535
Watch (rating 5)	462,616	1,381,428	2,584,893	-	524,355	-	-	4,953,292
Substandard (rating 7)	756,475	-	-	-	-	-	-	756,475
	<u>32,325,438</u>	<u>25,577,865</u>	<u>50,667,371</u>	<u>17,925,276</u>	<u>16,943,253</u>	<u>16,056,042</u>	<u>2,351,792</u>	<u>161,847,037</u>
Construction and Land								
Acceptable Quality (rating 3)	-	-	-	275,374	316,139	2,763,766	-	3,355,279
Fair Quality (rating 4)	509,179	-	-	1,850,000	1,610,000	3,094,016	-	7,063,195
	<u>509,179</u>	<u>-</u>	<u>-</u>	<u>2,125,374</u>	<u>1,926,139</u>	<u>5,857,782</u>	<u>-</u>	<u>10,418,474</u>
One-to-four Family								
Performing	5,615,610	7,517,539	16,998,265	29,456,788	25,847,163	19,056,733	7,613,152	112,105,250
Non-Performing	43,875	-	-	109,924	-	1,583,637	-	1,737,436
	<u>5,659,485</u>	<u>7,517,539</u>	<u>16,998,265</u>	<u>29,566,712</u>	<u>25,847,163</u>	<u>20,640,370</u>	<u>7,613,152</u>	<u>113,842,686</u>
Home Equity								
Performing	619,579	545,554	649,594	1,882,266	2,160,249	4,786,891	19,010,541	29,654,674
Other Consumer								
Performing	39,278	87,210	294,556	444,483	1,130,415	1,699,498	577,089	4,272,529
	<u>55,014,862</u>	<u>44,427,533</u>	<u>82,406,158</u>	<u>63,202,531</u>	<u>59,337,729</u>	<u>65,743,182</u>	<u>79,635,277</u>	<u>449,767,272</u>

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 3: Loans - Continued

2024	Prior	2020	2021	2022	2023	2024	Revolving	Total
Agricultural Operating								
Highest Quality (rating 1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,232	\$ 249,000	\$ 296,232
Good Quality (rating 2)	-	28,367	118,669	216,635	48,521	56,773	5,086,713	5,555,678
Acceptable Quality (rating 3)	110,694	362,408	120,449	406,864	450,697	600,003	16,234,872	18,285,987
Fair Quality (rating 4)	-	79,035	341,666	2,494,719	883,107	2,638,425	12,147,225	18,584,177
Watch (rating 5)	-	-	-	-	1,522,585	-	-	1,522,585
	<u>110,694</u>	<u>469,810</u>	<u>580,784</u>	<u>3,118,218</u>	<u>2,904,910</u>	<u>3,342,433</u>	<u>33,717,810</u>	<u>44,244,659</u>
Agricultural Real Estate								
Highest Quality (rating 1)	233,288	-	-	-	-	-	-	233,288
Good Quality (rating 2)	817,312	-	1,328,665	1,243,119	879,817	495,072	-	4,763,985
Acceptable Quality (rating 3)	4,021,647	2,633,101	2,369,247	640,355	1,535,560	4,194,237	278,983	15,673,130
Fair Quality (rating 4)	5,438,956	2,745,594	3,775,740	3,293,489	1,162,482	6,501,683	3,290,931	26,208,875
Watch (rating 5)	-	1,398,971	-	-	-	-	-	1,398,971
Special Mention (rating 6)	-	-	-	2,178,148	-	-	-	2,178,148
	<u>10,511,203</u>	<u>6,777,666</u>	<u>7,473,652</u>	<u>7,355,111</u>	<u>3,577,859</u>	<u>11,190,992</u>	<u>3,569,914</u>	<u>50,456,397</u>
Commercial Operating								
Good Quality (rating 2)	-	34,050	319,829	-	-	258,007	341,000	952,886
Acceptable Quality (rating 3)	519,629	36,864	2,902,303	1,847,079	4,936,549	1,069,162	1,440,109	12,751,695
Fair Quality (rating 4)	1,173,299	462,474	2,095,209	5,110,775	6,303,547	3,423,982	9,660,700	28,229,986
Watch (rating 5)	38,920	-	-	-	-	-	72,000	110,920
Substandard (rating 7)	96,014	7,520	-	334,583	677,252	-	-	1,115,369
	<u>1,827,862</u>	<u>540,908</u>	<u>5,317,341</u>	<u>7,292,437</u>	<u>11,917,348</u>	<u>4,751,151</u>	<u>11,513,809</u>	<u>43,160,856</u>
Commercial Real Estate								
Good Quality (rating 2)	6,096,021	5,003,082	6,208,337	5,745,206	1,397,197	677,185	122,189	25,249,217
Acceptable Quality (rating 3)	11,317,408	2,674,061	11,432,279	15,627,070	4,902,263	5,405,905	994,703	52,353,689
Fair Quality (rating 4)	6,141,665	10,605,425	7,893,851	32,551,146	14,842,186	12,088,406	573,163	84,695,842
Watch (rating 5)	-	568,373	-	-	-	447,086	-	1,015,459
Substandard (rating 7)	793,619	106,495	-	1,153,398	28,250	153,602	-	2,235,364
	<u>24,348,713</u>	<u>18,957,436</u>	<u>25,534,467</u>	<u>55,076,820</u>	<u>21,169,896</u>	<u>18,772,184</u>	<u>1,690,055</u>	<u>165,549,571</u>
Construction and Land								
Acceptable Quality (rating 3)	-	-	-	-	999,152	160,821	-	1,159,973
Fair Quality (rating 4)	96,795	534,903	-	-	1,182,554	2,334,999	-	4,149,251
Substandard (rating 7)	-	-	-	1,534,024	-	-	-	1,534,024
	<u>96,795</u>	<u>534,903</u>	<u>-</u>	<u>1,534,024</u>	<u>2,181,706</u>	<u>2,495,820</u>	<u>-</u>	<u>6,843,248</u>
One-to-four Family								
Performing	5,874,443	2,864,968	9,495,311	19,557,540	33,387,267	32,129,403	4,885,704	108,194,636
Non-Performing	204,197	-	-	595,961	-	-	70,500	870,658
	<u>6,078,640</u>	<u>2,864,968</u>	<u>9,495,311</u>	<u>20,153,501</u>	<u>33,387,267</u>	<u>32,129,403</u>	<u>4,956,204</u>	<u>109,065,294</u>
Home Equity								
Performing	494,403	320,328	759,803	1,070,839	1,985,225	4,152,725	18,368,683	27,152,006
Non-Performing	-	-	-	-	411,069	-	49,779	460,848
	<u>494,403</u>	<u>320,328</u>	<u>759,803</u>	<u>1,070,839</u>	<u>2,396,294</u>	<u>4,152,725</u>	<u>18,418,462</u>	<u>27,612,854</u>
Other Consumer								
Performing	1,554	36,836	232,549	705,159	986,845	1,979,962	618,989	4,561,894
Non-Performing	-	-	-	-	10,080	4,127	-	14,207
	<u>1,554</u>	<u>36,836</u>	<u>232,549</u>	<u>705,159</u>	<u>996,925</u>	<u>1,984,089</u>	<u>618,989</u>	<u>4,576,101</u>
	<u>43,469,864</u>	<u>30,502,855</u>	<u>49,393,907</u>	<u>96,306,109</u>	<u>78,532,205</u>	<u>78,818,797</u>	<u>74,485,243</u>	<u>451,508,980</u>

Not all ratings are shown for each loan segment, as they have no loans rated in those applicable risk ratings.

* Performing loans are those which are accruing and less than 31 days past due. Nonperforming loans are those on nonaccrual and accruing loans that are greater than or equal to 31 days past due.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 3: Loans - Continued

The following table presents the gross write-offs within each class of loan by year of origination as of June 30, 2025 and 2024.

2025	Prior	2021	2022	2023	2024	2025	Revolving	Total
Current period gross write-offs								
Commercial Operating	\$ -	\$ -	\$ 148,007	\$ -	\$ 349,987	\$ -	\$ -	\$ 497,994
Commercial Real Estate	-	-	-	28,250	-	-	-	28,250
Other	-	-	6,818	-	5,565	-	-	12,383
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,825</u>	<u>\$ 28,250</u>	<u>\$ 355,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538,627</u>
2024	Prior	2020	2021	2022	2023	2024	Revolving	Total
Current period gross write-offs								
Commercial Operating	\$ -	\$ 186,483	\$ 186,783	\$ 909	\$ -	\$ -	\$ -	\$ 374,175
Other	-	-	-	-	-	8,691	-	8,691
	<u>\$ -</u>	<u>\$ 186,483</u>	<u>\$ 186,783</u>	<u>\$ 909</u>	<u>\$ -</u>	<u>\$ 8,691</u>	<u>\$ -</u>	<u>\$ 382,866</u>

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 3: Loans - Continued

The following table presents the amortized cost of collateral dependent loans as of June 30, 2025 and 2024, is summarized as followed:

	Business Assets	Real Estate	Total
2025			
Classes of loans			
Commercial	\$ 154,163	\$ 756,475	\$ 910,638
Agricultural	48,388	-	48,388
Residential real estate	-	1,825,868	1,825,868
	<u>\$ 202,551</u>	<u>\$ 2,582,343</u>	<u>\$ 2,784,894</u>
	Business Assets	Real Estate	Total
2024			
Classes of loans			
Commercial	\$ 1,177,188	\$ 3,000,733	\$ 4,177,921
Agricultural	-	2,178,148	2,178,148
Residential real estate	-	1,251,112	1,251,112
Other	1,534,024	-	1,534,024
	<u>\$ 2,711,212</u>	<u>\$ 6,429,993</u>	<u>\$ 9,141,205</u>

Specific reserves associated with collateral dependent loans totaled approximately \$601,000 and \$412,000 at June 30, 2025 and 2024, respectively.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 4: Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of these loans were approximately \$149,195,000 and \$154,460,000 at June 30, 2025 and 2024, respectively. Included in other assets within the consolidated balance sheets are approximately \$909,000 and \$952,000 of mortgage servicing rights at June 30, 2025 and 2024, respectively.

The fair value of the mortgage servicing rights for the years ended June 30, 2025, 2024, and 2023 was approximately \$1,829,000, \$1,894,000, and \$2,023,000, respectively. For the years ending June 30, 2025 and 2024, no valuation allowance was necessary to adjust the aggregate cost basis of the mortgage servicing right asset to fair market value.

During the years ended June 30, 2025 and 2024, the Company sold approximately \$15,121,000 and \$10,391,000, respectively, of fixed-rate loans secured by one-to-four family residential real estate, which resulted in a pre-tax gain on the sale of approximately \$268,000 and \$211,000 for years ended June 30, 2025 and 2024, respectively.

The Company entered into an agreement with the FHLB to originate mortgage loans on behalf of the FHLB and to sell closed loans to the FHLB under the FHLB Mortgage Partnership Finance (“MPF”) program. Under the terms of the agreement, the Company retains a portion of the credit risk associated with each conventional loan pool under a risk-sharing agreement. The Company’s credit losses are capped by the credit enhancement amount established for each pool of loans. Losses beyond that cap are absorbed by the FHLB. At June 30, 2025 and 2024, the amount of conventional loans outstanding that were originated and sold to the FHLB in the MPF was \$32,422,085 and \$31,996,413, respectively, with possible credit enhancement losses capped at \$1,035,184 and \$946,928 at June 30, 2025 and 2024, respectively. The Company has no history of losses, and no losses were accrued in the Company’s consolidated financial statements at June 30, 2025 and 2024.

Note 5: Accrued Interest Receivable

Accrued interest receivable at June 30, is summarized as follows:

	<u>2025</u>	<u>2024</u>
Interest-bearing deposits and time deposits in banks	\$ 7,566	\$ 6,432
Securities	225,053	117,643
Loans	<u>3,486,608</u>	<u>3,656,717</u>
	<u>\$ 3,719,227</u>	<u>\$ 3,780,792</u>

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 6: Premises and Equipment, Net

Premises and equipment, net at June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 2,143,333	\$ 2,143,333
Buildings and improvements	9,579,847	9,562,176
Furniture and equipment	1,593,496	1,603,505
Computer equipment	1,283,298	1,205,017
Vehicles	283,805	256,472
Assets in process	375,631	5,804
	<u>15,259,410</u>	<u>14,776,307</u>
Less accumulated depreciation	<u>(7,362,867)</u>	<u>(7,062,924)</u>
	<u>\$ 7,896,543</u>	<u>\$ 7,713,383</u>

Note 7: Intangible Assets

	<u>2025</u>		<u>2024</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Customer lists	\$2,236,731	\$ 1,307,710	\$2,236,731	\$ 1,135,025

Amortization expense for the years ended June 30, 2025 and 2024, was \$172,685. Estimated amortization expense for each of the following five years is:

2026	\$ 172,685
2027	172,685
2028	172,685
2029	119,761
2030	91,074

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 8: Deposits

Deposits as of June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Noninterest-bearing demand	\$ 50,629,379	\$ 53,054,379
Interest-bearing NOW	101,767,438	100,917,834
Money market	111,796,495	96,168,493
Savings	34,744,207	33,885,086
Certificates of deposit	<u>154,983,266</u>	<u>165,129,124</u>
	<u>\$ 453,920,785</u>	<u>\$ 449,154,916</u>

Certificates of deposit of \$250,000 or more were approximately \$49,889,000 and \$54,306,000 at June 30, 2025 and 2024, respectively.

At June 30, 2025, the scheduled maturities of certificates of deposit are as follows:

2026	\$ 147,852,009
2027	5,740,400
2028	465,077
2029	925,780
2030	<u>-</u>
	<u>\$ 154,983,266</u>

Interest expense on deposit accounts is summarized as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Interest-bearing NOW	\$ 2,440,443	\$ 2,188,984
Money market	3,256,175	2,959,536
Savings	541,035	542,000
Certificates of deposit	<u>6,637,706</u>	<u>6,310,130</u>
	<u>\$ 12,875,359</u>	<u>\$ 12,000,650</u>

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 9: Borrowings

The Bank has a line of credit with the FHLB of Topeka with continuing annual renewal. The line of credit accrues interest at a variable rate (4.59% at June 30, 2025). At June 30, 2025 and 2024, there was no outstanding balance drawn on the line of credit. At June 30, 2025 and 2024, the Company had FHLB term advances totaling \$8,000,000. For the year ending June 30, 2025, and 2024, the FHLB advances accrued interest ranging from 3.87% to 4.29%. FHLB term advance amounts of \$8,000,000 mature in 2026. The Company maintains a collateral pledge agreement covering secured advances whereby the Company has agreed to pledge certain real estate loans to secure advances from the FHLB of Topeka. All stock in FHLB of Topeka is pledged as additional collateral for these advances. At June 30, 2025 and 2024, approximately \$115.9 million and \$95.4 million, respectively, of real estate loans collateralized the advances. At June 30, 2025, the Company had the ability to borrow an additional \$73.1 million in FHLB advances.

The Company also has a line of credit with Cornerstone Bank in the amount of \$5 million. Interest is payable quarterly. At June 30, 2025 and 2024 there was \$162,000 and \$275,000 borrowed on the line of credit. The interest rate is equal to the Wall Street Journal Prime Rate, with a floor of 6%. The interest rate at June 30, 2025 and 2024, was 7.50% and 8.50%, respectively. The note has a maturity date of March 24, 2026. The Company has pledged shares of its own common stock to secure the borrowings.

The Bank has an unsecured line with Midwest Independent Bank, Pacific Coast Bankers Bank, Bankers Bank of the West, United Bankers Bank, b1Bank and Cornerstone Bank. At June 30, 2025 and 2024, there were no outstanding borrowings against the unsecured lines of credits. At June 30, 2025, the Company had the ability to borrow \$7.5 million from Midwest Independent Bank, \$10.0 million from Pacific Coast Bankers Bank, \$5.0 million with Bankers' Bank of the West, \$5.0 million with United Bankers Bank, \$3.0 million with b1Bank and \$500,000 with Cornerstone Bank.

Note 10: Regulatory Matters

The Bank is subject to 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 Company'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 regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by regulators about components, risk weightings, and other factors.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 10: Regulatory Matters - Continued

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required. Management believes, as of June 30, 2025, that the Bank meets all capital adequacy requirements to which it is subject and is classified as well capitalized.

Actual capital levels and minimum required levels for the Bank were:

	Amount	Ratio	Minimum Required for		Minimum Required to be Well Capitalized Under Prompt Corrective Action Provision	
			Purposes		Amount	Ratio
			Amount	Ratio		
(Dollars in thousands)						
2025						
Total capital (to risk-weighted assets)	\$ 55,701	13.4%	\$ 33,200	8.0%	\$ 41,501	10.0%
Common equity Tier 1 capital (to risk-weighted assets)	50,501	12.2%	18,675	4.5%	26,975	6.5%
Tier 1 (core) capital (to risk-weighted assets)	50,501	12.2%	24,900	6.0%	33,200	8.0%
Tier 1 (core) capital (to adjusted total assets)	50,501	9.7%	20,893	4.0%	26,116	5.0%
2024						
Total capital (to risk-weighted assets)	\$ 51,752	12.5%	\$ 33,107	8.0%	\$ 41,384	10.0%
Common equity Tier 1 capital (to risk-weighted assets)	46,567	11.3%	18,623	4.5%	26,899	6.5%
Tier 1 (core) capital (to risk-weighted assets)	46,567	11.3%	24,830	6.0%	33,107	8.0%
Tier 1 (core) capital (to adjusted total assets)	46,567	9.2%	20,270	4.0%	25,337	5.0%

Limitations exist on the availability of the Bank's undistributed income for the payment of dividends without prior approval of the regulatory authorities.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 11: Income Taxes

The federal tax rate for the fiscal year ended June 30, 2025 and 2024 was 21%.

Income tax expense for the year ended June 30 is as follows:

	<u>2025</u>	<u>2024</u>
Current		
Federal	\$ (963,711)	\$ (760,492)
State	(125,860)	(100,696)
Deferred		
Federal	<u>39,628</u>	<u>97,650</u>
	<u>\$ (1,049,943)</u>	<u>\$ (763,538)</u>

A reconciliation of the provision for income taxes computed at the statutory federal corporate tax rate to the income tax expense for the years ended June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Provision computed at the statutory federal tax rate (21%)	\$ (943,352)	\$ (730,230)
State income taxes, net of federal tax	(102,922)	(100,696)
Other	<u>(3,669)</u>	<u>67,388</u>
Total income tax expense	<u>\$ (1,049,943)</u>	<u>\$ (763,538)</u>

Retained earnings at June 30, 2025 and 2024 include certain historical additions to bad debt reserves of approximately \$2,132,000 for which no deferred federal income tax liability has been recorded. This amount represents an allocation of income to bad debt deductions for tax purposes alone. If, in the future, this portion of retained earnings is used for any purpose other than to absorb bad debt losses, federal taxes would be imposed at the then-applicable rates.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 11: Income Taxes - Continued

The net deferred tax asset at June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Gross deferred tax assets		
Allowance for credit losses	\$ 1,081,733	\$ 1,265,670
Deferred compensation	66,414	62,037
Stock awards/options	56,000	56,000
Unrealized loss on securities	11,845	48,805
Other	151,404	143,323
	<u>1,367,396</u>	<u>1,575,835</u>
Gross deferred tax liabilities		
Additions in excess of base year loan reserve	-	(252,675)
Depreciation	(246,457)	(251,845)
FHLB stock dividends	(97,645)	(83,847)
Other	(225,044)	(191,887)
	<u>(569,146)</u>	<u>(780,254)</u>
Net deferred tax asset	<u>\$ 798,250</u>	<u>\$ 795,581</u>

No significant income tax uncertainties were identified. Therefore, the Company recognized no adjustment for unrecognized income tax benefits during the years ended June 30, 2025 and 2024. Corporate tax returns for the 2021 through 2025 years remain open to examination by taxing authorities.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in noninterest expenses. During the years ended June 30, 2025 and 2024, there were no interest and penalties recognized, nor were any balances for the payment of interest and penalties accrued at June 30, 2025 and 2024.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 12: Employee Benefit Plans

The Company has a 401(k) and profit sharing plan (the "Plans") covering substantially all employees. Annual contributions to the Plans are made at the discretion of and determined by the Board of Directors. Participant interests are vested over a period from one to five years of service. Contributions were made of approximately \$214,000 and \$205,000 for the years ended June 30, 2025 and 2024, respectively.

On July 8, 2015, the Company adopted an employee stock ownership plan (the "ESOP") for the benefit of substantially all employees. The ESOP borrowed \$951,912 from the Company and used the funds to acquire 118,989 shares of the Company's stock in connection with the stock offering at a price of \$8.00 per share.

Shares purchased by the ESOP with the loan proceeds are held in a suspense account and are allocated to ESOP participants on a pro rata basis as principal and interest payments are made by the ESOP to the Company. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Company's discretionary contributions to the ESOP and earnings on ESOP assets. Annual principal and interest payments from the note dated July 8, 2015 are approximately \$65,000 until maturity at July 8, 2035.

As shares are released from collateral, the Company will report compensation expense equal to the current market price of the shares and the shares will become outstanding for earnings-per-share computations. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce accrued interest. Because participants may require the Company to purchase their ESOP shares upon termination of their employment, the fair value of all earned and allocated ESOP shares may become a liability.

The ESOP has a plan year-end of December 31. The Company has recorded compensation expense of \$75,715 and \$71,206 for shares that were released and committed to be released for the years ended June 30, 2025 and 2024, respectively.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 12: Employee Benefit Plans - Continued

Shares held by the ESOP at June 30 were as follows:

	<u>2025</u>	<u>2024</u>
Allocated shares	104,090	142,146
Shares allocated to be released	2,978	2,991
Unearned ESOP shares	<u>62,465</u>	<u>68,402</u>
Total ESOP shares	<u>169,533</u>	<u>213,539</u>
Fair value of unearned ESOP shares	<u>\$ 815,168</u>	<u>\$ 820,824</u>
Fair value of allocated shares subject to repurchase obligation	<u>\$ 1,418,679</u>	<u>\$ 1,698,450</u>

The Company approved the Equitable Financial Corp. 2006 Equity Incentive Plan (“2006 Plan”) in November 2006 and the Equitable Financial Corp. 2016 Equity Incentive Plan (“2016 Plan”) in November 2016. Both plans provide for awards of stock options and restricted stock to officers, employees and directors. The cost of the plan is based on the fair value of the awards at the grant date. The fair value of stock is based on the closing price of the Company’s stock on the grant date.

The cost of the awards are being recognized over five-year vesting periods during which participants are required to provide services in exchange for the awards. As of December 31, 2016, the 2006 plan has been terminated.

The maximum number of shares authorized under the 2016 Plan is 198,316 stock options and 79,326 shares of restricted stock to employees and directors. As of June 30, 2025, 158,653 stock options and 71,166 stock awards were awarded. There were no additional stock options or awards in 2025.

The table below represents the stock option activity for the period shown:

	<u>Awards</u>	<u>Weighted Average Exercise Price</u>	<u>Remaining Contractual Life (Years)</u>
Options outstanding at June 30, 2024	125,982	\$ 9.95	3.20
Exercised	-		
Forfeited	<u>(8,329)</u>	9.90	
Options outstanding at June 30, 2025	<u>117,653</u>	\$ 9.96	2.09

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 12: Employee Benefit Plans - Continued

The cost of the stock options will be amortized in monthly installments over the noted five-year vesting period. Stock option expense was \$6,230 and \$6,567 for the fiscal years ended June 30, 2025 and 2024, respectively.

The fair value of the Company's stock options was determined using the Black-Schols option pricing formula. The following assumptions were used in the formula for the stock options granted during the fiscal year ending June 30, 2025:

Expected Volatility	15.64%
Risk-free interest rate	3.97%
Expected dividend yield	0.00%
Expected life (in years)	2.00
Exercise price for the stock options	\$ 9.96

Expected volatility – Based on the historical volatility of share price of the Company.

Risk-free interest rate – Based on the U.S. Treasury yield curve and expected life of the options at the time of grant. Dividend yield – The Company had not paid any dividends at the time of valuation.

Expected life – Based on five-year vesting period.

Exercise price for the stock options – Based on the closing price of the Company's stock on the date of grant.

Restricted stock awards are accounted for as fixed grants using the fair value of the Company's stock at the time of the grant. Unvested restricted stock awards may not be disposed of or transferred during the vesting period. Restricted stock awards carry with them the right to receive dividends.

The table below represents the restricted stock award activity for the period shown:

	Service-Based Stock Awards	Weighted Grant Date Fair Value
Non-vested at July 1, 2023	4,690	\$ 9.80
Vested during 2024	(2,010)	10.17
Non-vested at June 30, 2024	<u>2,680</u>	\$ 9.25
Vested during 2025	(2,680)	9.25
Non-vested at June 30, 2025	<u><u>-</u></u>	\$ 9.25

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 12: Employee Benefit Plans - Continued

As of June 30, 2025, there were no unrecognized compensation costs related to non-vested restricted stock awards. Compensation expense attributable to the restricted stock awards totaled \$12,395 and \$13,739 for the years ended June 30, 2025 and 2024, respectively.

Note 13: Earnings per Share

Amounts reported in earnings per share reflect earnings available to common stockholders for the period divided by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share is calculated by dividing earnings available to common stockholders for the period by the sum of the weighted average common shares outstanding and the weighted average dilutive shares.

The following table presents a reconciliation of the components used to compute basic earnings per share for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Weighted average common shares outstanding	2,912,121	2,937,788
Net income available to common stockholders	\$ 3,442,208	\$ 2,713,746
Basic earnings per share	\$ 1.18	\$ 0.92

The following table presents a reconciliation of the components used to compute diluted earnings per share for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Weighted average common shares outstanding	2,912,121	2,937,788
Weighted average of net additional shares from restricted stock awards	<u>2,268</u>	<u>1,996</u>
Weighted average number of shares outstanding	<u>2,914,389</u>	<u>2,939,784</u>
Net income available to common stockholders	\$ 3,442,208	\$ 2,713,746
Diluted earnings per share	\$ 1.18	\$ 0.92

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 14: Loan Commitments and Other Related Activities

The Company is party to various financial instruments with off-balance-sheet risk. The Company uses these financial instruments in the normal course of business to meet the financing needs of customers and to effectively manage exposure to interest rate risk. These financial instruments include commitments to extend credit, standby letters of credit, and unused lines of credit. When viewed in terms of the maximum exposure, these instruments may involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Credit risk is the possibility that a counterparty to a financial instrument will be unable to perform its contractual obligations. Interest rate risk is the possibility that, due to changes in economic conditions, the Company's net interest income will be adversely affected.

The following is a summary of the contractual or notional amount of each significant class of off-balance-sheet financial instruments outstanding. The Company's exposure to credit loss in the event of nonperformance by the counterparty for commitments to extend credit, standby letters of credit, and unused lines of credit is represented by the contractual or notional amount of these instruments.

The contractual or notional amounts as of June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Commitments to extend credit	\$ 10,977,638	\$ 12,862,210
Standby letters of credit	959,722	1,190,617
Unused lines of credit	75,413,653	72,051,233

At June 30, 2025 and 2024, fixed-rate commitments were approximately \$33,231,000 and \$44,650,000, respectively.

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary, by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. The collateral held varies but primarily consists of single-family residential real estate.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 15: Fair Value Measurement

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a framework for measuring fair value and requires disclosure of fair value measurements. The fair value hierarchy set forth in the Topic is as follows:

- 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.

There were no transfers between levels during the years ended June 30, 2025 and 2024, nor were there any changes in valuation techniques used for assets or liabilities measured at fair value.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

A description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Securities Available-for-Sale — Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2025 and 2024, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 15: Fair Value Measurement - Continued

Assets and Liabilities Recorded at Fair Value on a Recurring Basis - Continued

	Fair Value Measurement at June 30, 2025				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
	Assets				
	Securities available-for-sale				
Residential mortgage-backed securities	\$ 5,331,453	\$ -	\$ 5,331,453	\$ -	
Municipal securities	1,763,973	-	1,763,973	-	
US Treasury	34,923,611	34,923,611	-	-	
	\$ 42,019,037	\$ 34,923,611	\$ 7,095,426	\$ -	

	Fair Value Measurement at June 30, 2024				
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
	Assets				
	Securities available-for-sale				
U.S. Government-sponsored agencies securities					
Residential mortgage-backed securities	\$ 1,221,224	\$ -	\$ 1,221,224	\$ -	
US Treasury	22,776,181	22,776,181	-	-	
	\$ 23,997,405	\$ 22,776,181	\$ 1,221,224	\$ -	

A description of the valuation methodologies used for assets and liabilities measured at fair value on a nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 15: Fair Value Measurement - Continued

Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis

Individually Analyzed Loans (Impaired Loans) — From time to time, a loan is considered impaired and an allowance for credit losses is established. The specific reserves for collateral dependent impaired loans are based on the fair value of the collateral less estimated costs to sell. The fair value of collateral was determined based on appraisals. In some cases, adjustments were made to the appraised values due to various factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market and in the collateral. When significant adjustments were based on unobservable inputs, the resulting fair value measurement has been categorized as a Level 3 measurement. Collateral dependent impaired loans totaled \$2,784,893 and \$8,748,889 at June 30, 2025 and 2024, respectively. The valuation of the collateral dependent loans are based upon similar marketable properties and are generally backed by real estate and other marketable collateral such as grain commodities, livestock, inventory and other working capital assets. The collateral is discounted to arrive at a marketable value and the discounts generally ranges from 7% to 15%.

Foreclosed Assets Held for Sale

Foreclosed assets held for sale are carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value of foreclosed assets held for sale is based on appraisals or evaluations. Foreclosed assets held for sale are classified within Level 3 of the fair value hierarchy.

Appraisals of foreclosed assets held for sale are obtained when the real estate is acquired and subsequently as deemed necessary by the Controller's office. Appraisals are reviewed for accuracy and consistency by the Controller's office. Appraisers are selected from the list of approved appraisers maintained by management. At June 30, 2025, there were no foreclosed assets. At June 30, 2024 foreclosed assets consisted of one property valued at its appraised fair which used comparable market properties less selling costs of 10%.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 15: Fair Value Measurement - Continued

Fair Value of Financial Instruments

The Financial Instruments Topic of the FASB Accounting Standards Codification requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Fair value is determined under the framework discussed above. The Topic excludes all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The following methods and assumptions used in estimating fair value disclosure for financial instruments are described below:

Cash and due from financial institutions — For cash and due from financial institutions, the current carrying amount is a reasonable estimate of fair value.

Interest-earning deposits and interest-bearing time deposits in banks — For interest-earning deposits and interest-bearing time deposits in banks, the current carrying amount is a reasonable estimate of fair value.

Securities — The fair value of securities is determined using quoted prices, when available in an active market. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or a discounted cash flows model.

Federal Home Loan Bank stock — For restricted equity securities, the carrying value approximates fair value.

Federal Reserve and Farmer Mac stock – For restricted equity securities, the carrying value approximates fair value.

Loans, net — The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of variable rate loans approximates carrying value.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 15: Fair Value Measurement - Continued

Fair Value of Financial Instruments

Mortgage servicing rights — The fair value is based on a discounted cash flow analysis calculated using a proprietary valuation model from a third party.

Deposits — The carrying value of noninterest-bearing deposits approximates fair value. The fair value of fixed rate deposits is estimated by discounting the future cash flows using the current rates for the same remaining maturities.

Federal Home Loan Bank borrowings — The estimated fair value of fixed rate advances from the FHLB is determined by discounting the future cash flows of existing advances using rates currently available on advances from the FHLB having similar characteristics. Adjustable rate advances' carrying value approximates fair value.

Accrued interest and credit enhancement receivable — The carrying amounts of accrued interest and credit enhancement receivable approximate fair value.

Off-balance sheet items — The fair value of off-balance-sheet items is based on current fees or cost that would be charged to enter into or terminate such arrangements. These were not considered material and are not presented in the below tables.

Equitable Financial Corp.
Notes to Consolidated Financial Statements
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Note 15: Fair Value Measurement - Continued

Fair Value of Financial Instruments

The estimated fair value of financial instruments as of June 30 are as follows:

2025	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value
Financial assets			
Cash and due from financial institutions	Level 1	\$ 6,308,560	\$ 6,309,000
Interest-earning deposits	Level 1	995,021	995,000
Interest-bearing time deposits in banks	Level 1	2,356,856	2,357,000
Securities available for sale			
Residential mortgage-backed securities	Level 2	5,331,453	5,331,000
Municipal securities	Level 2	1,763,973	1,764,000
US Treasury	Level 1	34,923,611	34,924,000
Securities held-to-maturity	Level 2	2,450	2,000
Federal Home Loan bank stock	Level 1	1,443,000	1,443,000
Federal Reserve stock	Level 1	472,350	472,000
Farmer Mac Stock	Level 1	97,140	97,000
Loans, net	Level 2	444,295,769	436,200,000
Mortgage servicing rights	Level 2	909,452	1,829,000
Credit enhancement receivable	Level 2	118,207	114,000
Accrued interest receivable	Level 1	3,719,227	3,719,000
Financial liabilities			
Noninterest-bearing deposits	Level 2	50,629,379	50,629,000
Line of credit	Level 2	162,000	162,000
Interest-bearing deposits	Level 2	403,291,406	393,980,000
Federal Home Loan Bank borrowings	Level 2	8,000,000	8,000,000
Accrued interest payable	Level 1	708,877	709,000

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 15: Fair Value Measurement - Continued

2024	Fair Value Hierarchy Level	Carrying Amount	Estimated Fair Value
Financial assets			
Cash and due from financial institutions	Level 1	\$ 10,155,683	\$ 10,156,000
Interest-earning deposits	Level 1	4,484,312	4,484,000
Interest-bearing time deposits in banks	Level 1	424,000	424,000
Federal funds sold	Level 1	2,407,000	2,407,000
Securities available for sale			
Residential mortgage-backed securities	Level 2	1,221,224	1,221,000
US Treasury	Level 1	22,776,181	22,776,000
Securities held-to-maturity	Level 2	3,795	4,000
Federal Home Loan bank stock	Level 1	1,488,600	1,489,000
Federal Reserve stock	Level 1	471,550	472,000
Farmer Mac Stock	Level 1	90,410	90,000
Loans, net	Level 2	446,168,694	427,435,000
Foreclosed assets	Level 3	1,467,000	1,467,000
Mortgage servicing rights	Level 2	952,394	1,894,000
Credit enhancement receivable	Level 2	118,207	118,000
Accrued interest receivable	Level 1	3,780,792	3,781,000
Financial liabilities			
Noninterest-bearing deposits	Level 2	53,054,379	48,295,000
Line of credit	Level 2	275,000	275,000
Interest-bearing deposits	Level 2	396,100,537	385,944,000
Federal Home Loan Bank borrowings	Level 2	8,000,000	8,000,000
Accrued interest payable	Level 1	896,059	896,000

Equitable Financial Corp.
Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Note 16: Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss components at June 30 were as follows:

	<u>2025</u>	<u>2024</u>
Unrealized holding losses on securities available-for-sale	\$ (56,409)	\$ (232,404)
Tax expense	<u>11,845</u>	<u>48,805</u>
	<u>\$ (44,564)</u>	<u>\$ (183,599)</u>

Note 17: Transactions with Related Parties

In the ordinary course of business, the Company granted loans to principal officers, directors, and their affiliates. Annual activity consisted of the following for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 14,385,227	\$ 11,709,312
New loans or transfers in	732,091	4,319,250
Repayments or transfers out	<u>(3,516,115)</u>	<u>(1,643,335)</u>
Ending balance	<u>\$ 11,601,203</u>	<u>\$ 14,385,227</u>

Deposits from principal officers, directors, and their affiliates at June 30, 2025 and 2024 approximated \$4,567,000 and \$4,350,000, respectively.

Note 18: Subsequent Events

Subsequent events have been evaluated through September 29, 2025, which is the date the consolidated financial statements were available to be issued.