

Northeast Indiana Bancorp, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2024 and 2023

Northeast Indiana Bancorp, Inc.
December 31, 2024 and 2023

Contents

Independent Auditor's Report	1
---	----------

Consolidated Financial Statements

Balance Sheets	3
Statements of Income	4
Statements of Comprehensive Income	5
Statements of Shareholders' Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

Board of Directors
Northeast Indiana Bancorp, Inc.
Huntington, Indiana

Opinion

We have audited the consolidated financial statements of Northeast Indiana Bancorp, Inc., which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, shareholders' 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 Northeast Indiana Bancorp, Inc. as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Forvis Mazars, LLP

Indianapolis, Indiana
March 7, 2025

Northeast Indiana Bancorp, Inc.

Consolidated Balance Sheets

December 31, 2024 and 2023

Assets

	2024	2023
Interest-earning cash and cash equivalents	\$ 6,452,143	\$ 4,304,296
Noninterest-earning cash and cash equivalents	3,754,395	1,166,180
Cash and cash equivalents	10,206,538	5,470,476
Interest-earning time deposits	4,275,000	4,320,000
Available-for-sale securities, at fair value (amortized cost of \$84,086,967 and \$85,791,213, net of allowance for credit losses of \$0)	74,789,791	77,000,220
Held-to-maturity securities, net of allowance for credit losses of \$0	11,602,482	11,983,298
Loans held for sale	71,200	-
Loans receivable, net of allowance for credit losses of \$6,771,171 in 2024 and \$5,335,305 in 2023	390,563,308	370,657,517
Accrued interest receivable	2,237,407	2,354,636
Premises and equipment, net	7,907,303	7,366,169
FHLB stock	2,835,000	2,227,500
Cash surrender value of life insurance	12,159,543	11,751,653
Goodwill	-	130,972
Other assets	5,676,203	5,421,568
Total assets	\$ 522,323,775	\$ 498,684,009

Liabilities and Shareholders' Equity

Liabilities

Deposits		
Demand - noninterest-bearing	\$ 48,168,488	\$ 54,764,981
Savings	37,711,297	31,531,328
Negotiable order of withdrawal	97,180,819	106,291,413
Money market demand account	95,157,271	104,655,965
Time	150,722,239	103,828,494
Total deposits	428,940,114	401,072,181
Borrowed funds	41,000,000	47,250,000
Accrued expenses and other liabilities	4,106,965	3,941,438
Total liabilities	474,047,079	452,263,619

Shareholders' Equity

Common stock, \$.01 par value; 4,000,000 shares authorized; 2,810,870 shares issued and outstanding, 2024 and 2023, respectively	14,054	14,054
Additional paid-in capital	11,039,497	10,960,552
Retained earnings, substantially restricted	48,210,988	45,586,125
Accumulated other comprehensive loss, net of tax	(7,195,786)	(6,797,574)
Treasury stock, at cost; 413,374 and 387,172 shares - 2024 and 2023	(3,792,057)	(3,342,767)
Total shareholders' equity	48,276,696	46,420,390
Total liabilities and shareholders' equity	\$ 522,323,775	\$ 498,684,009

Northeast Indiana Bancorp, Inc.
Consolidated Statements of Income
Years Ended December 31, 2024 and 2023

	2024	2023
Interest Income		
Loans, including fees	\$ 25,296,617	\$ 21,760,694
Taxable securities	1,527,923	1,288,806
Nontaxable securities	752,628	814,122
Deposits with financial institutions	657,050	294,722
Total interest income	<u>28,234,218</u>	<u>24,158,344</u>
Interest Expense		
Deposits	10,775,268	7,964,230
Borrowed funds	2,292,635	1,620,471
Total interest expense	<u>13,067,903</u>	<u>9,584,701</u>
Net Interest Income	15,166,315	14,573,643
Provision for Credit Loss Expense		
Loans	1,518,538	1,095,000
Off-balance sheet credit exposures	35,000	(45,000)
Total Provision for Credit Loss Expense	<u>1,553,538</u>	<u>1,050,000</u>
Net Interest Income After Provision for Loan Losses	<u>13,612,777</u>	<u>13,523,643</u>
Noninterest Income		
Service charges on deposit accounts	704,644	734,612
Interchange fees	811,235	787,691
Service fees on loans sold, net of mortgage-servicing right impairment	340,874	414,958
Net gains on sales of loans	341,272	329,174
Net gain on sales of available-for-sale securities	-	5,692
Net gain on sales of premises and equipment	-	78,391
Net gain on sale of investment product and advisory business	269,028	-
Increase in cash surrender value of life insurance	333,516	296,990
Brokerage fees	3,091	184,326
Other	765,912	374,190
Total noninterest income	<u>3,569,572</u>	<u>3,206,024</u>
Noninterest Expense		
Salaries and employee benefits	6,459,098	6,416,399
Occupancy	1,474,751	1,381,141
Data processing	1,704,538	1,573,667
Deposit insurance premium	294,000	205,500
Professional fees	622,157	634,672
Advertising and marketing	335,887	311,634
Correspondent bank charges	173,480	148,756
Other	1,406,067	1,258,683
Total noninterest expense	<u>12,469,978</u>	<u>11,930,452</u>
Income Before Income Tax	4,712,371	4,799,215
Income tax expense	<u>406,812</u>	<u>539,525</u>
Net Income	<u>\$ 4,305,559</u>	<u>\$ 4,259,690</u>
Basic Earnings Per Common Share	<u>\$ 1.80</u>	<u>\$ 1.77</u>
Diluted Earnings Per Common Share	<u>\$ 1.80</u>	<u>\$ 1.77</u>

Northeast Indiana Bancorp, Inc.
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net Income	<u>\$ 4,305,559</u>	<u>\$ 4,259,690</u>
Other Comprehensive Income (Loss)		
Unrealized appreciation (depreciation) on available-for-sale securities, net of tax expense (benefit) of \$107,971 and \$417,244 for 2024 and 2023, respectively	(398,212)	1,545,057
Less reclassification adjustment for realized gains included in net income, net of taxes of \$0 and \$1,423 for 2024 and 2023, respectively	-	(4,269)
	<u>(398,212)</u>	<u>1,540,788</u>
Comprehensive Income	<u><u>\$ 3,907,347</u></u>	<u><u>\$ 5,800,478</u></u>

Northeast Indiana Bancorp, Inc.
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Tax	Treasury Stock	Total
Balance, January 1, 2023	14,054	11,013,309	43,510,985	(8,338,362)	(3,470,384)	42,729,602
Net income			4,259,690			4,259,690
Issuance of 23,000 shares of treasury stock		(198,950)			198,950	-
Other comprehensive income				1,540,788		1,540,788
Cash dividends (\$0.90 per share)			(2,184,550)			(2,184,550)
Repurchased shares					(22,113)	(22,113)
Forfeited RRP shares		(127,300)			(49,220)	(176,520)
Amortization of RRP contributions		273,493				273,493
Balance, December 31, 2023	<u>\$ 14,054</u>	<u>\$ 10,960,552</u>	<u>\$ 45,586,125</u>	<u>\$ (6,797,574)</u>	<u>\$ (3,342,767)</u>	<u>\$ 46,420,390</u>
Net income			4,305,559			4,305,559
Issuance of 6,000 shares of treasury stock		(51,780)			51,780	-
Other comprehensive loss				(398,212)		(398,212)
Cash dividends (\$0.69 per share)			(1,680,696)			(1,680,696)
Repurchased shares					(491,376)	(491,376)
Forfeited RRP shares		(13,368)			(9,694)	(23,062)
Amortization of RRP contributions		144,093				144,093
Balance, December 31, 2024	<u>\$ 14,054</u>	<u>\$ 11,039,497</u>	<u>\$ 48,210,988</u>	<u>\$ (7,195,786)</u>	<u>\$ (3,792,057)</u>	<u>\$ 48,276,696</u>

Northeast Indiana Bancorp, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Net income	\$ 4,305,559	\$ 4,259,690
Items not requiring (providing) cash		
Depreciation and amortization	1,206,015	1,224,053
Provision for credit losses	1,553,538	1,050,000
Deferred income tax	(11,969)	(273,561)
Net gain (loss) on sale of		
Premises and equipment	-	(78,391)
Loans held for sale	(341,272)	(329,174)
Securities available for sale	-	(5,692)
Investment product and advisory services business	(269,028)	-
Amortization of RRP	144,093	273,493
Forfeiture of RRP	(23,062)	(176,520)
Originations of loans held for sale	(13,595,331)	(9,535,044)
Proceeds from loans sold held for sale	13,756,857	9,975,474
Changes in		
Other assets	(431,216)	(10,760)
Accrued interest receivable	117,229	(430,650)
Accrued expenses and other liabilities	130,527	222,275
Net cash provided by operating activities	<u>6,541,940</u>	<u>6,165,193</u>
Investing Activities		
Net change in interest-earning time deposits	45,000	(3,090,000)
Purchases of available-for-sale securities	(6,176,142)	(8,159,442)
Proceeds from maturities and principal payments of		
Available-for-sale securities	7,615,799	4,474,738
Held-to-maturity securities	343,000	42,000
Proceeds from sale of available-for-sale securities	-	6,621,191
Purchase of BOLI	(500,000)	-
Proceeds from BOLI redemption	425,625	174,955
Purchase of FHLB stock	(607,500)	(125,900)
Purchases of loans	-	(332,500)
Proceeds from sale of participation loans	971,389	531,050
Net change in loans	(22,395,718)	(51,545,189)
Expenditures for premises and equipment	(973,192)	(930,052)
Proceeds from sale of premises and equipment	-	455,618
Net cash used in investing activities	<u>(21,251,739)</u>	<u>(51,883,531)</u>
Financing Activities		
Net change in deposits	27,867,933	34,255,852
Proceeds from FHLB advances	154,100,000	785,200,000
Repayment of FHLB advances	(160,350,000)	(769,950,000)
Repurchase of common shares	(491,376)	(22,113)
Dividends paid	(1,680,696)	(2,184,550)
Net cash provided by financing activities	<u>19,445,861</u>	<u>47,299,189</u>
Net Change in Cash and Cash Equivalents	4,736,062	1,580,851
Cash and Cash Equivalents, Beginning of Year	<u>5,470,476</u>	<u>3,889,625</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,206,538</u>	<u>\$ 5,470,476</u>
Supplemental Cash Flows Information		
Interest paid	\$ 12,786,414	\$ 9,236,340
Income taxes paid	665,000	445,000

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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

Nature of Operations

The consolidated financial statements include the accounts of (Northeast Indiana Bancorp) and its wholly owned subsidiary, First Federal Savings Bank (First Federal) and its wholly owned subsidiary, FFSB Portfolio Holdings, Inc. (Nevada Investment Subsidiary) and its wholly owned subsidiary, FFSB Real Estate Holdings, Inc. (REIT), together referred to as (Company). Northeast Indiana Bancorp, Inc. was organized for the purpose of owning all of the outstanding stock of First Federal.

During 2009, First Federal organized the Nevada Investment Subsidiary and transferred certain securities to be managed by the Nevada Investment Subsidiary. In addition, the REIT was organized in Maryland as a subsidiary of the Nevada Investment Subsidiary. First Federal transferred a significant amount of its single-family mortgage portfolio into the REIT during 2009. The establishment of these two operating subsidiaries of First Federal will help the Company to reduce its state franchise tax liability going forward.

The primary source of income for the Company is the origination of commercial and residential real estate loans in northeastern Indiana. Loans secured by real estate mortgages comprise approximately 78% and 75% of the loan portfolio at December 31, 2024 and 2023, respectively, and are primarily secured by residential mortgages.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Cash Equivalents

The Bank considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2024 and 2023, cash equivalents consisted primarily of deposit accounts with financial institutions.

At December 31, 2024, the Company's cash accounts exceeded federally insured limits by approximately \$993,000. Additionally, the Company had approximately \$6,200,000 on deposit with the Federal Reserve Bank or Federal Home Loan Bank of Indianapolis as of December 31, 2024, which is not federally insured.

Interest-Earning Time Deposits in Banks

Interest-earning time deposits are carried at cost.

Debt Investments

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading are classified as "available for sale" and recorded at fair value. For debt securities, unrealized gains and losses are excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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

Allowance for Credit Losses – Held-to-Maturity Securities

The allowance for credit losses on held-to-maturity securities is a contra-asset valuation account that is deducted from the amortized cost basis of held-to-maturity securities to present the Company's best estimate of the net amount expected to be collected. Held-to-maturity securities are charged off against the allowance when deemed uncollectible. Adjustments to the allowance are reported in the consolidated income statement as a component of credit loss expense. The Company measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

The Company excludes accrued interest receivable on held-to-maturity securities from the estimate of credit losses.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Allowance for Credit Losses – Available-for-Sale Securities

For available-for-sale securities in an unrealized loss position, the Company first assesses whether (i) there is intention to sell or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either case is affirmative, any previously recognized allowances are charged off and the security's amortized cost is written down to fair value through income. If neither case is affirmative, 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 changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Adjustments to the allowance are reported in our income statement as a component of credit loss expense.

The Company excludes accrued interest receivable on available-for-sale securities from the estimate of credit losses. Available-for-sale securities are charged off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Loans Held for Sale

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

Loans

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

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

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

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

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Allowance for Credit Losses – Loans

The allowance for credit losses is established as losses are expected to occur through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses is evaluated on a regular basis by management.

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

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

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled modification will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

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

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.

Accrued interest receivable totaled approximately \$1,698,000 and \$1,839,000 at December 31, 2024 and 2023, respectively, and is excluded from the estimate of credit losses.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures

The allowance for credit losses on off-balance-sheet credit exposures is a liability account, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The allowance is reported as a component of accrued expenses and other liabilities in the consolidated balance sheets. Adjustments to the allowance are reported in the consolidated income statement as a component of credit loss expense.

Foreclosed Assets

Assets acquired through or instead of loan foreclosure are initially recorded at fair value, less estimated costs to sell when acquired, establishing a new cost basis. If the value subsequently declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed. There were no foreclosed assets recorded at December 31, 2024 and 2023, respectively.

Investments in Limited Liability Partnerships

These represent the Company's investments in affordable housing projects for the primary purpose of available tax benefits. They are accounted for using the proportional amortization method of accounting. The excess of the carrying amount of the investment over its estimated residual value is amortized during the periods in which associated tax credits are allocated to the investor. The annual amortization of the investment is based on the proportion of tax credits received in the current year to total estimated tax credits to be allocated to the Company. These investments are reviewed for impairment when events indicate their carrying amounts may not be recoverable from future undiscounted cash flows. If impaired, the investments are reported at discounted amounts.

Premises and Equipment

Land is carried at cost. Premises and equipment is stated at cost, less accumulated depreciation. Depreciation is computed over asset useful lives on the straight-line basis. The useful lives for buildings and leasehold improvements range from 10 to 40 years. The useful lives for furniture, fixtures and equipment range from 3 to 10 years.

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Federal Home Loan Bank Stock

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

Company-Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Company-owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

Goodwill and Other Intangible Assets

Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified. The Company sold its investment product and advisory business in 2024 which resulted in the write-off of related goodwill.

Other intangible assets consist of acquired customer relationship intangible assets arising from business acquisitions. They are initially measured at fair value and then are amortized on an accelerated method over the estimated useful lives of eight years. Such assets are periodically evaluated as to the recoverability of their carrying value.

Mortgage-Servicing Rights

Mortgage-servicing rights on originated loans that have been sold are initially recorded at fair value and include both mortgage related loan servicing rights as well as Small Business Administration (SBA) loan servicing rights. Amortized mortgage-servicing rights include commercial and mortgage loan-servicing rights. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized 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 servicing fees on loans sold on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

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

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Treasury Stock

Treasury stock is stated at cost. Cost is determined by the first-in, first-out (FIFO) method.

Stock Options

At December 31, 2024 and 2023, the Company has a share-based employer compensation plan, which is more fully described in Note 14.

Income Taxes

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

Earnings Per Common Share

Basic earnings per common share is net income divided by the weighted-average number of common shares outstanding during the period. ESOP and Recognition and Retention Plan (RRP) shares are considered outstanding for this calculation unless unearned. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable under stock options and RRP plans.

On January 31, 2023, the Board of Directors of the Company approved a two-for one stock split of the Company's authorized common stock, \$.01 par value. All share and per share amounts in the consolidated financial statements and notes thereto have been retroactively adjusted, where necessary, to reflect this two-for-one stock split. The effect of the two-for-one stock split on the outstanding common shares is that shareholders of record as of the close of business on June 30, 2023, the record date, received an additional share for each share of common stock held, with shareholders receiving cash in lieu of any fractional shares. The additional shares issued in the stock split were payable and issued on July 14, 2023.

On April 23, 2024, the Board of Directors of the Company authorized a stock repurchase program for up to 121,000 shares of the Company's issued and outstanding common stock, \$.01 par value. As of December 31, 2024, the Company had repurchased a total of 31,002 shares at an average price per share of \$15.85.

Comprehensive Income (Loss)

Comprehensive income (loss) 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, which are also recognized as separate components of shareholders' equity.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Revenue From Contracts With Customers

The Company records revenue from contracts with customers in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (Topic 606). Under Topic 606, the Company must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) the Company satisfies a performance obligation. Significant revenue has not been recognized in the current reporting period that results from performance obligations satisfied in previous periods.

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

Dividend Restriction

Banking regulations require maintaining certain capital levels and may limit the dividends paid by First Federal to Northeast Indiana Bancorp or by Northeast Indiana Bancorp to shareholders.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 2: Securities

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities:				
December 31, 2024:				
U.S. Government agencies	\$ 13,550,922	\$ 62	\$ (781,481)	\$ 12,769,503
U.S. Treasuries	950,344	-	(21,103)	929,241
Small Business Administration	922,222	-	(125,702)	796,520
U.S. Government agency-sponsored mortgage-backed securities	30,674,893	28,516	(3,527,085)	27,176,324
State and political subdivisions	37,988,586	11,956	(4,882,339)	33,118,203
	<u>\$ 84,086,967</u>	<u>\$ 40,534</u>	<u>\$ (9,337,710)</u>	<u>\$ 74,789,791</u>
December 31, 2023:				
U.S. Government agencies	\$ 14,238,255	\$ 3,661	\$ (1,093,827)	\$ 13,148,089
U.S. Treasuries	1,943,565	-	(49,040)	1,894,525
Small Business Administration	1,099,081	-	(145,179)	953,902
U.S. Government agency-sponsored mortgage-backed securities	31,163,674	27,838	(3,437,605)	27,753,907
State and political subdivisions	37,346,638	38,489	(4,135,330)	33,249,797
	<u>\$ 85,791,213</u>	<u>\$ 69,988</u>	<u>\$ (8,860,981)</u>	<u>\$ 77,000,220</u>
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-Maturity Securities:				
December 31, 2024:				
State and political subdivisions	<u>\$ 11,602,482</u>	<u>\$ -</u>	<u>\$ (1,971,552)</u>	<u>\$ 9,630,930</u>
December 31, 2023:				
State and political subdivisions	<u>\$ 11,983,298</u>	<u>\$ -</u>	<u>\$ (2,118,235)</u>	<u>\$ 9,865,063</u>

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

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

	Available-for-Sale	
	Amortized	Fair
	Cost	Value
Within one year	\$ 1,524,446	\$ 1,519,144
One to five years	14,794,399	14,100,594
Five to ten years	13,460,899	11,776,969
After ten years	23,632,330	20,216,760
	<u>53,412,074</u>	<u>47,613,467</u>
Mortgage-backed securities	30,674,893	27,176,324
	<u>84,086,967</u>	<u>74,789,791</u>
Totals	<u>\$ 84,086,967</u>	<u>\$ 74,789,791</u>

	Held-to-Maturity	
	Amortized	Fair
	Cost	Value
Within one year	\$ -	\$ -
One to five years	2,068,467	1,882,056
Five to ten years	7,948,785	6,533,064
After ten years	1,585,230	1,215,810
	<u>11,602,482</u>	<u>9,630,930</u>
Totals	<u>\$ 11,602,482</u>	<u>\$ 9,630,930</u>

The following proceeds, gross gains, and gross losses were realized on sales of available-for-sale securities during the years ended December 31, 2024 and 2023, respectively.

	2024	2023
Proceeds	\$ -	\$ 6,621,191
Gross gains	-	42,317
Gross losses	-	(36,625)

Securities pledged at December 31, 2024 and 2023 had a carrying value of \$1,625,000 and \$1,966,000, respectively, and were pledged to secure Federal Home Loan Bank advances.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2024 and 2023 was approximately \$77,493,000 and \$78,473,000, respectively, which is approximately 90% and 88% of the Company's investment portfolio.

Northeast Indiana Bancorp, Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

The following tables show the Company's investments' gross unrealized losses and fair value of the Company's investments for which an allowance for credit losses has not been recorded, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2024 and 2023:

Description of Securities	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:						
U.S. Government agencies	\$ 742,311	\$ (7,215)	\$ 11,627,393	\$ (774,266)	\$ 12,369,704	\$ (781,481)
U.S. Treasuries	-	-	929,241	(21,103)	929,241	(21,103)
Small Business Administration	-	-	796,520	(125,702)	796,520	(125,702)
U.S. Government agency-sponsored mortgage-backed securities	4,311,420	(55,539)	19,220,997	(3,471,546)	23,532,417	(3,527,085)
State and political subdivisions	2,892,519	(25,267)	27,507,003	(4,857,072)	30,399,522	(4,882,339)
	7,946,250	(88,021)	60,081,154	(9,249,689)	68,027,404	(9,337,710)
Held-to-Maturity Securities:						
State and political subdivisions	-	-	9,465,930	(1,971,552)	9,465,930	(1,971,552)
	-	-	9,465,930	(1,971,552)	9,465,930	(1,971,552)
Total						
impaired securities	\$ 7,946,250	\$ (88,021)	\$ 69,547,084	\$ (11,221,241)	\$ 77,493,334	\$ (11,309,262)
2023						
Description of Securities	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:						
U.S. Government agencies	\$ 1,015,490	\$ (5,249)	\$ 11,782,204	\$ (1,088,578)	\$ 12,797,694	\$ (1,093,827)
U.S. Treasuries	395,252	(183)	1,499,273	(48,857)	1,894,525	(49,040)
Small Business Administration	-	-	953,902	(145,179)	953,902	(145,179)
U.S. Government agency-sponsored mortgage-backed securities	1,133,351	(12,652)	22,648,167	(3,424,953)	23,781,518	(3,437,605)
State and political subdivisions	1,019,935	(15,470)	28,368,019	(4,119,860)	29,387,954	(4,135,330)
	3,564,028	(33,554)	65,251,565	(8,827,427)	68,815,593	(8,860,981)
Held-to-Maturity Securities:						
State and political subdivisions	-	-	9,657,063	(2,118,235)	9,657,063	(2,118,235)
	-	-	9,657,063	(2,118,235)	9,657,063	(2,118,235)
Total temporarily impaired securities	\$ 3,564,028	\$ (33,554)	\$ 74,908,628	\$ (10,945,662)	\$ 78,472,656	\$ (10,979,216)

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Unrealized losses on the Company's investments have not been recorded as an allowance for credit losses because the Company does not intend to sell the securities prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions.

U.S. Government Agencies and Treasuries

The unrealized losses on the Company's investments in direct obligations of U.S. government agencies and treasuries were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis 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 basis, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2024.

U.S. Government Agency -Sponsored Mortgage-Backed Securities

The unrealized losses on the Company's investment in residential mortgage-backed securities were caused by interest rate changes. 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 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 basis, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2024.

State and Political Subdivisions

The unrealized losses on the Company's investments in securities of state and political subdivisions were caused by interest rate changes. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis 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 their amortized cost basis, which may be maturity, the Company has not recorded an allowance for credit losses at December 31, 2024.

Credit Quality Indicators

The Company monitors the credit quality of held-to-maturity securities through the use of credit rating. The credit ratings are monitored on a quarterly basis. The following table summarizes the amortized cost of held-to-maturity securities at December 31, 2024 and 2023, aggregated by credit quality indicator:

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

	2024	2023
State and political subdivisions		
Investment grade (ratings at or above BBB-*)	\$ 11,602,482	\$ 11,983,298

*As determined by S&P Global ratings scale.

There were no held-to-maturity securities on nonaccrual and past due over 89 days still on accrual by major security type as of December 31, 2024 and 2023. Accordingly, the Company did not recognize any interest income on nonaccrual held-to-maturity debt securities during the year ended December 31, 2024 and 2023. A security is considered to be past due once it is 90 days contractually past due under the terms of the agreement. As of December 31, 2024 and 2023, there were no held-to maturity securities past due.

Note 3: Loans Receivable, Net

Categories of loans at December 31 include:

	2024	2023
Residential mortgage		
Permanent mortgage	\$ 57,005,618	\$ 49,731,403
Construction - residential	4,773,902	6,299,036
Commercial mortgage	224,544,382	208,223,238
Construction and land development		
Construction - nonresidential	8,896,598	6,840,509
Land and land development	1,735,536	3,603,585
Commercial and industrial	73,927,128	79,456,832
Consumer		
Automobile	5,682,078	6,136,029
Home equity and second mortgage	15,888,657	11,913,979
Other	7,451,123	7,697,747
Total loans	399,905,022	379,902,358
Less		
Loans in process	(143,067)	(662,137)
Undisbursed portion of construction loans	(2,460,735)	(3,321,668)
Net deferred loan origination fees	33,259	74,269
Allowance for credit losses	(6,771,171)	(5,335,305)
Net loans	\$ 390,563,308	\$ 370,657,517

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 4: Allowance for Credit Losses

The following tables present the balances in the allowance for credit losses based on portfolio segment for the years ended December 31, 2024 and 2023:

	2024					
	Residential Mortgage	Commercial Mortgage	Construction and Land Development	Commercial and Industrial	Consumer	Total
Allowance for loan losses:						
Beginning balance	\$ 471,113	\$ 3,099,626	\$ 155,366	\$ 1,534,293	\$ 74,907	\$ 5,335,305
Provision (recovery) of credit loss	(10,733)	143,478	(1,517)	1,235,972	151,338	1,518,538
Charge-offs	(39,022)	-	-	(20,441)	(168,743)	(228,206)
Recoveries	40,544	-	-	-	104,990	145,534
Balance, December 31	<u>\$ 461,902</u>	<u>\$ 3,243,104</u>	<u>\$ 153,849</u>	<u>\$ 2,749,824</u>	<u>\$ 162,492</u>	<u>\$ 6,771,171</u>

	2023					
	Residential Mortgage	Commercial Mortgage	Construction and Land Development	Commercial and Industrial	Consumer	Total
Allowance for loan losses:						
Allowance for credit losses						
beginning balance prior to adoption of ASC 326	\$ 154,072	\$ 2,643,737	\$ 26,870	\$ 973,346	\$ 198,594	\$ 3,996,619
Impact of adopting ASU 2016-13	111,530	(38,567)	129,626	219,018	(71,607)	350,000
Provision (recovery) of credit loss	221,728	494,456	(1,131)	337,999	41,947	1,095,000
Charge-offs	(27,466)	-	-	-	(198,755)	(226,221)
Recoveries	11,249	-	-	3,930	104,728	119,907
Balance, December 31	<u>\$ 471,113</u>	<u>\$ 3,099,626</u>	<u>\$ 155,366</u>	<u>\$ 1,534,293</u>	<u>\$ 74,907</u>	<u>\$ 5,335,305</u>

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

We rate all loans by credit quality using the following designations:

Grade 1 - Excellent

Loans secured by liquid collateral, such as certificates of deposit, reputable bank letters of credit, or other cash equivalents; loans that are guaranteed or otherwise backed by the full faith and credit of the United States government or an agency thereof, such as the Small Business Administration; or loans to any publicly held company with a current long-term debt rating of A or better.

Grade 2 - Good

Loans to businesses that have strong financial statements containing an unmodified opinion from a CPA firm and at least three consecutive years of profits; loans supported by unaudited financial statements containing strong balance sheets, five consecutive years of profits, a five-year satisfactory relationship with the Bank, and key balance sheet and income statement trends that are either stable or positive; loans secured by publicly traded marketable securities where there is no impediment to liquidation; loans to individuals backed by liquid personal assets, established credit history, and unquestionable character; or loans to publicly held companies with current long-term debt ratings of Baa or better.

Grade 3 - Satisfactory

Loans supported by financial statements (audited or unaudited) that indicate average or slightly below average risk and having some deficiency or vulnerability to changing economic conditions; loans with some weakness but offsetting features of other support are readily available; loans that are meeting the terms of repayment, but which may be susceptible to deterioration if adverse factors are encountered.

Loans may be graded Satisfactory when there is no recent information on which to base a current risk evaluation and the following conditions apply:

- At inception, the loan was properly underwritten, did not possess an unwarranted level of credit risk, and the loan met the above criteria for a risk grade of Excellent, Good or Satisfactory.
- At inception, the loan was secured with collateral possessing a loan value adequate to protect the Bank from loss.
- The loan has exhibited two or more years of satisfactory repayment with a reasonable reduction of the principal balance.
- During the period that the loan has been outstanding, there has been no evidence of any credit weakness. Some examples of weakness include slow payment, lack of cooperation by the borrower, breach of loan covenants, or the borrower is in an industry known to be experiencing problems. If any of these credit weaknesses is observed, a lower risk grade may be warranted.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Grade 4 - Satisfactory/Monitored

Loans in this category are considered to be of acceptable credit quality, but contain greater credit risk than Satisfactory loans due to weak balance sheets, marginal earnings or cash flow, or other uncertainties. These loans warrant a higher than average level of monitoring to ensure that weaknesses do not advance. The level of risk in a Satisfactory/Monitored loan is within acceptable underwriting guidelines so long as the loan is given the proper level of management supervision.

Grade 5 - Special Mention

Loans, which possess some credit deficiency, or potential weakness, which deserves close attention. Such loans pose an unwarranted financial risk that, if not corrected, could weaken the loan by adversely impacting the future repayment ability of the borrower. The key distinctions of a Special Mention classification are that (1) it is indicative of an unwarranted level of risk and (2) weaknesses are considered “potential,” not “defined,” impairments to the primary source of repayment.

Grade 6 - Substandard

One or more of the following characteristics may be exhibited in loans classified Substandard:

- Loans, which possess a defined, credit weakness. The likelihood that a loan will be paid from the primary source of repayment is uncertain. Financial deterioration is underway and very close attention is warranted to ensure that the loan is collected without loss.
- Loans are inadequately protected by the current net worth and paying capacity of the obligor.
- The primary source of repayment is gone, and the Bank is forced to rely on a secondary source of repayment, such as collateral liquidation or guarantees.
- Loans have a distinct possibility that the Bank will sustain some loss if deficiencies are not corrected.
- Unusual courses of action are needed to maintain a high probability of repayment.
- The borrower is not generating enough cash flow to repay loan principal; however, it continues to make interest payments.
- The lender is forced into a subordinated or unsecured position due to flaws in documentation.
- Loans have been restructured so that payment schedules, terms and collateral represent concessions to the borrower when compared to the normal loan terms.
- The lender is seriously contemplating foreclosure or legal action due to the apparent deterioration in the loan.
- There is a significant deterioration in market conditions to which the borrower is highly vulnerable.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Grade 7 - Doubtful

One or more of the following characteristics may be present in loans classified Doubtful:

- Loans have all of the weaknesses of those classified as Substandard. However, based on existing conditions, these weaknesses make full collection of principal highly improbable.
- The primary source of repayment is gone, and there is considerable doubt as to the quality of the secondary source of repayment.
- The possibility of loss is high but because of certain important pending factors, which may strengthen the loan, loss classification is deferred until the exact status of repayment is known.

Grade 8 - Loss

Loans are considered uncollectible and of such little value that continuing to carry them as assets is not feasible. Loans will be classified Loss when it is neither practical nor desirable to defer writing off or reserving all or a portion of a basically worthless asset, even though partial recovery may be possible at some time in the future.

The risk characteristics of each loan portfolio segment are as follows:

Commercial Mortgage

Commercial mortgage loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial mortgage lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan.

Commercial mortgage loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Company's commercial mortgage portfolio are diverse, but with geographic location almost entirely in the Company's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. In general, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate versus nonowner-occupied loans.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Construction and Land Development

Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews and financial analysis of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Commercial and Industrial

Commercial and industrial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may include a personal guarantee. Short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Residential Mortgage and Consumer

Residential and consumer loans consist of two segments - residential mortgage loans and consumer loans. For residential mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Company generally establishes a maximum loan-to-value ratio and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family residences, and consumer personal loans are secured by consumer personal assets, such as automobiles or recreational vehicles. Some consumer personal loans are unsecured, such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Northeast Indiana Bancorp, Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

The following tables present the credit risk profile of the Company's loan portfolio by segment and year of origination as of December 31, 2024 and 2023:

	2024					Revolving loans amortized cost basis	Revolving loans converted to term	Total
	Term Loans (amortized cost basis by origination year)							
	2024	2023	2022	2021	Prior			
Commercial Mortgage								
1-4 - Pass	\$ 37,208,029	\$ 45,000,705	\$ 44,139,665	\$ 24,351,390	\$ 57,629,831	\$ 13,685,095	\$ -	\$ 222,014,715
5 - Special Mention	-	-	-	-	-	-	-	-
6 - Substandard	-	113,683	958,554	529,341	928,089	-	-	2,529,667
7 - Doubtful	-	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-	-
Total Commercial Mortgage	37,208,029	45,114,388	45,098,219	24,880,731	58,557,920	13,685,095	-	224,544,382
Gross charge-offs	-	-	-	-	-	-	-	-
Construction and Land Development								
1-4 - Pass	3,527,679	1,558,514	1,145,573	3,599,849	775,925	24,594	-	10,632,134
5 - Special Mention	-	-	-	-	-	-	-	-
6 - Substandard	-	-	-	-	-	-	-	-
7 - Doubtful	-	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-	-
Total Construction and Land Development	3,527,679	1,558,514	1,145,573	3,599,849	775,925	24,594	-	10,632,134
Gross charge-offs	-	-	-	-	-	-	-	-
Commercial and Industrial								
1-4 - Pass	4,699,783	9,034,883	12,370,459	2,350,744	6,208,853	25,709,163	-	60,373,885
5 - Special Mention	-	-	-	-	-	-	-	-
6 - Substandard	1,051,901	1,821,552	407,576	4,464,313	1,632,826	4,175,075	-	13,553,243
7 - Doubtful	-	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-	-
Total Commercial and Industrial	5,751,684	10,856,435	12,778,035	6,815,057	7,841,679	29,884,238	-	73,927,128
Gross charge-offs	-	-	-	-	20,441	-	-	20,441
Residential Mortgage								
Performing	14,644,445	12,967,488	10,982,522	11,376,421	8,088,684	-	-	58,059,560
Accruing restructured	-	-	-	-	-	-	-	-
Delinquent less than 90 days	153,962	588,869	850,811	491,462	706,596	-	-	2,791,700
Nonperforming	-	-	-	550,478	377,782	-	-	928,260
Total Residential Mortgage	14,798,407	13,556,357	11,833,333	12,418,361	9,173,062	-	-	61,779,520
Gross charge-offs	-	-	-	-	39,022	-	-	39,022
Consumer								
Performing	5,233,173	3,172,448	2,301,304	464,687	673,091	15,599,263	-	27,443,966
Accruing restructured	-	-	-	-	-	-	-	-
Delinquent less than 90 days	38,563	75,075	34,019	9,174	1,752	361,070	-	519,653
Nonperforming	-	159,346	57,369	7,150	-	834,374	-	1,058,239
Total Consumer	5,271,736	3,406,869	2,392,692	481,011	674,843	16,794,707	-	29,021,858
Gross charge-offs	2,900	28,644	68,644	-	61	68,494	-	168,743
Total Loans	\$ 66,557,535	\$ 74,492,563	\$ 73,247,852	\$ 48,195,009	\$ 77,023,429	\$ 60,388,634	\$ -	\$ 399,905,022
Total gross charge-offs	\$ 2,900	\$ 28,644	\$ 68,644	\$ -	\$ 59,524	\$ 68,494	\$ -	\$ 228,206

Northeast Indiana Bancorp, Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

	2023						
	Term Loans (amortized cost basis by origination year)				Revolving loans amortized cost basis	Revolving loans converted to term	Total
	2023	2022	2021	Prior			
Commercial Mortgage							
1-4 - Pass	\$ 46,544,607	\$ 52,450,503	\$ 28,312,144	\$ 67,272,881	\$ 12,361,953	\$ -	\$ 206,942,088
5 - Special Mention	-	-	-	-	-	-	-
6 - Substandard	-	30,936	347,066	863,148	40,000	-	1,281,150
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total Commercial Mortgage	46,544,607	52,481,439	28,659,210	68,136,029	12,401,953	-	208,223,238
Gross charge-offs	-	-	-	-	-	-	-
Construction and Land Development							
1-4 - Pass	1,732,097	3,888,642	3,905,596	894,953	22,806	-	10,444,094
5 - Special Mention	-	-	-	-	-	-	-
6 - Substandard	-	-	-	-	-	-	-
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total Construction and Land Development	1,732,097	3,888,642	3,905,596	894,953	22,806	-	10,444,094
Gross charge-offs	-	-	-	-	-	-	-
Commercial and Industrial							
1-4 - Pass	15,320,239	16,031,424	5,674,906	9,145,937	22,236,494	-	68,409,000
5 - Special Mention	-	-	-	-	-	-	-
6 - Substandard	1,200,000	622,701	3,559,701	1,907,000	3,758,430	-	11,047,832
7 - Doubtful	-	-	-	-	-	-	-
8 - Loss	-	-	-	-	-	-	-
Total Commercial and Industrial	16,520,239	16,654,125	9,234,607	11,052,937	25,994,924	-	79,456,832
Gross charge-offs	-	-	-	-	-	-	-
Residential Mortgage							
Performing	17,140,303	13,893,699	12,858,428	10,569,064	-	-	54,461,494
Accruing restructured	-	-	-	-	-	-	-
Delinquent less than 90 days	-	-	972,285	73,766	-	-	1,046,051
Nonperforming	-	40,707	-	482,187	-	-	522,894
Total Residential Mortgage	17,140,303	13,934,406	13,830,713	11,125,017	-	-	56,030,439
Gross charge-offs	-	-	-	27,466	-	-	27,466
Consumer							
Performing	5,200,317	3,323,960	905,626	1,249,130	13,925,925	-	24,604,958
Accruing restructured	-	-	-	-	-	-	-
Delinquent less than 90 days	39,767	48,776	17,766	9,192	123,803	-	239,304
Nonperforming	-	28,631	-	29,879	844,983	-	903,493
Total Consumer	5,240,084	3,401,367	923,392	1,288,201	14,894,711	-	25,747,755
Gross charge-offs	-	-	-	198,755	-	-	198,755
Total Loans	\$ 87,177,330	\$ 90,359,979	\$ 56,553,518	\$ 92,497,137	\$ 53,314,394	\$ -	\$ 379,902,358
Total gross charge-offs	\$ -	\$ -	\$ -	\$ 226,221	\$ -	\$ -	\$ 226,221

Northeast Indiana Bancorp, Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

The following tables present the Company's loan portfolio aging analysis as of December 31, 2024 and 2023:

	2024					Total
	Delinquent Loans					Portfolio
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over	Total Past Due	Current	Loans
Residential mortgage	\$ 2,068,117	\$ 723,583	\$ 928,260	\$ 3,719,960	\$ 58,059,560	\$ 61,779,520
Commercial mortgage	985,702	-	461,400	1,447,102	223,097,280	224,544,382
Construction and land development	-	-	-	-	10,632,134	10,632,134
Commercial and industrial	71,540	1,829,712	2,583,657	4,484,909	69,442,219	73,927,128
Consumer	384,238	135,415	1,058,239	1,577,892	27,443,966	29,021,858
Subtotal	<u>\$ 3,509,597</u>	<u>\$ 2,688,710</u>	<u>\$ 5,031,556</u>	<u>\$ 11,229,863</u>	<u>\$ 388,675,159</u>	399,905,022
Deferred loan fees and costs, overdrafts, in-process accounts						<u>(2,570,543)</u>
Total portfolio loans						<u>\$ 397,334,479</u>

	2023					Total
	Delinquent Loans					Portfolio
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over	Total Past Due	Current	Loans
Residential mortgage	\$ 1,046,051	\$ -	\$ 522,894	\$ 1,568,945	\$ 54,461,494	\$ 56,030,439
Commercial mortgage	3,038,314	-	844,913	3,883,227	204,340,011	208,223,238
Construction and land development	-	-	-	-	10,444,094	10,444,094
Commercial and industrial	1,435,008	27,956	4,144,322	5,607,286	73,849,546	79,456,832
Consumer	158,452	80,852	903,494	1,142,798	24,604,957	25,747,755
Subtotal	\$ 5,677,825	\$ 108,808	\$ 6,415,623	\$ 12,202,256	\$ 367,700,102	379,902,358
Deferred loan fees and costs, overdrafts, in-process accounts						(3,909,536)
Total portfolio loans						\$ 375,992,822

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

The following tables present the Company's nonaccrual loans at December 31, 2024 and 2023:

	2024	
	Nonaccrual with no ACL	Nonaccrual with ACL
Residential mortgage	\$ 377,782	\$ 550,478
Commercial mortgage	38,858	422,542
Construction and land development	-	-
Commercial and industrial	638,443	1,945,214
Consumer	-	1,058,239
	<u>\$ 1,055,083</u>	<u>\$ 3,976,473</u>

	2023	
	Nonaccrual with no ACL	Nonaccrual with ACL
Residential mortgage	\$ 523,894	\$ -
Commercial mortgage	-	-
Construction and land development	-	84,913
Commercial and industrial	600,000	3,544,322
Consumer	-	903,493
	<u>\$ 1,123,894</u>	<u>\$ 4,532,728</u>

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2024 and 2023:

	2024	
	Real Estate	Other
Residential mortgage	\$ 928,260	\$ -
Commercial mortgage	2,529,667	-
Commercial and industrial	-	13,553,243
	<u>\$ 3,457,927</u>	<u>\$ 13,553,243</u>

	2023	
	Real Estate	Other
Residential mortgage	\$ 1,018,355	\$ -
Commercial mortgage	387,066	-
Commercial and industrial	-	11,047,832
	<u>\$ 1,405,421</u>	<u>\$ 11,047,832</u>

Occasionally, the Company modifies loans to customers in financial distress by providing various types of modifications. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses. In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

There were modifications to three loans for the year ended December 31, 2024. A mortgage loan received a short-term, interest-only modification. The pre- and post-modification balance was \$927,000. Two commercial loans totally in aggregate \$3,043,000 pre- and post- modification, both received a payment modification. The troubled loan modifications did not increase the allowance for credit losses or result in charge-offs during the year. No troubled loan modifications in the past 12 months have subsequently defaulted.

There were no modifications to loans to customers in financial distress during the year ended December 31, 2023.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 5: Secondary Mortgage Marketing Activities

Activity for capitalized mortgage-servicing rights is as follows:

	2024	2023
Servicing rights		
Carrying amount, beginning of year	\$ 1,210,365	\$ 1,272,696
Assumptions of servicing obligations	108,546	78,344
Amortized to expense	<u>(171,552)</u>	<u>(140,675)</u>
Carrying amount, end of year	<u><u>\$ 1,147,359</u></u>	<u><u>\$ 1,210,365</u></u>
Fair value disclosures		
Fair value as of the beginning of the period	\$ 1,516,199	\$ 1,540,391
Fair value as of the end of the period	1,399,088	1,516,199

Mortgage servicing rights are located in other assets on the consolidated balance sheets. Mortgage and SBA loans serviced for others are not included in the accompanying consolidated balance sheets. The risks inherent in mortgage-servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of loans serviced for others totaled \$172,929,000 and \$179,768,000 at December 31, 2024 and 2023, respectively.

Note 6: Premises and Equipment, Net

Premises and equipment were as follows:

	2024	2023
Land	\$ 2,546,132	\$ 2,527,931
Automobiles	95,922	95,922
Buildings and leasehold improvements	7,491,884	6,847,883
Furniture, fixtures and equipment	<u>3,208,314</u>	<u>3,115,574</u>
	13,342,252	12,587,310
Less accumulated depreciation	<u>(5,434,949)</u>	<u>(5,221,141)</u>
Net premises and equipment	<u><u>\$ 7,907,303</u></u>	<u><u>\$ 7,366,169</u></u>

Depreciation expense was approximately \$432,000 and \$442,000 for 2024 and 2023, respectively.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 7: Goodwill

The changes in the carrying amount of goodwill for the years ended December 31 were:

	2024	2023
Balance as of January 1	\$ 130,972	\$ 130,972
Acquired goodwill	-	-
Sale of investment product and advisory services business	<u>(130,972)</u>	<u>-</u>
Balance as of December 31	<u>\$ -</u>	<u>\$ 130,972</u>

Note 8: Deposits

Time deposits of \$250,000 or more were \$117,217,000 and \$73,940,000 at December 31, 2024 and 2023, respectively. Scheduled maturities of time deposits for the next four years were as follows:

2025	\$ 93,031,116
2026	45,794,811
2027	11,381,056
2028	<u>515,256</u>
	<u>\$ 150,722,239</u>

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 9: Borrowed Funds

Borrowed funds included the following at December 31:

	2024	2023
Federal Home Loan Bank (FHLB) advances	\$ 41,000,000	\$ 47,250,000

FHLB Advances

FHLB advances have fixed and variable interest rates ranging from 3.74% to 5.44%. Scheduled maturities and the weighted-average interest rates by maturity for the years ended December 31, were as follows:

	2024		2023	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
2024	\$ -	0.00%	\$ 31,500,000	4.88%
2025	15,500,000	5.00%	8,750,000	5.03%
2026	18,000,000	4.57%	4,000,000	4.42%
2027	5,500,000	4.29%	1,000,000	3.74%
2028	<u>2,000,000</u>	4.31%	<u>2,000,000</u>	4.31%
	<u>\$ 41,000,000</u>	4.68%	<u>\$ 47,250,000</u>	4.82%

FHLB advances are secured by FHLB stock, eligible mortgage loans and specifically pledged securities. At December 31, 2024 and 2023, in addition to FHLB stock, collateral of approximately \$180,412,000 and \$158,580,000, respectively, was pledged to the FHLB to secure advances outstanding.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 10: Employee Benefits

401(k) Plan

Northeast Indiana Bancorp has a 401(k) plan for all employees who have completed one year of service (1,000 hours) and attained a minimum age of 21 years. The plan was amended in 2016 to meet Safe Harbor status. Participants may make deferrals up to 75% of compensation. Northeast Indiana Bancorp matches 100% of elective deferrals on the first 3% and 50% on the next 2% of the participant's compensation. Expense for 2024 and 2023 was approximately \$151,000 and \$154,000, respectively.

Supplemental Retirement Plans

First Federal has a supplemental retirement plan for the Chairman of the Board of Directors and a deferred compensation plan for certain directors. First Federal also has a salary continuation plan for certain executive officers. First Federal is recording an expense equal to the change in the present value of the payment due at retirement based on the projected remaining years of service using the projected unit credit method. The balance of the plans was approximately \$880,000 and \$953,000 at December 31, 2024 and 2023, respectively. Expense related to the plans was approximately \$110,000 for 2024 and \$70,000 in 2023.

First Federal has purchased insurance on the lives of the participants in the supplemental retirement plan and the deferred compensation plan with First Federal as beneficiary. In addition, life insurance was purchased on a pool of officers with First Federal as beneficiary. The cash surrender value of the life insurance was approximately \$12,160,000 and \$11,752,000 at December 31, 2024 and 2023, respectively. The income derived from the investment in life insurance included in other income was approximately \$334,000 and \$297,000 for 2024 and 2023, respectively.

Employee Stock Ownership Plan (ESOP)

An ESOP exists for the benefit of substantially all employees. Contributions to the ESOP are made by Northeast Indiana Bancorp and are determined by the Board of Directors at their discretion. The contributions may be made in the form of cash or common stock. The annual contributions may not be greater than the amount deductible for federal income tax purposes and cannot cause Northeast Indiana Bancorp to violate regulatory capital requirements.

There were no cash contributions or expense associated with the ESOP in 2024 and 2023. The Company is obligated, at the option of each beneficiary, to repurchase shares of the ESOP upon the beneficiary's termination or after retirement. At December 31, 2024 and 2023, the fair value of the 156,451 and 190,594 allocated shares held by the ESOP was \$2,855,000 and \$3,340,000, respectively. In addition, there are 49,144 and 52,504 outstanding shares held by former employees that are subject to an ESOP-related repurchase option. The fair value of all shares subject to the repurchase obligation at December 31, 2024 and 2023 is approximately \$896,900 and \$892,600, respectively.

The number of allocated shares and shares subject to the repurchase plan for December 31, 2024 and 2023, respectively, have been adjusted for the two-for-one stock split on June 30, 2023.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Recognition and Retention Plans (RRP)

In 2022, the 2022 Equity Incentive Plan was approved with 250,000 shares available to be awarded through either stock options or RRP grants. There are currently 224,000 shares remaining available to be granted as of December 31, 2024. The shares awarded in prior periods will vest 20% per year over a period of five years. There were three new RRP grants awarded in 2024 for 6,000 shares and eleven new RRP grants awarded in 2023 for 23,000 shares. The expense associated with the RRP was approximately \$109,000 in 2024 and \$84,000 in 2023.

	2024	Weighted-Average Grant-Date Fair Value
	Shares	
Nonvested, beginning of year	21,000	\$ 21.69
Awarded	6,000	19.00
Vested	(4,200)	21.69
Forfeiture	(1,000)	19.00
	<u>21,800</u>	<u>\$ 21.07</u>
Nonvested, end of year	<u>21,800</u>	<u>\$ 21.07</u>

In 2002, the Omnibus Incentive Plan was approved with 317,506 shares available to be awarded through either stock options or RRP grants. There are currently no shares remaining available to be granted as of December 31, 2024. The shares awarded in prior periods will vest 20% per year over a period of five years. There were no new RRP grants awarded in 2024 and 2023. The expense associated with the RRP was approximately \$13,000 in 2024 and \$16,000 in 2023.

	2024	Weighted-Average Grant-Date Fair Value
	Shares	
Nonvested, beginning of year	1,600	\$ 16.55
Vested	(800)	20.30
Forfeiture	(200)	20.30
	<u>600</u>	<u>\$ 10.30</u>
Nonvested, end of year	<u>600</u>	<u>\$ 10.30</u>

Unearned compensation at December 31, 2024 and 2023 related to the RRP shares is \$359,000 and \$390,000, respectively, and will be recognized over a weighted-average period of 39 months.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 11: Income Taxes

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2021. The provision for income taxes includes these components:

	2024	2023
Federal		
Current	\$ 528,401	\$ 739,657
Deferred	11,246	73,429
State		
Current	(109,620)	(235,992)
Deferred	<u>(23,215)</u>	<u>(37,569)</u>
Income tax expense	<u><u>\$ 406,812</u></u>	<u><u>\$ 539,525</u></u>

Effective tax rates differ from federal statutory rates applied to financial statement income due to the following:

	2024	2023
Federal statutory rate of 21% in 2024 and 2023, financial statement income before income taxes	\$ 989,598	\$ 1,007,835
Tax effect of		
State tax benefit, net of federal income tax effect	(9,456)	28,329
Low income housing tax credit	(199,519)	(266,025)
Tax-exempt income	(308,013)	(232,385)
Other, net	<u>(65,798)</u>	<u>1,771</u>
Income tax expense	<u><u>\$ 406,812</u></u>	<u><u>\$ 539,525</u></u>

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

The components of the net deferred tax asset included in other assets on the consolidated balance sheets were:

	2024	2023
Deferred tax assets		
Deferred compensation	\$ 225,536	\$ 244,036
Allowance for credit losses	1,163,634	1,127,242
Pension and employee benefits	28,364	25,185
Unrealized losses on available-for-sale securities	2,101,389	1,993,419
Other	91,897	63,156
	<u>3,610,820</u>	<u>3,453,038</u>
Deferred tax liabilities		
Depreciation	(240,906)	(246,401)
Prepays	(48,492)	(26,123)
FHLB stock dividends	(31,677)	(31,627)
Accrual to cash adjustments	(107,169)	(193,678)
Deferred loan fees	(13,626)	(27,064)
	<u>(441,870)</u>	<u>(524,893)</u>
Net deferred tax asset	<u>\$ 3,168,950</u>	<u>\$ 2,928,145</u>

Retained earnings at December 31, 2024 includes approximately \$1,187,000 for which no deferred federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amount was approximately \$249,000 at December 31, 2024.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 12: Regulatory Matters

First Federal is subject to regulatory capital requirements administered by federal regulatory agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices.

Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors, and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the consolidated financial statements.

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

On November 13, 2019, the federal regulators finalized and adopted a regulatory capital rule establishing a new community bank leverage ratio ("CBLR"), which became effective on January 1, 2020. Eligibility criteria to utilize CBLR included having total assets less than \$10 billion and off-balance sheet exposures that were less than 25% of total assets, among others. First Federal elected to begin using CBLR in the fourth quarter of 2024 and utilized this measure of reporting for December 31, 2024.

For reporting periods prior to the CBLR election, First Federal had been reporting fully phased-in Basel III risk-based capital ratios, though it had qualified for CBLR treatment from inception of the option.

At December 31, 2024 and 2023, actual First Federal capital levels (in millions) and minimum required levels were:

	Actual		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio
As of December 31, 2024				
Tier I (core) capital				
(to average assets)	\$ 53.2	10.1%	\$ 47.5	9.0%

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

	Actual		Required for Adequate Capital		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2023						
Total capital						
(to risk-weighted assets)	\$ 56.8	14.0%	\$ 32.5	8.0%	\$ 40.7	10.0%
Tier I (core) capital						
(to risk-weighted assets)	51.7	12.7%	24.4	6.0%	32.5	8.0%
Common Equity Tier I capital						
(to risk-weighted assets)	51.7	12.7%	18.3	4.5%	26.4	6.5%
Tier I (core) capital						
(to adjusted total assets)	51.7	10.6%	19.6	4.0%	24.5	5.0%

First Federal was categorized as well capitalized at December 31, 2024 and 2023. There are no conditions or events since that notification that management believes have changed First Federal's category.

Basel III Capital Rules

In July 2013, the three federal bank regulatory agencies jointly published final rules (the Basel III Capital Rules) establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. These rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, compared to the current U.S. risk-based capital rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. These rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach with a more risk-sensitive approach. The Basel III Capital Rules were effective for the Bank on January 1, 2015 (subject to a four-year phase-in period).

The Basel III Capital Rules, among other things, (i) introduce a new capital measure called "Common Equity Tier 1" (CET1), (ii) specify that Tier 1 capital consist of CET1 and "Additional Tier 1 Capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expand the scope of the deductions/adjustments as compared to existing regulations.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 13: Commitments and Contingencies and Financial Instruments With Off-Balance-Sheet Risk

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

Financial instruments with off-balance-sheet risk were as follows:

	2024	2023
Fixed rate commitments	\$ 4,203,862	\$ 4,264,378
Variable rate commitments	65,321,692	38,894,814
Letter of credit	555,000	2,611,771

Most loan commitments have terms up to 60 days. At December 31, 2024, fixed commitments have contractual interest rates ranging from 6.375% to 8.00%. Most variable rate arrangements are tied either to the national monthly median cost of funds, prime rate or the U.S. Treasury bill rate and have spreads between -4.25% and 2.75%.

Certain executives of the Bank have employment contracts, which are based upon changes of control. The employment contracts provide for the payment of one to three years' worth of the officers' salaries upon a change of control.

Note 14: Stock Options

The 2022 Equity Incentive Plan was added to the Company's proxy statement and approved by the shareholders at the April 26, 2022 Northeast Indiana Bancorp, Inc. Annual Meeting. There were 250,000 new stock options approved under the new plan. At December 31, 2024, there were 224,000 shares authorized for future grants.

At December 31, 2024 and 2023, the Company had no stock options outstanding or exercisable.

Note 15: Related Party Transactions

Certain directors and officers of First Federal are loan customers. In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further, in management's opinion, these loans did not involve more than normal risk of collectability or present other unfavorable features. Related party loans were approximately \$388,000 and \$948,000 at December 31, 2024 and 2023, respectively. Related party deposits were approximately \$4,401,000 and \$4,217,000 at December 31, 2024 and 2023, respectively.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 16: Earnings Per Common Share

A reconciliation of the numerators and denominators of the basic earnings per common share and diluted earnings per common share computations for the years ended December 31, is presented below. The balances are retroactively adjusted for a two-for-one stock split on June 30, 2023.

	2024	2023
Basic earnings per common share		
Net income available to common shareholders	\$ 4,305,559	\$ 4,259,690
Weighted-average common shares outstanding before adjustment	2,416,245	2,427,495
Less: nonvested RRP shares	(23,102)	(25,750)
Weighted-average common shares outstanding for basis earnings per common shares	2,393,143	2,401,745
Basic earnings per common share	\$ 1.80	\$ 1.77
Diluted earnings per common share		
Net income available to common shareholders, per above	\$ 4,305,559	\$ 4,259,690
Weighted-average common shares outstanding	2,393,143	2,401,745
Add: dilutive effects of assumed conversions and exercises of stock options and RRP shares	-	28
Weighted-average common and dilutive shares outstanding for dilutive earnings per common shares	2,393,143	2,401,773
Diluted earnings per common share	\$ 1.80	\$ 1.77

Note 17: Disclosures About Fair Values of Financial Instruments

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Recurring Measurements

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

2024				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities				
U.S. agencies	\$ 12,769,503	\$ -	\$ 12,769,503	\$ -
U.S. Treasuries	929,241		929,241	
Small Business Administration	796,520	-	796,520	-
U.S. Government agency-sponsored mortgage-backed securities	27,176,324	-	27,176,324	-
State and political subdivisions	33,118,203	-	33,118,203	-
	<u>\$ 74,789,791</u>	<u>\$ -</u>	<u>\$ 74,789,791</u>	<u>\$ -</u>
2023				
Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities				
U.S. agencies	\$ 13,148,089	\$ -	\$ 13,148,089	\$ -
U.S. Treasuries	1,894,525		1,894,525	
Small Business Administration	953,902	-	953,902	-
U.S. Government agency-sponsored mortgage-backed securities	27,753,907	-	27,753,907	-
State and political subdivisions	33,249,797	-	33,249,797	-
	<u>\$ 77,000,220</u>	<u>\$ -</u>	<u>\$ 77,000,220</u>	<u>\$ -</u>

Northeast Indiana Bancorp, Inc.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

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

Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. Government agency and treasury securities, U.S. Government agency-sponsored mortgage-backed securities and obligations of state and political subdivisions. Level 2 securities are valued by a third-party pricing service commonly used in the banking industry, utilizing observable inputs. Observable inputs include dealer quotes, market spreads, cash flow analysis, the U.S. Treasury curve, trade execution data, market consensus prepayment spreads and available credit information. The pricing provided utilizes evaluated pricing models that are based on asset class. These models incorporate available market information including quoted prices of securities with similar characteristics and, because many fixed income securities do not trade on a daily basis, apply available information through processes such as benchmark curves. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Nonrecurring Measurements

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

		2024			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value					
Collateral-dependent loans	\$ 4,254,116	\$ -	\$ -	\$ 4,254,116	

		2023			
		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value					
Collateral-dependent loans	\$ 6,871,188	\$ -	\$ -	\$ 6,871,188	

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

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

Collateral Dependent Loans

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

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

Unobservable (Level 3) Inputs

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

	Fair Value at December 31, 2024	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent loans	\$ 4,254,116	Appraisal	Marketability discount	30% - 100%

	Fair Value at December 31, 2023	Valuation Technique	Unobservable Inputs	Range
Collateral-dependent loans	\$ 6,871,188	Appraisal	Marketability discount	10% - 50%

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Fair Value of Financial Instruments

The following tables present estimated fair values of the Company's financial instruments at December 31, 2024 and 2023.

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Carrying Value		
December 31, 2024				
Financial assets				
Cash and cash equivalents	\$ 10,206,538	\$ 10,206,538	\$ -	\$ -
Interest-earning time deposits	4,275,000	4,275,000	-	-
Available-for-sale securities	74,789,791	-	74,789,791	-
Held-to-maturity securities	11,602,482	-	9,630,930	-
Loans held for sale	71,200	-	71,200	-
Loans receivable, net	390,563,308	-	-	380,531,308
Accrued interest receivable	2,237,407	-	2,237,407	-
FHLB stock	2,835,000	-	2,835,000	-
Financial liabilities				
Deposits	428,940,114	-	406,129,114	-
Borrowed funds	41,000,000	-	40,883,000	-
Accrued interest payable	794,397	-	794,397	-

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Carrying Value				
December 31, 2023				
Financial assets				
Cash and cash equivalents	\$ 5,470,476	\$ 5,470,476	\$ -	\$ -
Interest-earning time deposits	4,320,000	4,320,000	-	-
Available-for-sale securities	77,000,220	-	77,000,220	-
Held-to-maturity securities	11,983,298	-	9,865,063	-
Loans receivable, net	370,657,517	-	-	352,597,517
Accrued interest receivable	2,354,636	-	2,354,636	-
FHLB stock	2,227,500	-	2,227,500	-
Financial liabilities				
Deposits	401,072,181	-	374,208,181	-
Borrowed funds	47,250,000	-	46,871,000	-
Accrued interest payable	164,547	-	164,547	-

While these estimates of fair value are based on management's judgment of the most appropriate factors, there is no assurance that were Northeast Indiana Bancorp to have disposed of such items at December 31, 2024 and 2023, the estimated fair values would necessarily have been achieved at that date, since fair values may differ depending on various circumstances. The estimated fair values at December 31, 2024 and 2023, should not necessarily be considered to apply at subsequent dates.

Northeast Indiana Bancorp, Inc.
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 18: Significant Estimates and Concentrations

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

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Note 19: Segment Information

The Company's reportable segment is determined by the President/Chief Executive Officer, who is the designated the chief operating decision maker, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. The chief operating decision maker will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The chief operating decision maker uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Interest income and non-interest income provide the revenues in the banking operation. Interest expense, provisions for credit losses, and salaries provide the significant expenses in the banking operation. All operations are domestic. Accounting policies for segments are the same as those described in Note 1. Segment performance is evaluated using consolidated balance sheet and income statement.

Note 20: Subsequent Events

Subsequent events have been evaluated through March 7, 2025, which is the date the consolidated financial statements were available to be issued.