UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended June 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________ to _______________

Commission File Number: **000-56459**

VWF Bancorp, Inc.
(Exact Name of Registrant as Specified in its Charter)

Maryland	**88-1256373**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
976 South Shannon Street, Van Wert, Ohio	**45891**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(419) 238-9662**

Securities registered pursuant to Section 12(b) of the Act: None

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, par value $0.01 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒
Emerging growth company ☒

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant, based upon the closing price of $14.00 for the common stock on December 31, 2023, was approximately $18.2 million. The registrant has no non-voting shares. For purposes of this calculation, shares of common stock held by directors, officers and 5 percent stockholders known to the registrant have been deeded to be owned by affiliates, but this should not be construed as an admission that any such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant or that such person is controlled by ore under common control with the registrant.

As of September 27, 2024, the Registrant had 1,951,765 shares of common stock issued, of which 1,914,965 are outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement for the 2024 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM 1. <u>Business</u>

Forward Looking Statements

This annual report contains forward-looking statements, which can be identified by the use of words such as such “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect,” “will,” “would,” “should,” “could” or “may,” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Accordingly, you should not place undue reliance on such statements. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of this annual report.

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

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for credit losses;
- our ability to access cost-effective funding;
- fluctuations in real estate values and in the conditions of the residential real estate, commercial real estate, and agricultural real estate markets;
- demand for loans and deposits in our market area;
- our ability to implement and change our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, the fair value of our financial instruments, or our level of loan originations, or increase the level of defaults, losses and prepayments within our loan portfolio;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees, capital requirements and insurance premiums;

- changes in the quality or composition of our loan or investment portfolios;
- technological changes that may be more difficult or expensive than expected;
- the inability of third-party providers to perform as expected;
- a failure or breach of our operational or information security systems or infrastructure, including cyberattacks;
- our ability to manage market risk, credit risk and operational risk;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees;
- material weakness or significant deficiency in our internal controls over financial reporting; and
- changes in the financial condition, results of operations or future prospects of issuers of securities that we own.

Because of these and a wide variety of other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

As used in this report, unless the context otherwise requires, the terms “we,” “our,” “us,” or the “Company” refer to VWF Bancorp, Inc., and the term the “Bank” refers to Van Wert Federal Savings Bank, the wholly owned subsidiary of the Company. In addition, unless the context otherwise requires, references to the operations of the Company include the operations of the Bank.

VWF Bancorp, Inc.

VWF Bancorp, Inc. was incorporated in February 2022 to become the holding company for Van Wert Federal Savings Bank upon the conversion of Van Wert Federal from the mutual form of organization to the stock form of organization (the “Conversion”). The Conversion was completed on July 13, 2022. In connection with the Conversion, the Company sold 1,922,924 shares of common stock at a price of $10.00 per share.

The Company is a registered savings and loan holding company subject to comprehensive regulation and examination by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”). The Company conducts its operations primarily through its wholly owned subsidiary, Van Wert Federal Savings Bank, a federally-chartered savings bank. The Company’s principal office is located at 976 South Shannon Street, Van Wert, Ohio 45891, and our telephone number at that address is (419) 238-9662. Our website address is *www.vanwertfederal.com*. Information on our website is not and should not be considered a part of this annual report.

Van Wert Federal Savings Bank

Effective August 1, 2024, the Bank completed rebranding efforts and changed its name from Van Wert Federal Savings Bank to GreenWay Bank. The Bank is a federally-chartered savings bank headquartered in Van Wert, Ohio. The Bank currently conducts its business from its main offices in Van Wert, Ohio and Fort Wayne, Indiana. We are primarily engaged in attracting deposits from the general public and using those funds to invest in loans and securities. Our principal sources of funds are customer deposits, repayments of loans, maturities of investments, brokered deposits, and funds borrowed from outside sources such as Federal Home Loan Bank ("FHLB") of Cincinnati and the Federal Reserve Bank ("FRB") of Cleveland under the Bank Term Funding Program ("BTFP"). These funds are primarily used for the origination of loans, including single-family residential first mortgage loans, commercial real estate mortgage loans, commercial and industrial loans, construction and land loans and other loans. Our primary revenue source is interest earned on loans and investment securities. Noninterest income is not a significant revenue source. Our primary expenses are compensation and benefits, interest expense on deposits and borrowings and other general operating expenses.

Historically, the Bank was a traditional thrift institution with an emphasis on long-term single-family residential first mortgage loans secured by residences located in our traditional market area centered in Van Wert, Ohio. Our business strategy is to enhance our products and services and embrace a full-service community bank model by re-focusing our efforts to attract a greater number of small to mid-sized businesses and business professionals in our market area and to increase our holdings of commercial real estate loans and commercial and industrial loans. Commercial real estate loans and commercial and industrial loans are deemed attractive due to their generally higher yields and shorter anticipated lives compared to single-family residential mortgage loans.

The Bank is subject to comprehensive regulation and examination by the Office of the Comptroller of the Currency (the "OCC") and the Federal Deposit Insurance Corporation (the "FDIC") and is a member of the Federal Home Loan Bank system.

Market Area and Competition

Historically, our business focus has centered on areas within a short drive from our banking headquarters in Van Wert County, located in northwest Ohio. We expanded our branch office network into Allen County, located in northeast Indiana by opening our Fort Wayne office branch in April 2024. In the future, we expect to increase our penetration in Allen County, Indiana with a focus on servicing small to mid-sized businesses and professionals.

Van Wert County is primarily rural, but it has a mix of manufacturing and agriculture. Major manufacturers include Tenneco, Inc. and Danfoss, which are major employers. Other major employers are Braun Industries, Central Mutual Insurance Company, Cooper Farms, Van Wert County Hospital, and local school districts. Agricultural production is primarily focused on corn, soybeans and wheat. Allen County has a strong history in manufacturing but has diversified into other key industries including specialty insurance, medical device and technology, healthcare, vehicles, design and craftsmanship, logistics and e-commerce, food and beverage and advanced materials.

We face significant competition in originating loans and attracting deposits. This competition stems primarily from large money center and regional banks, community banks and savings institutions, and credit unions. We also face competition for loans from mortgage banking firms, consumer finance companies, credit unions, and fintech companies and, with respect to deposits, from money market funds, brokerage firms, mutual funds and insurance companies.

Lending Activities

General. Our loan portfolio consists residential mortgage loans, commercial real estate loans, agricultural real estate loans, construction and land loans, commercial and industrial loans, home equity lines of credit, and consumer loans. We originate loans for retention in our portfolio and generally do not sell loans. In recent years, we have increased our focus on originating higher yielding commercial real estate loans and commercial and industrial loans. We offer both adjustable-rate and fixed-rate residential mortgage loans. However, historically a significant majority of the residential real estate loans which we have originated are long-term, fixed-rate loans that generally conform to secondary market guidelines.

Commercial real estate loans and commercial and industrial loans have not historically comprised a significant portion of our total loan portfolio. While we expect that one- to four-family residential real estate lending will continue to be an emphasis of our lending operations, we intend to increase our emphasis on commercial real estate loans and commercial and industrial loans in an effort to increase the yield on our loan portfolio and diversify our loan portfolio.

Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated. There were no loans held-for-sale at any date indicated.

	At June 30,			
	2024		2023	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Real estate loans:				
Commercial real estate	$ 19,725	15.2 %	$ 6,010	6.2 %
Residential real estate	69,827	53.9	65,857	79.8
Multifamily	659	0.5	688	0.9
Agricultural real estate	4,214	3.3	4,045	4.2
Construction and land	17,645	13.6	8,567	7.3
Home equity line of credit	1,623	1.3	355	0.3
Commercial and industrial	14,879	11.5	3,399	0.4
Consumer	955	0.7	801	0.9
Total loans	129,527	100.00 %	89,722	100.00 %
Less:				
Undisbursed loans in process	2,223		8,203	
Net deferred loan costs, premium and discounts	140		48	
Allowance for credit losses	773		263	
Total loans receivable, net	$ 126,391		$ 81,208	

Contractual Maturities. The following table sets forth the contractual maturities of our total loan portfolio at June 30, 2024. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. Because the tables present contractual maturities and do not reflect repricing or the effect of prepayments, actual maturities may differ.

	Commercial Real Estate	Residential Real Estate	Multifamily Real Estate	Agricultural Real Estate	Construction and Land	Commercial and Industrial	Home Equity Lines of Credit	Consumer	Total
	(In thousands)								
Due During the Years Ending June 30,									
2025	$ 1,608	$ 15	$ —	$ —	$ 628	$ 2,506	$ —	$ 8	$ 4,765
2026	359	124	—	—	3,423	4,117	—	31	8,054
2027	3,016	229	—	28	347	3,351	—	133	7,104
2028 to 2029	7,400	1,513	—	105	5,303	3,355	—	277	17,953
2030 to 2034	2,376	6,679	—	152	3,441	1,183	—	502	14,333
2035 to 2039	3,219	15,888	659	384	2,133	367	121	—	22,771
2040 and beyond	1,747	45,379	—	3,545	2,370	—	1,502	4	54,547
Total	$ 19,725	$ 69,827	$ 659	$ 4,214	$ 17,645	$ 14,879	$ 1,623	$ 955	$ 129,527

The following table sets forth our fixed and adjustable-rate loans at June 30, 2024 that are contractually due after June 30, 2024.

	Due After June 30, 2024		
	Fixed	Adjustable	Total
		(In thousands)	
Real estate loans:			
Commercial real estate	$ 11,208	$ 8,517	$ 19,725
Residential real estate	57,741	12,086	69,827
Multifamily	659	—	659
Agricultural real estate	20	4,194	4,214
Construction and land	8,994	8,651	17,645
Home equity lines of credit (HELOC)	—	1,623	1,623
Commercial and industrial loans	9,766	5,113	14,879
Consumer loans	955	—	955
Total loans	$ 89,343	$ 40,184	$ 129,527

Residential Mortgage Lending. At June 30, 2024 we had $69.8 million of loans secured by residential real estate, or 53.9% of total loans. The significant majority of our one- to four-family residential real estate loans are secured by properties located in our primary market area. At June 30, 2024, $1.3 million, or 1.0% of residential mortgage loans, were secured by non-owner occupied properties.

Our one- to four-family residential real estate loans are generally underwritten to secondary market guidelines. We offer both fixed-rate and adjustable rate residential mortgage loans for terms up to 30 years. Existing adjustable-rate loans originated prior to July 2023 are tied to the National Average Contract Mortgage Rate published by the Federal Housing Finance Agency. As of July 2023, adjustable-rate mortgages are tied to the Weekly Average Yield of the 1-year Constant Maturity Index published by HSH.com. For adjustable-rate loans, the interest rate is fixed for the initial terms of five, seven or 10 years, and then adjusts yearly thereafter with an adjustable-rate cap of 2% and a lifetime rate cap of 6%. We generally limit the loan-to-value ratios of our residential mortgage loans to 80% (90% for borrowers with a FICO credit score of 720 or higher and 97% with private mortgage insurance) of the purchase price or appraised value, whichever is lower.

We do not offer "interest only" residential mortgage loans, where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan. We also do not offer loans that provide for negative amortization of principal, such as "Option ARM" loans, where the borrower can pay less than the interest owed on the loan, resulting in an increased principal balance during the life of the loan. We do not currently offer "subprime loans" on one- to four-family residential real estate loans (i.e., generally loans to borrowers with credit scores less than 620). At June 30, 2024, multi-family residential mortgage loans was an immaterial portion of our loan portfolio.

Commercial Real Estate Loans. At June 30, 2024, we had $19.7 million in commercial real estate loans, or 15.2% of total loans. Our commercial real estate loans are secured by owner-occupied properties including warehouses and offices, amongst others, and non-owner-occupied properties including investment 1-4 family properties and both single and multi-tenant buildings. We generally do not originate commercial loans secured by strip shopping malls or restaurants. We originate both fixed rate and variable rate commercial real estate loans. All interest rates, both fixed and variable, are generally tied to a like term United State Treasury Yield plus a margin. Commercial real estate loans generally have terms up to 20 years; however, rates are generally fixed no longer than 5 years at a time. We generally limit the loan-to-value ratios of our commercial mortgage loans to 80% of the purchase price or appraised value, whichever is lower. At June 30, 2024, our largest commercial real estate loan was for $2,500,000, which fully funded at origination.

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property, and the debt service coverage ratio (the ratio of net operating income to debt service). Generally, we require that the debt service coverage ratio be at least 1.15x. The significant majority of our commercial real estate loans are appraised by outside independent appraisers approved by the board of directors. Personal guarantees are generally obtained from the principals of commercial real estate borrowers.

Agricultural Real Estate Loans. At June 30, 2024, we had $4.2 million in agricultural real estate loans, or 3.3% of total loans. These loans are secured by agricultural land. The interest rate is fixed for the initial term of five or seven years, and then adjusts yearly thereafter. Agricultural real estate loans generally have terms up to 25 years. We generally limit the loan-to-value ratios of our agricultural real estate loans to 75% of the purchase price or appraised value, whichever is lower. At June 30, 2024, our largest agricultural real estate loan was $624,000, of which $355,000 had been disbursed. At June 30, 2024, this loan was performing according to its original terms.

We consider a number of factors in originating agricultural real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in agriculture and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property, and the debt service coverage ratio (the ratio of net operating income to debt service). Generally, we require that the debt service coverage ratio be at least 1.15x. The significant majority of our agricultural real estate loans are appraised by outside independent appraisers approved by the board of directors. Personal guarantees are generally obtained from the principals of agricultural real estate borrowers.

Construction and Land Loans. At June 30, 2024, we had $17.6 million in construction and land loans, or 13.6% of total loans. We make residential construction loans, primarily to individuals for the construction of their primary residences. Our residential construction loans are structured as construction/permanent loans where after a one-year construction period the loan converts to a permanent residential mortgage loan. Our residential construction loans are underwritten to the same guidelines for permanent residential mortgage loans. At June 30, 2024, our largest residential construction loan was $742,000, of which $31,000 has been disbursed.

We make commercial construction loans, which are generally structured as construction/permanent loans where after a construction period the loan converts to a permanent commercial mortgage loan. In some instances, the construction period will include a stabilization period to allow time for the property to stabilize post-construction before converting to a permanent commercial mortgage loan. Generally speaking, the construction/stabilization term does not exceed 24 months, except for extenuating circumstances. Included within the commercial construction loans are loans to contractors and homebuilders to build 1-4 family homes. We make a limited number of speculative residential construction loans, which are constructions loans to a builder where there is not a contract in place for the purchase of the home at the time the construction loan is originated. We have one facility to a homebuilder that allows for draws to construct speculative 1-4 family homes, in addition to pre-sold homes and lot purchases. The advance rate for speculative homes is lower than pre-sold homes. Our commercial construction loans are underwritten to the same guidelines for commercial mortgage loans. At June 30, 2024, our largest commercial construction loan commitment was for $4.5 million, of which $3.5 million has been disbursed.

Construction loans generally can be made with a maximum loan-to-value ratio of 90% (residential properties) and 80% (commercial properties) of the estimated appraised market value upon completion of the project. Before making a commitment to fund a construction loan, we require an appraisal of the property by an independent licensed appraiser. We also generally require inspections of the property before disbursements of funds during the term of the construction loan.

Commercial and Industrial Loans. At June 30, 2024, commercial and industrial loans amounted to $14.9 million, or 11.5% of total loans. Commercial and industrial loans include both term loans and lines of credit. Term loans are generally fixed rate, fully amortizing loans with 5-, 7-, or 10-year terms. Lines of credit are primarily based on 1M Term SOFR (Secured Overnight Financing Rate) or 30-day Average SOFR, however, some are based on the prime rate and with terms of 12 to 24 months. These loans are generally secured by business assets, such as equipment and accounts receivable. Depending on the collateral used to secure the loans, commercial advance rates generally include 80 percent of accounts receivable, 50 percent of inventory, and 80 percent of the forced liquidation value of equipment as determined by an independent appraisal engaged by the Bank.

When making commercial loans, we consider the financial statements of the borrower, our lending history with the borrower, the debt service capabilities and global cash flows of the borrower and other guarantors, the projected cash flows of the business and the value of the collateral, accounts receivable, inventory and equipment.

At June 30, 2024, our largest commercial and industrial loan totaled $4.5 million, $4.0 million of which is outstanding, and is a participation in a non-revolving draw down overline of credit (75% of participation interest). The loan is for the purpose of providing the borrower funds to purchase trucks and is secured by titles on the trucks purchased. At June 30, 2024, this loan was performing according to its original terms.

Home Equity Lines of Credit. At June 30, 2024, the outstanding balance of home equity lines of credit was $1.6 million, or 1.3% of total loans. The interest rate for home equity lines of credit are based on the prime rate. There is a 10 year draw period followed by a 10 year repayment period. The loan to value ratio is generally up to 90%, taking into account any superior mortgage on the collateral property. Generally, all applicants for a home equity line of credit are required to have a FICO credit score of at least 720.

Consumer Loans. At June 30, 2024, consumer loans were $955,000, or 0.7% of total loans. Our consumer loan portfolio generally consists of loans secured predominately by automobiles and trucks (new and used), trailers, and other consumer assets. Consumer loans have fixed interest rates and terms up to seven years, with loan to value ratios up to 100%.

Loan Underwriting Risks

Commercial Real Estate Loans and Agricultural Real Estate Loans. Loans secured by commercial real estate or agricultural real estate generally have larger balances and involve a greater degree of risk than one- to four-family residential real estate loans. The primary concern in commercial real estate lending and agricultural real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the underlying business. Payments on loans secured by income producing properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject, to a greater extent than residential real estate loans, to adverse conditions in the real estate market or the economy. To monitor cash flows on income properties, we require borrowers and loan guarantors to provide quarterly, semi-annual or annual financial statements, depending on the size of the loan, on commercial real estate loans. In reaching a decision on whether to make a commercial real estate loan, we consider and review a global cash flow analysis of the borrower and consider the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. We have generally required that the properties securing these real estate loans have an aggregate debt service ratio, including the guarantor's cash flows and the borrower's other projects, of at least 1.15x. An environmental phase one report is obtained when the possibility exists that hazardous materials may have existed on the site, or the site may have been impacted by adjoining properties that handled hazardous materials.

If we foreclose on a commercial real estate loan or an agricultural real estate loan, the marketing and liquidation period to convert the real estate asset to cash can be lengthy with substantial holding costs. In addition, vacancies, deferred maintenance, repairs and market stigma can result in prospective buyers expecting sale price concessions to offset their real or perceived economic losses for the time it takes them to return the property to profitability. Depending on the individual circumstances, initial charge-offs and subsequent losses on commercial real estate loans can be unpredictable and substantial.

Commercial and Industrial Loans. Unlike residential real estate loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial and industrial loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flows of the borrower's business, and the collateral securing these loans may fluctuate in value. Our commercial and industrial loans are originated primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. Collateral for commercial and industrial loans typically consists of equipment, accounts receivable, or inventory. Credit support provided by the borrower for most of these loans is based on the liquidation of the pledged collateral and enforcement of a personal guarantee, if any. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value. As a result, the availability of funds for the repayment of commercial and industrial loans may depend substantially on the success of the business itself.

Construction and Land Loans. Our construction loans are based upon estimates of costs and values associated with the completed project. Underwriting is focused on the borrowers' financial strength, credit history and demonstrated ability to produce a quality product and effectively market and manage their operations.

Construction lending involves additional risks when compared with permanent lending because funds are advanced upon the security of the project, which is of uncertain value before its completion. Because of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. In addition, generally during the term of a construction loan, interest may be funded by the borrower or disbursed from an interest reserve set aside from the construction loan budget. These loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. If the appraised value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss. Land loans have substantially similar risks.

Balloon Loans. Although balloon mortgage loans may reduce to an extent our vulnerability to changes in market interest rates because they reprice at the end of the term, the ability of the borrower to renew or repay the loan and the marketability of the underlying collateral may be adversely affected if the value of the real estate or other collateral decline before the expiration of the term of the loan or if there is a rising interest rate environment.

Consumer Loans. Consumer loans may entail greater risk than residential real estate loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. Repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and a small remaining deficiency often does not warrant further substantial collection efforts against the borrower. Consumer loan collections depend on the borrower's continuing financial stability, and therefore are likely to be adversely affected by various factors, including job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Loan Originations, Purchases and Sales

We originate loans through employee marketing and advertising efforts, our existing customer base, walk-in customers and referrals from customers.

We generally do not sell the loans we originate, but retain them in our loan portfolio.

At June 30, 2024, our largest purchased participation consisted of 4 separate participation interests, each with a commitment amount of $4.5 million, representing 16.07%, 9.44%, 9.74%, and 20.93% interests in the deals. The deals consist of a market rate multi-family construction project in Lafayette, Indiana, a market rate multi-family construction project in Fort Wayne, Indiana, a market rate multi-family construction project in Noblesville, Indiana and a hotel renovation project on a long-time downtown Indianapolis, Indiana hotel. The outstanding balances for each were $3.5 million, $137,000, $0, and $3.1 million as of June 30, 2024, respectively.

Loan Approval Procedures and Authority

Our lending is subject to written, non-discriminatory underwriting standards and origination procedures. Decisions on loan applications are made on the basis of detailed applications submitted by the prospective borrower and property valuations. Our policies require that for all real estate loans that we originate, property valuations must be performed by outside independent state-licensed appraisers approved by our board of directors. The loan applications are designed primarily to determine the borrower's ability to repay the requested loan, and the more significant items on the application are verified through use of credit reports, financial statements and tax returns.

By law, the aggregate amount of loans that we are permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of the Bank's unimpaired capital and surplus (25% if the amount in excess of 15% is secured by "readily marketable collateral" or 30% for certain residential development loans). At June 30, 2024, our largest credit relationship to one borrower had an outstanding balance of $4.0 million and is a participation loan secured by titles to the vehicles purchased with the credit facility. At June 30, 2024, this loan was performing according to its original terms.

Generally, we require property and extended coverage casualty insurance in amounts at least equal to the principal amount of the loan or the value of improvements on the property, depending on the type of loan. In addition, we require an escrow for flood insurance (where appropriate) and generally require an escrow for required property taxes and insurance. On occasion, we allow borrowers to pay their own taxes and property and casualty insurance as long as proof of payment is provided.

The VP, Consumer and Mortgage Lending, may approve all non-commercial loans up to $500,000. All loans that exceed this limit require secondary approval by a Board Member.

We have a separate policy for commercial loans wherein loans up to $500,000 are approved with dual signature by the Lending Officer and either the Chief Banking Officer or Chief Risk Officer. Loans over $500,000 up to $2,000,000 are approved by the Commercial Loan Committee consisting of the President and CEO, Chief Risk Officer, Chief Banking Officer, and two outside loan committee members with over a combined 60 years of commercial lending experience. All commercial loans over $2.0 million are approved by the full board.

Delinquencies, Classified Assets and Nonperforming Assets

Delinquency Procedures. When a borrower fails to make a required monthly payment on a loan, we mail a notice to the borrower and attempt to contact the borrower by phone. All delinquent loans are reported to the board of directors each month. After 90 days delinquent the loan is transferred to the appropriate collections' personnel. Our policies provide that a late notice be sent each month that the loan is past due. Once the loan is considered in default, generally at 90 days past due, a letter is generally sent to the borrower explaining that the entire balance of the loan is due and payable, the loan is placed on non-accrual status, and additional efforts are made to contact the borrower. If the borrower does not respond, we generally initiate foreclosure proceedings when the loan is 120 days past due. If the loan is reinstated, foreclosure proceedings will be discontinued and the borrower will be permitted to continue to make payments. In certain instances, we may modify the loan or grant a limited exemption from loan payments to allow the borrower to reorganize his or her financial affairs.

When we acquire real estate as a result of foreclosure or by deed in lieu of foreclosure, the real estate is classified as other real estate owned until it is sold. The real estate is recorded at estimated fair value at the date of acquisition, less estimated costs to sell, and any write-down resulting from the acquisition is charged to the allowance for credit losses. Subsequent decreases in the value of the property are charged to operations. After acquisition, all costs in maintaining the property are expensed as incurred. Costs relating to the development and improvement of the property, however, are capitalized to the extent of estimated fair value less estimated costs to sell. At June 30, 2024, we had no real estate acquired as a result of foreclosure or by deed in lieu of foreclosure.

Loan Modifications. We occasionally modify loans to extend the term or make other concessions to help a borrower stay current on his or her loan and to avoid foreclosure. We consider modifications only after analyzing the borrower's current repayment capacity, evaluating the strength of any guarantors based on documented current financial information, and assessing the current value of any collateral pledged. We generally do not forgive principal or interest on loans, but may do so if it is in our best interest and increases the likelihood that we can collect the remaining principal balance. We may modify the terms of loans to lower interest rates (which may be at below market rates), to provide for fixed interest rates on loans where fixed rates are otherwise not available, to provide for longer amortization schedules, or to provide for interest-only terms. These modifications are made only when a workout plan has been agreed to by the borrower that we believe is reasonable and attainable and in our best interests. At June 30, 2024, loans with modifications for borrowers experiencing financial difficulty totaled $36,000. During the year ended June 30, 2024, the Company did not grant any loan modification to borrowers experiencing financial difficulty that resulted in a more than minor change in the timing or amount of contractual cash flows.

Delinquent Loans. The following table sets forth our loan delinquencies, including non-accrual loans, by type and amount at the dates indicated.

	At June 30,					
	2024			2023		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due
	(In thousands)					
Real estate loans:						
Commercial real estate	$ —	$ —	$ —	$ —	$ —	$ —
Residential real estate	559	88	72	—	616	117
Multifamily	—	—	—	—	—	—
Agricultural real estate	—	—	—	—	—	—
Construction and land	36	—	—	—	—	—
Home equity lines of credit (HELOC)	—	—	—	—	—	—
Commercial and industrial loans	—	—	—	—	—	—
Consumer loans	2	4	—	—	—	—
Total	$ 597	$ 92	$ 72	$ —	$ 616	$ 117

Non-Performing Assets. The following table sets forth information regarding our non-performing assets, which include non-accruing loans, accruing loans 90 days or more past due and foreclosed assets at the dates indicated.

	At June 30,	
	2024	2023
	(Dollars in thousands)	
Non-accrual loans:		
Real estate loans:		
Commercial	$ —	$ —
Residential	502	304
Multifamily	—	—
Agricultural	—	—
Construction and land	36	—
Home equity lines of credit (HELOC)	—	—
Commercial and industrial loans	—	—
Consumer	16	—
Total non-accrual loans	$ 554	$ 304
Accruing loans past due 90 days or more:		
Real estate loans:		
Commercial	—	—
Residential	—	—
Multifamily	—	—
Agricultural	—	—
Construction and land	—	—
Home equity line of credit (HELOC)	—	—
Commercial and industrial loans	—	—
Consumer	—	—
Total accruing loans past due 90 days or more	—	—
Total nonperforming loans	554	304
Real estate owned	—	—
Other nonperforming assets	—	—
Total non-performing assets	$ 554	$ 304
Loan modifications (formerly troubled debt restructurings):		
Commercial	$ —	$ —
Residential	—	—
Multifamily	—	—
Agricultural	—	—
Construction and land	36	38
Home equity lines of credit (HELOC)	—	—
Commercial and industrial loans	—	—
Consumer	—	—
Total loan modifications	$ 36	$ 38
Total non-performing loans to total loans	0.43 %	0.34 %
Total non-performing loans to total assets	0.18 %	0.18 %
Total non-performing assets to total assets	0.18 %	0.18 %
Total non-performing loans and loan modifications to total loans	0.46 %	0.38 %
Total non-performing loans and loan modifications to total assets	0.19 %	0.21 %

Classified Assets. Federal regulations provide that loans and other assets of lesser quality should be classified as “substandard,” “doubtful” or “loss.” An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific allowance for loan losses is not warranted. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated as “special mention.”

When an insured institution classifies problem assets as either substandard or doubtful, it may establish general allowances in an amount deemed prudent by management to cover losses that were both probable and reasonable to estimate. General allowances represent allowances which have been established to cover accrued losses associated with lending activities that were both probable and reasonable to estimate, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge-off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the regulatory authorities, which may require the establishment of additional general or specific allowances.

In connection with the filing of our periodic regulatory reports and according to our classification of assets policy, we regularly review the problem loans in our portfolio to determine whether any loans require classification according to applicable regulations. If a problem loan deteriorates in asset quality, the classification is changed to "substandard," "doubtful" or "loss" depending on the circumstances and the evaluation. Generally, loans 90 days or more past due are placed on nonaccrual status and classified "substandard."

Our classified and special mention assets at the dates indicated were as follows:

	At June 30, 2024	At June 30, 2023
	(In thousands)	
Classified Assets:		
Substandard	$ 64	$ 38
Doubtful	—	29
Loss	—	—
Total	$ 64	$ 67
Special mention	$ 131	$ 38

Other Loans of Concern. At June 30, 2024, except for loans included in the above table, there were no other loans of concern for which we had information about possible credit problems of borrowers that caused us to have serious doubts about the ability of the borrowers to comply with present loan repayment terms and that may result in disclosure of such loans in the future.

Allowance for Credit Losses

On July 1, 2023, the Company adopted the guidance under ASU No. 2016-13, Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments. The main provisions of the ASU have been codified by the FASB under ASC326. The amendments introduced an impairment model that is based on current expected credit losses ("CECL"), rather than incurred losses, to estimate credit losses on loans. For reporting periods beginning on or after July 1, 2023, the allowance for credit losses reflects management's current estimate of expected credit losses over the remaining life of is loans as of the end of the reporting period. For reporting periods prior to July 1, 2023, the allowance for credit losses represented management's estimate for probable and reasonably estimable loan losses, but which had not yet been realized as of the end of the reporting period.

Management's periodic evaluation of the adequacy of the allowance is based on various factors, including, but not limited to, changes in the types and amount of loans in the loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated losses relating to specifically identified loans, current and future economic conditions, and forecasted information. This evaluation is inherently subjective as it requires material estimates including, among others, average historical loss experience, expected future loss rates, the amount and timing of expected future pay-downs on existing loans and fundings on unfunded commitments, and the value of underlying collateral.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. In addition, as an integral part of their examination process, the OCC will periodically review our allowance for credit losses, and as a result of such reviews, we may determine to adjust our allowance for credit losses. However, the OCC is not directly involved in the process for establishing the allowance for credit losses as the process is our responsibility and any increase or decrease in the allowance is the responsibility of management.

The following table sets forth activity in our allowance for credit losses for the periods indicated.

	At or For the Years Ended June 30,	
	2024	2023
	(Dollars in thousands)	
Allowance for credit losses - loans:		
Balance, beginning of year	$ 263	$ 223
Impact of adoption of ASC 326	47	—
Provision for (reversal of) loan losses	463	40
Net loan recoveries (charge-offs):		
Real estate loans:		
Commercial	—	—
Residential	—	—
Multifamily	—	—
Agricultural	—	—
Construction and land	—	—
Home equity lines of credit (HELOC)	—	—
Commercial and industrial loans	—	—
Consumer loans	—	—
Total net recoveries (charge-offs)	—	—
Balance, end of year	$ 773	$ 263
Allowance for credit losses - unfunded loan commitments and letters of credit:		
Balance, beginning of year	$ —	$ —
Impact of adoption of ASC 326	21	—
Provision for (reversal of) credit losses on unfunded loan commitments and letters of credit	156	—
Balance, end of year	$ 177	$ —
Total loans at end of year	$ 129,527	$ 89,722
Total non-accrual loans at end of year	554	304
Total non-performing loans at end of year	554	304
Total average loans	109,625	85,995
Allowance for credit losses to non-accrual loans at end of year	139.53 %	86.51 %
Allowance for credit losses to non-performing loans at end of year	139.53	86.51
Allowance for credit losses to total loans outstanding at end of year	0.60	0.29
Net recoveries (charge-offs) to average loans outstanding during the year	0.00	0.00

Allocation of Allowance for Credit Losses. The following tables set forth the allowance for credit losses allocated by loan category and the percent of the allowance in each category to the total allocated allowance at the dates indicated.

The allowance for credit losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	At June 30,					
	2024			2023		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)					
Real estate loans:						
Commercial	$ 207	26.8 %	15.2 %	$ 27	10.3 %	6.2 %
Residential	175	22.6	53.9	168	63.9	79.8
Multifamily	1	0.1	0.5	2	0.8	0.9
Agricultural	12	1.6	3.3	17	6.5	4.2
Construction and land	191	24.7	13.6	12	4.6	7.3
Home equity lines of credit (HELOC)	3	0.4	1.3	35	13.3	0.3
Commercial and industrial loans	183	23.7	11.5	1	0.4	0.4
Consumer	1	0.1	0.7	1	0.4	0.9
Total allocated allowance	$ 773	100 %	100 %	$ 263	100 %	100 %

Investment Activities

General. The goals of our investment policy is to maximize portfolio yield over the long term in a manner that is consistent with minimizing risk, meeting liquidity needs, meeting pledging requirements, and meeting asset/liability management and interest rate risk strategies. Subject to loan demand and our interest rate risk analysis, we expect to increase the balance of our investment securities portfolio when we have excess liquidity.

Our investment policy was adopted by the board of directors and is reviewed annually by the board of directors. All investment decisions are made by our Asset/Liability Committee according to board-approved policies. An investment schedule detailing the investment portfolio is reviewed at least monthly by the board of directors.

Our current investment policy permits, with certain limitations, investments in: U.S. Treasury securities; securities issued by the U.S. government and its agencies or government sponsored enterprises including mortgage-backed securities and collateralized mortgage obligations issued by Fannie Mae, Ginnie Mae, and Freddie Mac; corporate and municipal bonds; asset-backed securities; certificates of deposit in other financial institutions; federal funds and money market funds, among other investments.

At June 30, 2024, our investment portfolio consisted of securities and obligations issued by U.S. government-sponsored enterprises as well as state and municipal securities. At June 30, 2024, we also owned $1.9 million of Federal Home Loan Bank of Cincinnati stock and $268,000 of Federal Reserve Bank of Cleveland stock. As a member of Federal Home Loan Bank of Cincinnati and the Federal Reserve Bank of Cleveland, we are required to purchase stock, which is carried at cost and classified as a restricted investment.

At June 30, 2024, all of our investment securities are carried at fair value through accumulated other comprehensive income.

The adoption of ASC326 amended the guidance applicable to measuring and recognizing losses on available-for-sale securities. Under ASC326, expected credit related losses for available-for-sale debt securities are recorded through an allowance for credit losses, while no-credit related losses will continue to be recognized through other comprehensive income as unrealized holding gains and losses, net of tax. Under former GAAP, we assessed our investment securities for other-than-temporary impairment and any declines in fair value that were deemed other-than-temporary resulted in a direct write-down to the amortized cost basis of the related security. The allowance approach allows estimated expected credit losses to be adjusted from period-to-period, as opposed to a permanent write-down.

For additional information regarding our investment securities portfolio, see Note 3 to the notes to financial statements.

Sources of Funds

General. Deposits have traditionally been our primary source of funds for use in lending and investment activities. We may also use borrowings to supplement cash flow needs, lengthen the maturities of liabilities for interest rate risk purposes and to manage the cost of funds. In addition, we receive funds from scheduled loan payments, investment maturities, loan prepayments, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

Deposits. Our deposits are generated primarily from our primary market area. We offer a selection of deposit accounts, including savings accounts, checking accounts, money market, certificates of deposit and individual retirement accounts. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds must remain on deposit and the interest rate.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market rates, liquidity requirements, rates paid by competitors and growth goals. We rely upon personalized customer service, long-standing relationships with customers, and our favorable reputation in the community to attract and retain local deposits. We also seek to obtain deposits from our commercial loan customers.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts offered allows us to be competitive in obtaining funds and responding to changes in consumer demand. Based on experience, we believe that our deposits are relatively stable. However, the ability to attract and maintain deposits and the rates paid on these deposits, has been and will continue to be significantly affected by market conditions.

The Company also utilizes brokered certificates of deposit of differing terms, both callable and bullet features, to ensure appropriate liquidity and manage interest rate risk. These totaled $84.1 million at June 30, 2024.

The following table sets forth the distribution of total deposits, by account type, at the dates indicated.

	At June 30,					
	2024			2023		
	Amount	Percent	Average Rate	Amount	Percent	Average Rate
	(Dollars in thousands)					
Noninterest-bearing demand deposits	$ 3,280	1.6 %	— %	$ 3,247	2.7 %	— %
Interest-bearing demand deposits	23,213	11.1	0.11	23,304	19.4	0.99
Savings and money market deposits	47,467	22.7	1.52	42,020	35.0	0.51
Certificates of deposit	135,351	64.7	4.55	51,420	42.9	1.74
Total	$ 209,311	100.0 %	3.30	$ 119,991	100.0 %	1.08 %

At June 30, 2024 and June 30, 2023, the aggregate amount of all uninsured deposits (deposits in excess of the Federal Deposit Insurance limit of $250,000 per account) was $23.8 million and $23.0 million, respectively. At June 30, 2024 and June 30, 2023, the aggregate amount of all uninsured certificates of deposit was $4.9 million and $5.7 million, respectively. At June 30, 2024 and June 30, 2023, we had no deposits that were uninsured for any reason other than being in excess of the Federal Deposit Insurance Corporation limit.

The following table sets forth the maturity of our uninsured certificates of deposit at June 30, 2024.

	At June 30, 2024
	(In thousands)
Maturity Period:	
Three months or less	$ 3,357
Over three months through six months	596
Over six months through 12 months	908
Over 12 months	—
Total	$ 4,861

Borrowings. We utilize advances from the FHLB as an alternative to retail and commercial deposits to fund operations as part of our operating strategy. These FHLB advances are collateralized by certain of our mortgage loans and secondarily by our investment in capital stock of FHLB. Such advances may be made under several different credit programs, each of which has its own interest rate and range of maturities. At June 30, 2024, we had outstanding advances of $38.5 million from the Federal Home Loan Bank of Cincinnati and access to an additional $3.9 of advances based on available pledged collateral. All borrowings were short-term (maturities of one year or less). $24.0 million of our outstanding advances were repaid on July 1, 2024.

We also participate in the Bank Term Funding Program created on March 12, 2023 by the Federal Reserve. Any amounts drawn can be refinanced at any time with a term of one year from the date of the initial draw or one year from the latest date of refinancing, whichever is later. The program ended on March 11, 2024. At June 30, 2024 we had outstanding borrowings of $23.5 million that mature on January 16, 2025.

Personnel and Human Capital Resources

As of June 30, 2024, we had 43 full-time employees. Our employees are not represented by any collective bargaining group. Management believes that we have good working relations with our employees.

We believe that our ability to attract and retain top quality employees will be key to the Company's future success. During the calendar year ended December 31, 2023, we have made several hires, including but not limited to: a new President and Chief Executive Officer, a new Chief Financial Officer, a new Chief Risk Officer, a Chief Information Officer, a Chief Lending Officer and a commercial lending team. We expect to continue to assess our management and staffing needs and are likely to add personnel in the future to fully implement our business strategy.

Subsidiary Activities

Van Wert Federal is the wholly-owned subsidiary of VWF Bancorp. The Company has no other subsidiaries and the Bank has no subsidiaries.

REGULATION AND SUPERVISION

General

As a federal savings association (the term "savings association" includes a federal savings bank), the Bank is subject to examination and regulation by the OCC, and is also subject to examination by the FDIC. This regulation and supervision establishes a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of the FDIC's deposit insurance fund and depositors, and not for the protection of security holders. The Bank also is a member of and owns stock in the Federal Home Loan Bank of Cincinnati, which is one of the 11 regional banks in the Federal Home Loan Bank System.

Under this system of regulation, the regulatory authorities have extensive discretion in connection with their supervisory, enforcement, rulemaking and examination activities and policies, including rules or policies that: establish minimum capital levels; restrict the timing and amount of dividend payments; govern the classification of assets; determine the adequacy of loan loss reserves for regulatory purposes; and establish the timing and amounts of assessments and fees. Moreover, as part of their examination authority, the banking regulators assign numerical ratings to banks and savings institutions relating to capital, asset quality, management, liquidity, earnings and other factors. The receipt of a less than satisfactory rating in one or more categories may result in enforcement action by the banking regulators against a financial institution. A less than satisfactory rating may also prevent a financial institution, such as the Bank or its holding company, from obtaining necessary regulatory approvals to access the capital markets, pay dividends, acquire other financial institutions or establish new branches.

In addition, we must comply with significant anti-money laundering and anti-terrorism laws and regulations, Community Reinvestment Act laws and regulations, and fair lending laws and regulations. Government agencies have the authority to impose monetary penalties and other sanctions on institutions that fail to comply with these laws and regulations, which could significantly affect our business activities, including our ability to acquire other financial institutions or expand our branch network.

The Company is a savings and loan holding company subject to the rules and regulations of the Federal Reserve Board. It is required to file certain reports with the Federal Reserve Board and is subject to examination by the enforcement authority of the Federal Reserve Board. The Company is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws. Effective June 23, 2023, the Bank elected to operate as a "covered savings association" (CSA). A CSA has the same rights and privileges as a national bank that has its main office situated in the same location as the home office of the CSA and is subject to the same duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to such a national bank.

Any change in applicable laws or regulations, whether by the OCC, the FDIC, the Federal Reserve Board or Congress, could have a material adverse impact on the operations and financial performance of The Company and the Bank.

Set forth below is a brief description of material regulatory requirements that are applicable to the Company and the Bank. The description is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on the Company and the Bank.

Federal Banking Regulation

Business Activities. A federal association derives its lending and investment powers from the Home Owners' Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, the Bank may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other assets, subject to applicable limits. The Bank may also establish subsidiaries that may engage in certain activities not otherwise permissible for the Bank to engage in directly, including real estate investment and securities and insurance brokerage.

Capital Requirements. Federal regulations require federally insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-weighted assets ratio of 4.5%, a Tier 1 capital to risk-weighted assets ratio of 6.0%, a total capital to risk-weighted assets of 8.0%, and a 4.0% Tier 1 capital to adjusted average total assets leverage ratio.

Common equity Tier 1 capital is generally defined as common stockholders' equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan losses limited to a maximum of 1.25% of risk-weighted assets and, for institutions that have exercised an opt-out election regarding the treatment of Accumulated Other Comprehensive Income ("AOCI"), up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Institutions that have not exercised the AOCI opt-out have AOCI incorporated into common equity Tier 1 capital (including unrealized gains and losses on available-for-sale-securities). The Bank exercised its AOCI opt-out election. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (*e.g.*, recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. For example, a risk weight of 0% is assigned to cash and U.S. government securities, a risk weight of 50% is generally assigned to prudently underwritten first lien one- to four-family residential real estate loans, a risk weight of 100% is assigned to commercial and consumer loans, a risk weight of 150% is assigned to certain past due loans and a risk weight of between 0% to 600% is assigned to permissible equity interests, depending on certain specified factors.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement was phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increasing each year until fully implemented at 2.5% of risk-weighted assets on January 1, 2019.

The federal banking agencies have developed a "Community Bank Leverage Ratio (CBLR)" (the ratio of Tier 1 capital to average total consolidated assets) for financial institutions with assets of less than $10 billion that meet certain qualifying criteria. A "qualifying community bank" that exceeds this ratio will be deemed compliant with all other capital requirements, including the capital requirements to be considered "well capitalized" under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies must set the minimum Community Bank Leverage Ratio at not less than 8% and not more than 10%, and as of January 1, 2023, it is set at 9%. The Bank has elected to be subject to the CBLR framework. At June 30, 2024, the Bank's CBLR was 12.11%.

Loans-to-One Borrower. Generally, a federal savings association may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. At June 30, 2024, the Bank complied with the loans-to-one borrower limitations.

Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to its capital account. A federal savings association must file an application with the OCC for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings association's net income for that year to date plus its retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings association is not eligible for expedited treatment of its filings, generally due to an unsatisfactory CAMELS rating or being subject to a cease and desist order or formal written agreement that requires action to improve the institution's financial condition.

Even if an application is not otherwise required, every savings association that is a subsidiary of a savings and loan holding company, such as the Bank, must still file a notice with the Federal Reserve Board at least 30 days before the board of directors declares a dividend or approves a capital distribution.

A notice or application related to a capital distribution may be disapproved if:

- the savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings association also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Community Reinvestment Act and Fair Lending Laws. All federal savings associations have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. In connection with its examination of a federal savings association, the OCC is required to assess the federal savings association's record of compliance with the Community Reinvestment Act. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice.

The Community Reinvestment Act requires all institutions insured by the Federal Deposit Insurance Corporation to publicly disclose their rating. The Bank received a "satisfactory" Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. A federal savings association's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulations. An affiliate is generally a company that controls, or is under common control with, an insured depository institution such as Van Wert Federal. VWF Bancorp is an affiliate of Van Wert Federal because of its control of Van Wert Federal. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

The Bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and
- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the Bank's capital.

In addition, extensions of credit in excess of certain limits must be approved by the Bank's board of directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The OCC has primary enforcement responsibility over federal savings associations and has authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings association. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the OCC that enforcement action be taken with respect to a particular savings association. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Interstate Banking and Branching. Federal law permits well capitalized and well managed holding companies to acquire banks in any state, subject to Federal Reserve Board approval, certain concentration limits and other specified conditions. Interstate mergers of banks are also authorized, subject to regulatory approval and other specified conditions. In addition, among other things, amendments made by the Dodd-Frank Act permit banks to establish *de novo* branches on an interstate basis provided that branching is authorized by the law of the host state for the banks chartered by that state.

Prompt Corrective Action. Federal law requires, among other things, that federal bank regulators take "prompt corrective action" with respect to institutions that do not meet minimum capital requirements. For this purpose, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Under the regulations, as amended effective January 1, 2015 to incorporate the previously mentioned amendments to the regulatory capital requirements, an institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

Federal law and regulations also specify circumstances under which a federal banking agency may reclassify a well-capitalized institution as adequately capitalized and may require an institution classified as less than well capitalized to comply with supervisory actions as if it were in the next lower category.

The OCC may order savings associations that have insufficient capital to take corrective actions. For example, a savings association that is categorized as "undercapitalized" is subject to growth limitations and is required to submit a capital restoration plan, and a holding company that controls such a savings association is required to guarantee that the savings association complies with the restoration plan. A "significantly undercapitalized" savings association may be subject to additional restrictions. Savings associations deemed by the OCC to be "critically undercapitalized" would be subject to the appointment of a receiver or conservator.

In addition, as set forth above, a "qualifying community bank," such as Van Wert Federal, that exceeds the Community Bank Leverage Ratio is considered "well capitalized" under the Prompt Corrective Action statutes. The Bank has elected to be subject to the Community Bank Leverage Ratio framework.

At June 30, 2024, the Bank met the criteria for being considered "well capitalized."

Insurance of Deposit Accounts. The Bank is a member of the Deposit Insurance Fund, which is administered by the FDIC. Its deposit accounts are insured by the FDIC, generally up to a maximum of $250,000 per depositor.

The FDIC imposes deposit insurance assessments against all insured depository institutions. An institution's assessment rate depends upon the perceived risk of the institution to the Deposit Insurance Fund, with institutions deemed less risky paying lower rates. Currently, assessments for institutions of less than $10 billion of total assets are based on financial measures and supervisory ratings derived from statistical models estimating the probability of failure within three years. That system was effective July 1, 2016 and replaced a system under which each institution was assigned to a risk category. Assessment rates (inclusive of possible adjustments) currently range from 1.5 to 30 basis points of each institution's total assets less tangible capital. The current scale, also effective July 1, 2016, is a reduction from the previous range of 2.5 to 45 basis points. The FDIC may increase or decrease the range of assessments uniformly, except that no adjustment can deviate more than two basis points from the base assessment rate without notice and comment rulemaking. The existing system represents a change, required by the Dodd-Frank Act, from the FDIC's prior practice of basing the assessment on an institution's aggregate deposits.

The FDIC has the authority to increase insurance assessments. A significant increase in insurance premiums would have an adverse effect on the operating expenses and results of operations of the Bank. We cannot predict what deposit insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not know of any practice, condition or violation that might lead to termination of deposit insurance for the Bank.

Privacy Regulations. Federal regulations generally require that the Bank disclose its privacy policy, including identifying with whom it shares a customer's "non-public personal information," to customers at the time of establishing the customer relationship and annually thereafter. In addition, the Bank is required to provide its customers with the ability to "opt-out" of having their personal information shared with unaffiliated third parties and not to disclose account numbers or access codes to non-affiliated third parties for marketing purposes. The Bank has a privacy protection policy in place and believes that such policy is in compliance with the regulations.

USA Patriot Act. The Bank is subject to the USA PATRIOT Act, which gives federal agencies additional powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. The USA PATRIOT Act contains provisions intended to encourage information sharing among bank regulatory agencies and law enforcement bodies and imposes affirmative obligations on financial institutions, such as enhanced recordkeeping and customer identification requirements.

Prohibitions Against Tying Arrangements. Federal savings associations are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Other Regulations

Interest and other charges collected or contracted for by the Bank are subject to state usury laws and federal laws concerning interest rates. Loan operations are also subject to state and federal laws applicable to credit transactions, such as the:

- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;

- Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies; and

- Rules and regulations of the various federal and state agencies charged with the responsibility of implementing such federal and state laws.

The deposit operations of the Bank also are subject to, among others, the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check; and

- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Federal Home Loan Bank System

The Bank is a member of the Federal Home Loan Bank of Cincinnati, which is one of 11 regional Federal Home Loan Banks in the Federal Home Loan Bank System. The Federal Home Loan Bank of Cincinnati provides a central credit facility primarily for its member institutions. Members of the Federal Home Loan Bank of Cincinnati are required to acquire and hold shares of capital stock in the Federal Home Loan Bank of Cincinnati. The Bank complied with this requirement at June 30, 2024. Based on redemption provisions of the Federal Home Loan Bank of Cincinnati, the stock has no quoted market value and is carried at cost. The Bank reviews for impairment, based on the ultimate recoverability, the cost basis of the Federal Home Loan Bank of Cincinnati stock. At June 30, 2024, no impairment has been recognized.

Holding Company Regulation

VWF Bancorp is a unitary savings and loan holding company subject to regulation and supervision by the Federal Reserve Board. The Federal Reserve Board has enforcement authority over VWF Bancorp and its non-savings institution subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a risk to the Bank.

As a savings and loan holding company, VWF Bancorp's activities are limited to those activities permissible by law for financial holding companies (if VWF Bancorp makes an election to be treated as a financial holding company and meets the other requirements to be a financial holding company) or multiple savings and loan holding companies. VWF

Bancorp does not intend to make an election to be treated as a financial holding company. A financial holding company may engage in activities that are financial in nature, incidental to financial activities or complementary to a financial activity. Such activities include lending and other activities permitted for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, insurance and underwriting equity securities. Multiple savings and loan holding companies are authorized to engage in activities specified by federal regulation, including activities permitted for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act.

Federal law prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or savings and loan holding company without prior written approval of the Federal Reserve Board, and from acquiring or retaining control of any depository institution not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider such things as the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on and the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors. A savings and loan holding company may not acquire a savings institution in another state and hold the target institution as a separate subsidiary unless it is a supervisory acquisition under Section 13(k) of the Federal Deposit Insurance Act or the law of the state in which the target is located authorizes such acquisitions by out-of-state companies.

Savings and loan holding companies historically have not been subject to consolidated regulatory capital requirements. The Dodd-Frank Act requires the Federal Reserve Board to establish minimum consolidated capital requirements for all depository institution holding companies that are as stringent as those required for the insured depository subsidiaries. However, legislation was enacted in May 2018 that required the Federal Reserve Board to amend its “Small Bank Holding Company” exemption from consolidated holding company capital requirements to generally extend its applicability to bank and savings and loan holding companies of up to $3.0 billion in assets. Regulations implementing this amendment were effective in August 2018. Consequently, savings and loan holding companies of under $3.0 billion in consolidated assets remain exempt from consolidated regulatory capital requirements, unless the Federal Reserve determines otherwise in particular cases.

The Dodd-Frank Act extended the “source of strength” doctrine to savings and loan holding companies. The Federal Reserve Board has promulgated regulations implementing the “source of strength” policy that require holding companies to act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

The Federal Reserve Board has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies and savings and loan holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization’s capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the company’s net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company’s overall rate of earnings retention is inconsistent with the company’s capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. The policy statement also states that a holding company should inform the Federal Reserve Board supervisory staff before redeeming or repurchasing common stock or perpetual preferred stock if the holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of VWF Bancorp to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Federal Securities Laws

VWF Bancorp common stock is registered with the Securities and Exchange Commission. VWF Bancorp is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934, as amended.

Shares of common stock purchased by persons who are not affiliates of VWF Bancorp may be resold without registration under the Securities Act of 1933. Shares purchased by an affiliate of VWF Bancorp are subject to the resale restrictions of Rule 144 under the Securities Act of 1933. If VWF Bancorp meets the current public information requirements of Rule 144 under the Securities Act of 1933, each affiliate of VWF Bancorp that complies with the other conditions of Rule 144, including those that require the affiliate's sale to be aggregated with those of other persons, would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of 1% of the outstanding shares of VWF Bancorp, or the average weekly volume of trading in the shares during the preceding four calendar weeks.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures required under the federal securities laws. We have policies, procedures and systems designed to comply with these regulations, and we review and document such policies, procedures and systems to ensure continued compliance with these regulations.

Change in Control Regulations

Under the Change in Bank Control Act, a federal statute, no person may acquire control of a savings and loan holding company such as VWF Bancorp unless the Federal Reserve Board has been given 60 days prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the institution's directors, or a determination by the regulator that the acquiror has the power, directly or indirectly, to exercise a controlling influence over the management or policies of the institution. Acquisition of more than 10% of any class of a savings and loan holding company's voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as is the case with VWF Bancorp, the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

In addition, federal regulations provide that no company may acquire control of a savings and loan holding company without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a "savings and loan holding company" subject to registration, examination and regulation by the Federal Reserve Board.

Emerging Growth Company Status

VWF Bancorp is an emerging growth company. For as long as it qualifies as an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not emerging growth companies, including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation. As an emerging growth company, VWF Bancorp is not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors audit our internal control over financial reporting. In addition, as an emerging growth company, we have elected to take advantage of the extended transition periods for adopting new or revised financial accounting standards until the date they are required to be adopted by private companies (however, if any new or revised financial accounting standards would not apply to private companies, we would not be able to delay their adoption). Accordingly, our financial statements may not be comparable to those of public companies that adopt new or revised financial accounting standards as of an earlier date. Investors may find our common stock less attractive since we have chosen to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

VWF Bancorp will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the completion of the conversion and offering; (ii) the first fiscal year after our annual gross revenues are $1.07 billion (adjusted for inflation) or more; (iii) the date on which we have, during the previous three- year period, issued more than $1.0 billion in non-convertible debt securities; or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million at the end of the second quarter of that fiscal year. We expect to lose our status as an emerging growth company effective June 30, 2028, which is the end of the fiscal year following the fifth anniversary of the completion date of the Conversion.

TAXATION

Federal Taxation

General. VWF Bancorp and Van Wert Federal are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to VWF Bancorp and Van Wert Federal.

Method of Accounting. For federal income tax purposes, the Bank currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal income tax returns. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings institutions, effective for taxable years beginning after 1995.

Minimum Tax. The alternative minimum tax ("AMT") for corporations has been repealed for tax years beginning after December 31, 2017. Any unused minimum tax credit of a corporation may be used to offset regular tax liability for any tax year. In addition, a portion of unused minimum tax credit was refundable in 2018 through 2021. The refundable portion is 100% for the tax years beginning after December 31, 2018 of the excess of the minimum tax credit for the year over any credit allowable against regular tax for that year. At June 30, 2024, the Bank had no minimum tax credit carryforward.

Net Operating Loss Carryovers. Generally, a corporation may carry forward net operating losses generated in tax years beginning after December 31, 2017 indefinitely and can offset up to 80% of taxable income. However, net operating losses generated in tax years beginning in 2018, 2019 and 2020 can be carried back five years and are 100% deductible for tax years ending in 2018, 2019 and 2020. At June 30, 2024 and 2023, the Bank generated an NOL that will be carried forward.

Capital Loss Carryovers. Generally, a corporation may carry back capital losses to the preceding three taxable years and forward to the succeeding five taxable years. Any capital loss carryback or carryover is treated as a short-term capital loss for the year to which it is carried. As such, it is grouped with any other capital losses for the year to which carried and is used to offset any capital gains. Any undeducted loss remaining after the five-year carryover period is not deductible. At June 30, 2024, the Bank had no capital loss carryovers.

Corporate Dividends. VWF Bancorp may generally exclude from our income 100% of dividends received from the Bank as a member of the same affiliated group of corporations.

Audit of Tax Returns. The Bank's federal income tax returns have not been audited in the most recent five-year period.

State Taxation

The Bank is subject to Ohio taxation in the same general manner as other financial institutions. In particular, the Bank files a consolidated Ohio Financial Institutions Tax ("FIT") return. The FIT is based upon the net worth of the consolidated group. For Ohio FIT purposes, savings institutions are currently taxed at a rate equal to 0.8% of taxable net worth, capped at 14% of the institution's total assets.

As a Maryland business corporation, VWF Bancorp is required to file an annual report with and pay personal property taxes to the State of Maryland.

ITEM 1A. Risk Factors

Not applicable, as VWF Bancorp is a "smaller reporting company."

ITEM 1B. Unresolved Staff Comments

None.

ITEM 1C. Cybersecurity

The Bank has implemented an information security program aimed at protecting our customers, the Bank, and our shareholders. The program addresses risks identified by the Bank, including cybersecurity risks. Protecting confidential customer information and maintaining the availability of banking services are the primary objectives of the information security program.

The board of directors is ultimately responsible for the oversight of the information security program. The status of the program is reported to the board throughout the year. Internally, the Bank's Chief Information Officer ("CIO") manages the status of the program and reports to the board. The CIO is a Certified Information Systems Security Professional (CISSP) since 2011 and has over 15 years of experience managing cybersecurity risks for financial institutions and healthcare organizations. The Technology Committee reviews and monitors the execution of the program. The Technology Committee consists of key stakeholders throughout the Bank, providing visibility into the risks posed to critical areas.

The foundation of the information security program is based on risk management principles. The Bank has established a risk management framework that identifies, assesses, and manages risks, including cybersecurity risks, that could have a material impact on its business, operations, or financial condition. The Bank identifies new risks to the confidentiality, integrity, and availability of its sensitive information and services during the assessment of new processes, services, vendors, or changes in the banking industry. The mitigating controls of identified risks collectively create the information security program.

The Bank's cybersecurity strategy involves continuous monitoring of threats, maintaining updated defense mechanisms, and training employees on best practices in cybersecurity. The Bank engages with third-party experts and utilizes advanced cybersecurity tools to enhance defenses against emerging threats. The Bank also performs regular penetration testing, incident response planning, business continuity testing, and system audits to ensure the ongoing strength of its cybersecurity systems. The Bank utilizes a trusted third party to monitor for suspicious activity, including escalation procedures. The Bank also maintains cyber liability insurance that includes activation and escalation procedures should an incident occur.

A vendor management program ensures third-party vendors and service providers adhere to the Bank's security, compliance, and operational standards to mitigate risks. This program involves assessing potential risks associated with vendors, such as data breaches, compliance violations, or operational failures, by conducting thorough due diligence and regularly monitoring vendor performance. It includes setting performance expectations, performing ongoing audits, and ensuring vendors implement necessary safeguards to protect the organization's sensitive data and maintain the availability of services. The goal is to ensure that third-party relationships do not introduce unacceptable levels of risk to the organization while maintaining business continuity and regulatory compliance.

As of this filing, no material cybersecurity incidents have occurred that would have a significant impact on the Bank's business, operations, or financial results. The Bank continues to monitor for any potential breaches and enhance its security protocols to prevent future incidents. While the Bank does not believe a cybersecurity threat is likely to materially affect the operations or financial condition, there can be no guarantee that the Bank will not experience such an incident in the future.

The Bank recognizes that the cybersecurity landscape is constantly evolving and remains committed to adapting its risk management strategies to address new challenges. The Bank continues to invest in its cybersecurity infrastructure and strengthen controls to mitigate risks effectively.

ITEM 2. Properties

At June 30, 2024, the net book value of our properties (including furniture, fixtures and equipment) was $2.3 million. We operate from our offices located at 976 South Shannon Street, Van Wert, Ohio, which we own, and 202 W. Berry Street, Fort Wayne, Indiana, which we lease. We are in the process of expanding into the second floor of the building on Berry Street which we currently lease in Fort Wayne, at which point, we would anticipate our facilities would be adequate to meet our present and foreseeable needs. We are also leasing additional temporary space in Fort Wayne, Indiana until the space on the second floor of the building at 202 W. Berry Street is ready to occupy. We also own vacant land in Van Wert which may be used for future expansion. We currently do not have any plans or understandings to expand our office network.

ITEM 3. Legal Proceedings

Periodically, we are involved in claims and lawsuits, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. At June 30, 2024, we were not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

VWF Bancorp's common stock is quoted on the OTCQX Market operated by OTC Markets Group under the symbol "VWFB." As of June 30, 2024, we had 254 stockholders of record (excluding the number of persons or entities holding stock in street name through various brokerage firms), and 1,914,965 shares of common stock outstanding. There is currently limited trading volume for VWF Bancorp's common stock.

VWF Bancorp has not paid any cash dividends to our stockholders. The payment and amount of any dividend payments is subject to statutory and regulatory limitations, and depends upon a number of factors, including the following: regulatory capital requirements; our financial condition and results of operations; tax considerations; and general economic conditions.

There were no sales of unregistered securities during the year ended June 30, 2024.

On February 20, 2024, the Board of Directors of the Company authorized a share repurchase program of up to $600,000 of the Company's common stock. Under the Company's share repurchase program, purchases take place as and when determined by the Company in open market or private transactions, including transactions that may be affected pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. Pursuant to the program, purchases of shares of the Company's common stock are made based upon the market price of the Company's common stock, the nature of other investment and growth opportunities, expected free cash flow, and general economic conditions. The share repurchase program does not require the Company to acquire any specific number of shares and may be modified, suspended, extended or terminated by the Company at any time without prior notice. The Company repurchased 36,800 shares in February 2024 at a price of $16.25 per share, for a total cost of $598,000, excluding broker costs which were de minimus. The Company did not repurchase any shares during the three months ended June 30, 2024. As of June 30, 2024, the Company had $2,000 remaining available to repurchase under the share repurchase program.

ITEM 6. [Reserved]

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis reflects our consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the consolidated financial statements, which appear elsewhere in this annual report. You should read the information in this section in conjunction with the other business and financial information provided in this annual report.

Overview

Our business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations, in residential real estate loans, commercial real estate loans, agricultural mortgage loans, construction loans, commercial and industrial loans, home equity lines of credit, and consumer loans. We also invest in securities, which have historically consisted primarily of mortgage-backed securities and obligations issued by U.S. government sponsored enterprises, state and municipal securities. We offer a variety of deposit accounts including checking accounts, savings accounts, money market and certificate of deposit accounts. The Bank is subject to comprehensive regulation and examination by the OCC.

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets and the interest we pay on our interest-bearing liabilities. Our results of operations also are affected by our provisions for loan losses, non-interest income and non-interest expense. Non-interest income currently consists primarily of service charges on deposit accounts, other service charges and fees, and income from bank owned life insurance. Non-interest expense currently consists primarily of expenses related to salaries and employee benefits, occupancy and equipment, data processing, contract services, director fees, and other expenses.

We invest in bank owned life insurance to provide us with a funding source to offset some costs of our benefit plan obligations. Bank owned life insurance provides us with non-interest income that is nontaxable. Federal regulations generally limit our investment in bank owned life insurance to 25% of our Tier 1 capital plus our allowance for loan losses. At June 30, 2024, our investment in bank owned life insurance was $5.4 million, which was within this investment limit.

Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

Business Strategy

Our business strategy is focused on embracing a relationship-oriented community bank model targeting small to mid-sized businesses and professionals in our market areas while continuing to serve our traditional customer base. Highlights of our current business strategy include:

- ***Grow the loan portfolio with greater diversification.*** Historically, our primary lending focus was the origination of one- to four-family residential mortgage loans. We have increased our commercial lending activities and we are focused on building full-service banking relationships with small- to mid-sized businesses and business professionals in our market areas. We believe that increased commercial lending offers an opportunity to enhance our profitability and our growth prospects.

- ***Grow our franchise organically through enhanced banking products and services.*** We have implemented a growth strategy that we believe will provide an opportunity to grow organically over the long term by focusing on building relationships with small- to mid-sized businesses and business professional in our market areas and by enhancing the products and services we offer. We will continue to enhance our staff capacity through training and hiring new employees as needed to facilitate our growth. Additionally, we continue to review our technology and infrastructure and will implement new and enhanced technology tools and on-line services preferred by many of our existing and prospective customers.

- ***Recruiting and retaining top talent and personnel.*** Since January 2023, the Company has made several personnel changes and additional new hires, including but not limited to a new President and Chief Executive Officer, a new Chief Financial Officer, a new Chief Risk Officer, a Chief Information Officer, a Chief Lending Officer and a commercial lending team. Recruiting and retaining talented individuals to guide us through the implementation of our business strategy is critical to our success.

- ***Maintain our strong asset quality through conservative loan underwriting.*** We intend to maintain strong asset quality through what we believe are our conservative underwriting standards and credit monitoring processes. At June 30, 2024, our nonperforming assets totaled $554,000, or 0.43% of total loans.

- ***Expand our franchise through possible acquisition of other financial institutions.*** In addition to organic growth, we may also consider expansion opportunities in our market area or in contiguous markets that we believe would enhance both our franchise value and stockholder returns. These opportunities may include acquiring other financial institutions and/or establishing loan production offices, establishing new, or de novo, branch offices and/or acquiring branch offices. We have no current plans or intentions regarding any such expansion activities.

- ***Rebranding our banking franchise.*** Van Wert Federal Savings Bank completed its re-branding efforts effective August 1, 2024, in which the name of the Bank changed from Van Wert Federal Savings Bank to GreenWay Bank. In addition to a new name, our re-branding efforts included new marketing campaigns, updated on-line and website materials and new signage and logos to capture and reflect the mission of the Bank.

We intend to continue to pursue these business strategies, subject to changes necessitated by future market conditions, regulatory restrictions and other factors.

Critical Accounting Policies and Use of Critical Accounting Estimates

The discussion and analysis of the financial condition and results of operations are based on our financial statements, which are prepared in conformity with GAAP. The preparation of these financial statements requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of income and expenses. We consider the accounting policies discussed below to be critical accounting policies. The estimates and assumptions that we use are based on historical experience and various other factors and are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions, resulting in a change that could have a material impact on the carrying value of our assets and liabilities and our results of operations.

The Jumpstart Our Business Startups Act of 2012 contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following represent our critical accounting policies:

Allowance for Credit Losses. The allowance for credit losses is the estimated amount considered necessary to cover inherent, but unconfirmed, credit losses in the loan portfolio at the balance sheet date. On July 1, 2023, the Company adopted the guidance under ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Statements. The main provisions of the ASU have been codified by the FASB under ASC 326. The amendments introduced an impairment model that is based on current expected credit losses, rather than incurred losses, to estimated credit losses on loans. For reporting periods beginning on or after July 1, 2023, the allowance for credit losses reflects management's current estimate of expected credit losses over the remaining life of its loans as of the end of the reporting period. For reporting periods prior to July 1, 2023, the allowance for credit losses represented management's estimate for probable and reasonably estimable loan losses, but which had not yet been realized as of the end of the reporting period. Refer to Note 1 and Note 2 of the consolidated financial statements included in Item 8 of this Form 10-K for more information on the adoption of ASC 326.

The allowance for credit losses included the allowance for credit losses on loans, and the allowance for credit losses for unfunded lending commitments, which is recorded in other liabilities on the consolidated balance sheet. The allowance for credit losses is established through the provision for credit losses charged against income. In determining the allowance for credit losses, management makes significant estimates and has identified this policy as one of our most critical accounting policies.

Management's estimate of the allowance for credit losses considers factors such as changes in the types and amount of loans in the loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated losses relating to specifically identified loans, current and future economic conditions, and forecasted information. This evaluation is inherently subjective as it requires material estimates including, among others, average historical loss experience, expected future loss rates, the amount and timing of expected future pay-downs on existing loans and fundings on unfunded commitments, and the value of underlying collateral. All of these estimates may be susceptible to significant changes as more information becomes available.

Deferred Tax Assets. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion of the deferred tax asset will not be realized. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Determining the proper valuation allowance for deferred taxes is critical in properly valuing the deferred tax asset and the related recognition of income tax expense or benefit. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets.

Fair Value Measurements. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. We estimate the fair value of a financial instrument and any related asset impairment using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. When observable market prices do not exist, we estimate fair value. These estimates are subjective in nature and imprecision in estimating these factors can impact the amount of gain or loss recorded. For a detailed description of the fair values measured at each level of the fair value hierarchy and the methodology we utilize, see note 14 of the notes to financial statements.

Selected Financial Data

The following selected consolidated financial data sets forth certain financial highlights of the Company and should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	At June 30,	
	2024	**2023**
	(In thousands)	
Selected Financial Condition Data:		
Total assets	$ 311,254	$ 165,969
Cash and due from banks	31,631	5,516
Available-for-sale securities	139,345	70,585
Loans, net	126,391	81,208
Premises and equipment, net	2,261	1,409
Stock in correspondent banks	2,196	397
Bank owned life insurance	5,351	5,223
Total deposits	209,310	119,992
Total borrowings	62,000	6,200
Total equity	36,548	38,498

	For the Years Ended June 30,	
	2024	**2023**
	(In thousands)	
Selected Operating Data:		
Interest income	$ 12,024	$ 5,054
Interest expense	6,728	780
Net interest income	5,296	4,274
Provision for credit losses - loans	463	41
Provision for credit losses - off balance sheet credit exposure	156	—
Net interest income after provision for loan losses	4,677	4,233
Non-interest income	230	208
Non-interest expense	7,477	5,170
Loss before income taxes	(2,570)	(729)
Provision for income taxes (benefit)	(550)	(183)
Net loss	$ (2,020)	$ (546)

	At or For the Years Ended June 30,	
	2024	2023
Performance Ratios:		
Return on average assets	(0.86)%	(0.36)%
Return on average equity	(5.39)%	(1.52)%
Interest rate spread (1)	1.89 %	2.87 %
Net interest margin (2)	2.35 %	3.03 %
Non-interest expense to average assets	3.18 %	3.42 %
Efficiency ratio (3)	135.31 %	115.35 %
Net overhead ratio (4)	3.09 %	3.28 %
Average interest-earning assets to average interest-bearing liabilities	115.52 %	129.64 %
Capital Ratios:		
Average equity to average assets	15.96 %	23.71 %
Tier 1 capital to risk-weighted assets (5)	12.51 %	24.91 %
Asset Quality Ratios:		
Allowance for credit losses as a percentage of total loans	0.60 %	0.29 %
Allowance for credit losses as a percentage of non-performing loans	139.53 %	86.51 %
Allowance for credit losses as a percentage of non-accrual loans	139.53 %	86.51 %
Non-accrual loans as a percentage of total loans	0.43 %	0.34 %
Net recoveries (charge-offs) as a percentage of average outstanding loans during the year	0.00 %	0.00 %
Non-performing loans as a percentage of total loans	0.43 %	0.34 %
Non-performing loans as a percentage of total assets	0.18 %	0.18 %
Total non-performing assets as a percentage of total assets	0.18 %	0.18 %
Other Data:		
Number of offices	2	1
Number of full-time employees	43	26
Number of part-time employees	—	1

(1) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(2) Represents net interest income as a percentage of average interest-earning assets.
(3) Represents noninterest expenses divided by the sum of net interest income and noninterest income.
(4) Represents noninterest expenses less noninterest income divided by average total assets.
(5) The Bank has adopted the "community bank leverage ratio (CBLR)" framework for measuring regulatory capital adequacy, which became effective January 1, 2020. The CBLR is the ratio of Tier 1 capital to average assets. To be considered well capitalized under the CBLR framework, the Bank was required to have a CBLR ratio of at least 9.0% at June 30, 2024 and 2023, respectively.

Comparison of Financial Condition at June 30, 2024 and June 30, 2023

Total Assets. Total assets increased \$145.3 million, or 87.6%, to \$311.3 million at June 30, 2024 from \$166.0 million at June 30, 2023. The increase is part of the Company's growth plans to more appropriately leverage capital and was largely concentrated to growth in available-for-sale debt securities and commercial loans, which were funded primarily with borrowings and brokered deposits.

Cash and Due from Banks. Cash and due from banks increased \$26.1 million, or 473.5%, to \$31.6 million at June 30, 2024 from \$5.5 million at June 30, 2023. The increase was a result of the Bank testing its overnight Cash Management Advance ("CMA") line with FHLB. This resulted in a corresponding increase in borrowings as noted below.

Investment Securities. Investment securities increased \$68.8 million, or 97.4%, to \$139.3 million at June 30, 2024 from \$70.6 million at June 30, 2023. Aggregate securities purchases of \$114.8 million during the year ended June 30, 2024, were funded through cash on hand, sales, calls, maturities and repayments of \$44.3 million, and brokered deposits and wholesale funding from FHLB and FRB under the BTFP The increase in investment securities is part of a forward-looking investment strategy to increase the number of variable rate investments financed by fixed rate deposit instruments, which will ultimately provide a more balanced interest rate risk profile. The increase is also part of an effort to more appropriately leverage the Company's capital.

The $682,000 increase in the fair value of the investment securities was primarily attributable to declines in interest rates in the intermediate and long end of the yield curve. The unrealized gains are recorded to equity, net of tax, as management has determined that there are no credit quality concerns with the issuers of the securities and there is no intent to sell the securities and, as a result, the fair value is expected to recover as the securities approach their maturity dates.

The yield on our investment securities increased to 5.81% for the year ended June 30, 2024 from 3.22% for the year ended June 30, 2023.

Net Loans. Net loans increased by $45.2 million, or 55.6%, to $126.4 million at June 30, 2024 from $81.2 million at June 30, 2023. During the year ended June 30, 2024, loan originations totaled $53.9 million, comprised of $9.8 million of loans secured by one- to four-family residential real estate, $1.2 million of HELOCs, $494,000 of consumer loans, $628,000 of agricultural, $12.7 million of construction and land loans, and $29.0 million of commercial real estate and commercial and industrial loans.

During the year ended June 30, 2024, residential real estate loans increased $4.0 million, or 6.0%, to $69.8 million at June 30, 2024, construction and land loans increased $9.1 million, or 106.0%, to $17.6 million at June 30, 2024, commercial and industrial loans increased $11.5 million, or 337.7%, to $14.9 million at June 30, 2024, agricultural real estate loans increased $169,000, or 4.2%, to a total of $4.2 million at June 30, 2024, and commercial real estate loans increased $13.7 million, or 228.2% to $19.7 million at June 30, 2024. Increases in loan balances reflect our strategy to grow our loan portfolio, continuing to focus on owner-occupied one-to-four family residential real estate loans, while increasing our emphasis on commercial real estate loans and commercial and industrial loans. Management intends to continue to pursue growth in these loan segments in future periods.

Deposits. Deposits increased by $89.3 million, or 74.4%, to $209.3 million at June 30, 2024 from $120.0 million at June 30, 2023. Core deposits increased $15.3 million, or 13.8%, to $125.2 million at June 30, 2024. Brokered deposits increased $74.1 million, or 735.0% at June 30, 2024. The increase in the brokered deposits were used to fund higher earning assets and increase net interest income. The addition of these deposits was part of management's strategy to fund variable rate investments with fixed rate funding. A portion of the brokered deposits have a callable feature that allows for interest rate risk protection in rates down environment.

During the year ended June 30, 2024, management continued its strategy of pursuing growth in demand accounts and other lower cost core deposits, in part by enhancing products and services offered, including mobile banking. Management intends to continue its efforts to increase core deposits, with an emphasis on growth in consumer and business demand deposits.

Borrowings. Borrowings increased $55.8 million, or 900%, to $62 million at June 30, 2024. The borrowings consisted of advances from FHLB and from the FRB under the Bank Term Funding Program. $24 million of the FHLB advances were repaid on July 1, 2024. These borrowings were short-term in nature (less than one year maturity) and are being used as part of management's overall growth strategy. See note 7 within Item 8 for further discussion of borrowings.

Total Equity. Total equity decreased $2.0 million, or 5.1%, to $36.5 million at June 30, 2024 from $38.5 million at June 30, 2023. The decrease resulted net loss during the fiscal year, purchase of treasury stock, and was partially offset by a decrease in accumulated other comprehensive loss resulted from unrealized gains on our investment portfolio during the year.

Average Balances and Yields. The following table sets forth average balance sheets, average yields and costs, and certain other information for the years indicated. No tax-equivalent yield adjustments have been made, as the effects are immaterial. Average balances are calculated using month-end actual balances, rather than daily average balances. We believe the use of month-end actual balances is representative of our operations. Non-accrual loans are included in average balances only. Average yields include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense. Deferred loan fees are immaterial.

	For the Years Ended June 30,					
	2024			2023		
	Average Outstanding Balance	Interest	Yield/Rate	Average Outstanding Balance	Interest	Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans	$ 100,304	$ 4,844	4.83 %	$ 79,393	$ 2,872	3.62 %
Investment securities	113,817	6,615	5.81	46,107	1,484	3.22
Interest-bearing deposits and other	11,205	565	5.04	15,329	698	4.55
Total interest-earning assets.	225,326	12,024	5.34	140,829	5,054	3.59
Non-interest earning assets	9,968			10,498		
Allowance for loan losses	(474)			(229)		
Total assets	$ 234,820			$ 151,098		
Interest-bearing liabilities:						
Demand	$ 25,242	276	1.09 %	$ 24,645	101	0.41 %
Savings and money market accounts	42,979	603	1.40	45,921	65	0.14
Certificates of deposit	94,613	4,172	4.41	37,625	589	1.57
Total deposits	162,834	5,051	3.10	108,191	755	0.70
Borrowings	32,221	1,677	5.20	443	25	5.64
Total interest-bearing liabilities	195,055	6,728	3.45	108,634	780	0.72
Noninterest-bearing liabilities	2,276			6,634		
Total liabilities	197,331			115,268		
Equity	37,489			35,830		
Total liabilities and equity	$ 234,820			$ 151,098		
Net interest income		$ 5,296			$ 4,274	
Net interest rate spread (1)			1.89 %			2.87 %
Net interest-earning assets (2)	$ 30,271			$ 32,195		
Net interest margin (3)			2.35 %			3.03 %
Average interest-earning assets to interest-bearing liabilities .	115.52 %			129.64 %		

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

Rate/Volume Analysis

The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume. There were no out-of-period items or adjustments required to be excluded from the table below.

	Year Ended June 30, 2024 vs. 2023		
	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate	
		(In thousands)	
Interest-earning assets:			
Loans	$ 868	$ 1,104	$ 1,972
Investment securities	3,313	1,818	5,131
Other interest-earning assets	(221)	88	(133)
Total interest-earning assets	3,960	3,010	6,970
Interest-bearing liabilities:			
Interest-bearing demand	3	172	175
Savings and money market accounts	(4)	542	538
Certificates of deposit	1,629	1,954	3,583
Total deposits	1,628	2,668	4,296
Borrowings	1,654	(2)	1,652
Total interest-bearing liabilities	3,282	2,666	5,948
Change in net interest income	$ 678	$ 344	$ 1,022

Comparison of Operating Results for the Years Ended June 30, 2024 and June 30, 2023

General. Net loss for the year ended June 30, 2024, was $2.0 million, an increase of $1.5 million, compared to net loss of $545,000 for the year ended June 30, 2023. The increase in net loss was primarily due to a $2.3 million increase in noninterest expenses, which included certain one-time expenses as noted in the noninterest expense section below, as well as a $1.4 million increase in salaries and employee benefits.

Interest Income. Interest income increased $7.0 million, or 137.9%, to $12.0 million for the year ended June 30, 2024, from $5.0 million for the year ended June 30, 2023. This increase was primarily attributable to a $5.1 million, or 345.7%, increase in interest on investment securities, a $2.0 million, or 68.7%, increase in interest on loans.

The average balance of loans during the year ended June 30, 2024, increased $20.9 million, or 26.3%, from the balance for the year ended June 30, 2023, and the average yield on loans increased by 1.21% to 3.83% for the year ended June 30, 2024 from 3.62% for the year ended June 30, 2023.

The average balance of investment securities increased $67.7 million, or 146.9%, to $113.8 million for the year ended June 30, 2024 from $46.1 million for the year ended June 30, 2023, while the average yield on investment securities increased by 2.59% to 5.81% for the year ended June 30, 2024 from 3.22% for the year ended June 30, 2023. The increase in average yield on securities resulted from the effects of management's purchasing of higher yielding variable rate securities.

The average balance of other interest-bearing deposits, comprised primarily of certificates of deposit in other financial institutions, overnight deposits and stock in the Federal Home Loan Bank and Federal Reserve Bank, decreased $4.1 million, or -26.9%, for the year ended June 30, 2024, while the average yield increased 49 basis points, to 5.04% for the year ended June 30, 2024 from 4.55% for the year ended June 30, 2023, reflecting the elevated interest rate environment.

Interest Expense. Total interest expense increased $5.9 million, or 762.6%, to $6.7 million for the year ended June 30, 2024 from $780,000 for the year ended June 30, 2023. The increase was primarily due to an increase of 2.40% in the average cost of deposits to 3.10% for the year ended June 30, 2024, from 0.70% for the year ended June 30, 2023, reflecting how management has had to increase the offered rates to be competitive in the current rising interest rate environment, as well as management's strategic decision to leverage wholesale funding and brokered deposits.

Net Interest Income. Net interest income increased $1.0 million, or 23.9%, to $5.3 million for the year ended June 30, 2024 compared to $4.3 million for the year ended June 30, 2023. The increase is a reflection of the above noted factors and management's decision to utilize wholesale funding and brokered deposits to invest in high yielding assets in an attempt to negate cost of funds pressure on core deposits and our historical fixed rate residential loan portfolio and mortgage backed securities.

Provision for Credit Losses. Based on an analysis of the factors described in "Critical Accounting Policies—Allowance for Credit Losses," management concluded that a provision for credit losses of $578,000 was required for the year ended June 30, 2024, which included a provision of $463,000 for loan and a provision of $156,000 for unfunded loan commitments. The allowance for credit losses was $773,000 and $263,000 at June 30, 2024 and 2023, respectively, and represented 0.60% of total loans at June 30, 2024, and 0.29% of total loans at June 30, 2023. See Notes 1 and 2 within Item 8 for further discussion on the adoption of of ASC 326 during the year.

Total nonperforming loans were $554,000 at June 30, 2024, compared to $304,000 at June 30, 2023. Classified loans totaled $64,000 at June 30, 2024, compared to $67,000 at June 30, 2023, and total loans past due greater than 30 days were $761,000 and $733,000 at those respective dates. As a percentage of nonperforming loans, the allowance for loan losses was 139.5% at June 30, 2024 compared to 86.5% at June 30, 2023.

The allowance for credit losses reflects the estimate management believes to be appropriate to cover current expected credit losses which were inherent in the loan portfolio. While management believes the estimates and assumptions used in the determination of the adequacy of the allowance are reasonable, such estimates and assumptions could be proven incorrect in the future, and the actual amount of future provisions may exceed the amount of past provisions, and the increase in future provisions that may be required may adversely impact the Company's financial condition and results of operations. In addition, bank regulatory agencies periodically review the allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of loan charge-offs, based on judgments different than those of management.

Non-Interest Income*.* Non-interest income totaled $230,000 for the year ended June 30, 2024, an increase of $22,000, or 10.6%, from $208,000 for the year ended June 30, 2023. The increase was primarily due to normal fluctuations in the volume of fees on loans and deposits.

Noninterest Expense. Noninterest expense increased $2.3 million, or 44.6%, to $7.5 million for the year ended June 30, 2024, compared to $5.2 million for the year ended June 30, 2023. The increase is driven from increases in salaries and employee benefits as we continue to add key positions vital to the expansion and growth of the Bank, data processing fees as we continue to add new products and modules for the benefit of customers, FDIC insurance premiums associated with our overall deposit growth, advertising and marketing expenses related to the rebranding of the Bank, as noted elsewhere in this form, and certain one-time expenses as noted below.

One-time Expenses Related to Conversion

At the time of the conversion on July 13, 2022, the Bank estimated that it would incur a one-time expense in the third quarter 2022 related to the termination of the defined benefit plan of approximately $3.1 million. Given the increase in interest rates since the time of the initial estimation, the actual cost of termination of the defined benefit plan is expected to be approximately $1.35 million, with over $1 million of those expenses occurring in fiscal year 2023.

In January 2023, the board of directors agreed to take the necessary steps to become a regional commercial bank, ultimately electing to become a Covered Savings Association (CSA) instead of remaining as a Qualified Thrift Lender (QTL). The board of directors, in conjunction with the decreased one-time expenses related to the termination of the defined benefit plan, approved $1.85 million of one-time expenses for, among other things, investments in products, services, software, operating system modules, branding, personnel, consulting fees and training related to obtaining the capabilities required of a regional commercial bank.

The following is management's classification of these expenses for fiscal year 2023, fiscal year 2024, and combined fiscal year 2023 and fiscal year 2024:

	Year Ended June 30,		Total since
	2023	2024	Conversion
Category			
Termination of defined benefit plan	$ 1,052,000	$ 261,000	$ 1,313,000
Contract termination and related personnel costs	256,000	206,000	462,000
IT and software maintenance and related consulting fees	102,000	154,000	256,000
Branding related costs	5,000	385,000	390,000
Other costs	—	105,000	105,000
Total one-time expenses	$ 1,415,000	$ 1,111,000	$ 2,526,000

Federal Income Taxes. Federal income taxes benefit increased by $367,000, or 201.0%, to a $550,000 benefit for the year ended June 30, 2024, compared to tax benefit of $183,000 for the year ended June 30, 2023, which was driven by the increase in pretax net loss of $1.8 million, or 252.9%

Management of Market Risk

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

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

- maintaining capital levels that exceed the thresholds for well-capitalized status under federal regulations;
- maintaining a high level of liquidity;
- growing our volume of core deposit accounts;
- managing our investment securities portfolio so as to reduce the average maturity and effective life of the portfolio; and
- continuing to diversify our loan portfolio by adding more commercial-related loans, which typically have shorter maturities and/or balloon payments.

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

We have not engaged in hedging activities, such as engaging in futures or options but are evaluating the use of these products in the future.

Economic Value of Equity. We also compute amounts by which the net present value of our assets and liabilities (economic value of equity or "EVE") would change in the event of a range of assumed changes in market interest rates. This model uses a discounted cash flow analysis and an option-based pricing approach to measure the interest rate sensitivity of net portfolio value. The model estimates the economic value of each type of asset, liability and off-balance sheet contract under the assumptions that the United States Treasury yield curve increases instantaneously by 100, 200, 300 and 400 basis point increments or decreases instantaneously by 100, 200, 300 and 400basis point increments, with changes in interest rates representing immediate and permanent, parallel shifts in the yield curve.

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

At June 30, 2024					
		Estimated Increase (Decrease) in EVE		EVE as a Percentage of Present Value of Assets (3)	
Change in Interest Rates (basis points) (1)	Estimated EVE (2)	Amount	Percent	EVE Ratio (4)	Increase (Decrease) (basis points)
		(Dollars in thousands)			
400	$ 21,316	$ (9,444)	(30.70)%	7.70 %	(252)
300	23,080	(7,680)	(24.97)%	8.18 %	(204)
200	25,130	(5,630)	(18.30)%	8.73 %	(149)
100	27,680	(3,080)	(10.01)%	9.40 %	(82)
—	30,760	—	— %	10.22 %	—
(100)	34,545	3,785	12.30 %	11.20 %	98
(200)	38,366	7,606	24.73 %	12.15 %	193
(300)	42,298	11,538	37.51 %	13.07 %	285
(400)	45,590	14,830	48.21 %	13.78 %	356

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

The table above indicates that at June 30, 2024, we would have experienced a 18.30% decrease in EVE in the event of an instantaneous parallel 200 basis point increase in market interest rates and a 24.73% increase in EVE in the event of an instantaneous 200 basis point decrease in market interest rates.

Change in Net Interest Income. The following table sets forth, at June 30, 2024, the calculation of the estimated changes in our net interest income ("NII") that would result from the designated immediate changes in the United States Treasury yield curve.

At June 30, 2024		
Change in Interest Rates (basis points) (1)	NII Year 1 Forecast	Year 1 Change from Level
	(Dollars in thousands)	
+400	$ 6,394	2.57 %
+300	6,335	1.62 %
+200	6,304	1.12 %
+100	6,284	0.80 %
Level	6,234	—
(100)	6,222	(0.19)%
(200)	6,287	0.85 %
(300)	6,363	2.07 %
(400)	6,406	2.76 %

(1) Assumes an immediate uniform change in interest rates at all maturities.

The table above indicates that at June 30, 2024, we would have experienced an 1.12% increase in NII in the event of an instantaneous parallel 200 basis point increase in market interest rates and a 0.85% increase in NII in the event of an instantaneous 200 basis point decrease in market interest rates.

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

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

Liquidity and Capital Resources

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from maturities of securities. We also have the ability to borrow from the Federal Home Loan Bank of Cincinnati and Federal Reserve Bank of Cleveland under the Bank Term Funding Program. At June 30, 2024, we had outstanding borrowings of $38.5 million from the Federal Home Loan Bank of Cincinnati and $23.5 million from the Federal Reserve Bank of Cleveland. At June 30, 2024, we had the capacity to borrow an additional $3.9 million from the Federal Home Loan Bank of Cincinnati. On July 1, 2024, $24.0 million of borrowings from FHLB were repaid.

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

Our cash flows are comprised of three primary classifications: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities. For further information, see the statements of cash flows contained in the financial statements appearing elsewhere in this annual report.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

At June 30, 2024, the Bank’s Tier 1 leverage capital was $32.9 million, or 12.1% of adjusted assets. Accordingly, it was categorized as well-capitalized at June 30, 2024 under the “community bank leverage ratio” framework. Management is not aware of any conditions or events since the most recent notification that would change our category. For further information, see note 9 to the notes to financial statements.

Off-Balance Sheet Arrangements. At June 30, 2024, we had $33.1 million of outstanding commitments to originate loans. Certificates of deposit that are scheduled to mature in less than one year from June 30, 2024 totaled $46.1 million at June 30, 2024. Management expects that a substantial portion of the maturing certificates of deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize Federal Home Loan Bank of Cincinnati advances, pledge eligible securities to the FRB under the discount window, or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see Note 2 of the notes to financial statements appearing elsewhere in this annual report.

Impact of Inflation and Changing Prices

The financial statements and related data presented in this report have been prepared according to GAAP which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

The information regarding this Item is contained in Item 7 under the heading "Management of Market Risk."

ITEM 8. Financial Statements and Supplementary Data

VWF Bancorp, Inc.

June 30, 2024 and 2023

Contents

Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors, and Audit Committee
VWF Bancorp, Inc.
Van Wert, Ohio

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of VWF Bancorp, Inc. (the "Company") as of June 30, 2024 and 2023, the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for each of the years then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, and the results of its cash flows for each of the years ended June 30, 2024 and 2023, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, Note 2, and Note 4 to the consolidated financial statements, in fiscal year 2024, the Company changed its method of accounting for credit losses on financial instruments due to the adoption of Accounting Standards Codification Topic 326: *Financial Instruments – Credit Losses*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2022.

/s/ Forvis Mazars, LLP

PCAOB ID 686
Fort Wayne, Indiana
September 27, 2024

VWF Bancorp, Inc.
Consolidated Balance Sheets
June 30, 2024 and 2023

	June 30, 2024	June 30, 2023
Assets		
Cash and due from banks	$ 31,630,525	$ 5,515,728
Available-for-sale debt securities	139,344,952	70,585,194
Loans, net of allowance for credit losses of $772,969 at June 30, 2024 and $263,422 June 30, 2023, respectively	126,391,092	81,208,395
Premises and equipment	2,261,260	1,409,347
Stock in correspondent banks	2,195,900	396,800
Bank owned life insurance	5,351,048	5,223,496
Accrued interest receivable	961,856	498,807
Right-of-use asset - operating lease	1,406,905	—
Other assets	1,710,583	1,131,536
Total assets	$ 311,254,121	$ 165,969,303
Liabilities and Shareholders' Equity		
Liabilities		
Deposits		
Demand	$ 26,493,048	$ 26,551,336
Savings and money market	47,466,674	42,019,749
Time	135,350,608	51,420,496
Total deposits	209,310,330	119,991,581
Borrowings	62,000,000	6,200,000
Advances from borrowers	137,722	628,795
Operating lease liability	1,442,620	—
Accrued interest payable and other liabilities	1,815,617	650,927
Total liabilities	274,706,289	127,471,303
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, $0.01 par value, 14,000,000 shares authorized, 1,914,965 and 1,922,924 issued and outstanding at June 30, 2024 and June 30, 2023, respectively	19,229	19,229
Additional paid-in capital	18,006,472	17,875,071
Treasury stock, 36,800 shares at June 30, 2024 and 0 shares at June 30, 2023	(598,000)	—
Unearned ESOP	(1,346,047)	(1,461,422)
Retained earnings	22,843,782	24,916,481
Accumulated other comprehensive loss	(2,377,604)	(2,851,359)
Total shareholders' equity	36,547,832	38,498,000
Total liabilities and shareholders' equity	$ 311,254,121	$ 165,969,303

See Notes to Consolidated Financial Statements

VWF Bancorp, Inc.
Consolidated Statements of Operations
Years Ended June 30, 2024 and 2023

	Year Ended June 30, 2024	Year Ended June 30, 2023
Interest Income		
Loans	$ 4,844,465	$ 2,871,985
Investment securities	6,614,900	1,484,124
Interest-bearing deposits and other	565,032	698,147
Total interest income	12,024,397	5,054,256
Interest Expense		
Deposits	5,051,364	755,095
Borrowings	1,676,863	25,180
Total interest expense	6,728,227	780,275
Net Interest Income	5,296,170	4,273,981
Provision for Credit Losses - Loans	462,752	40,538
Provision for Credit Losses - Off Balance Sheet Credit Exposure	155,850	—
Credit Loss Expense	618,602	40,538
Net Interest Income After Provision for Credit Losses	4,677,568	4,233,443
Noninterest Income		
Bank owned life insurance	127,552	111,413
Gain on disposal of assets	2,866	—
Other income	99,760	96,785
Total noninterest income	230,178	208,198
Noninterest Expense		
Salaries and employee benefits	3,497,585	2,137,516
Pension plan withdrawal	262,927	1,051,820
Directors fees	259,728	158,550
Occupancy and equipment	474,642	284,211
Data processing fees	558,158	259,984
Franchise taxes	219,155	160,040
FDIC insurance premiums	141,971	48,809
Professional services	658,175	519,617
Advertising and marketing	455,117	35,464
Loss on sale of investment securities	1,951	—
Foreclosed assets, net	436	—
Other	947,474	513,727
Total noninterest expense	7,477,319	5,169,738
Loss before income taxes	(2,569,573)	(728,097)
Provision for income taxes (benefits)	(550,040)	(182,713)
Net Loss	$ (2,019,533)	$ (545,384)
Basic Loss Per Share	$ (1.14)	$ (0.31)
Diluted Loss Per Share	$ (1.14)	$ (0.31)

See Notes to Consolidated Financial Statements

VWF Bancorp, Inc.
Consolidated Statements of Comprehensive Loss
Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
Net loss	$ (2,019,533)	$ (545,384)
Other comprehensive income (loss):		
Net unrealized gains (losses) on available-for-sale securities	682,023	(1,040,054)
Change in funded status of defined benefit plan	—	82,233
Reclassification adjustment for amortization of defined benefit pension actuarial gain	(82,333)	—
Tax (expense) benefit	(125,935)	201,221
Other comprehensive income (loss)	473,755	(756,600)
Comprehensive loss	$ (1,545,778)	$ (1,301,984)

See Notes to Consolidated Financial Statements

VWF Bancorp, Inc.
Consolidated Statements of Shareholders' Equity
Years Ended June 30, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Unearned ESOP Shares	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Loss	Shareholders' Equity
Balance at July 1, 2022	$ —	$ —	$ —	$ 25,461,865	$ —	$ (2,094,759)	$ 23,367,106
Proceeds from issuance of shares	19,229	17,845,597	(1,538,339)	—	—	—	16,326,487
ESOP shares committed to be released	—	29,474	76,917	—	—	—	106,391
Net loss	—	—	—	(545,384)	—	—	(545,384)
Other comprehensive loss	—	—	—	—	—	(756,600)	(756,600)
Balance at June 30, 2023	$ 19,229	$ 17,875,071	$ (1,461,422)	$ 24,916,481	$ —	$ (2,851,359)	$ 38,498,000
Balance at July 1, 2023	$ 19,229	$ 17,875,071	$ (1,461,422)	$ 24,916,481	$ —	$ (2,851,359)	$ 38,498,000
Cumulative-effect adjustment for adoption of ASU 2016-13	—	—	—	(53,166)	—	—	(53,166)
Balance at July 1, 2023, as adjusted for change in accounting principle	$ 19,229	$ 17,875,071	$ (1,461,422)	$ 24,863,315	$ —	$ (2,851,359)	$ 38,444,834
ESOP shares committed to be released	—	58,251	115,375	—	—	—	173,626
Net loss	—	—	—	(2,019,533)	—	—	(2,019,533)
Other comprehensive income	—	—	—	—	—	473,755	473,755
Purchase of treasury stock	—	—	—	—	(598,000)	—	(598,000)
Stock compensation expense	—	73,150	—	—	—	—	73,150
Balance at June 30, 2024	$ 19,229	$ 18,006,472	$ (1,346,047)	$ 22,843,782	$ (598,000)	$ (2,377,604)	$ 36,547,832

See Notes to Consolidated Financial Statements

VWF Bancorp, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	Year Ended June 30, 2024	Year Ended June 30, 2023
Operating Activities		
Net loss	$ (2,019,533)	$ (545,384)
Items not requiring (providing) cash:		
Depreciation and amortization	175,348	66,412
Amortization (accretion) of premiums and discounts, net	(362,596)	51,449
Deferred income taxes	(554,628)	(175,944)
Provision for credit losses	618,602	40,538
Loss on sale of investment securities	1,951	—
Net losses on sale of foreclosed assets	436	—
Interest capitalization on available-for-sale securities	(252,187)	—
Gain on disposal of assets	(2,866)	—
Increase in cash surrender value of bank-owned life insurance	(127,552)	(111,413)
Stock and ESOP compensation expense	246,776	165,046
Changes in:		
Accrued interest receivable	(463,049)	(279,612)
Operating lease liability	(9,786)	—
Other assets and liabilities	769,782	1,106,162
Net cash (used in) provided by operating activities	(1,979,302)	317,254
Investing Activities		
Net change in interest-bearing time deposits	—	1,470,000
Purchases of available-for-sale securities	(114,767,266)	(51,735,943)
Proceeds from sales of available-for-sale securities	2,989,041	—
Proceeds from calls, maturities and paydowns of available-for-sale securities	44,313,322	4,553,656
Proceeds from sales of foreclosed assets	97,303	—
Purchase of other assets owned	(26,796)	—
Net change in loans	(45,763,187)	(3,538,745)
Purchase of premises and equipment	(990,360)	(104,125)
Proceeds from sales of premises and equipment	11,466	—
Purchase of correspondent bank stock	(3,401,100)	—
Proceeds from redemption of correspondent bank stock	1,602,000	616,100
Net cash used in investing activities	(115,935,577)	(48,739,057)
Financing Activities		
Net increase in deposit accounts	89,318,749	10,001,372
Proceeds from borrowings	136,500,000	6,200,000
Repayment of borrowings	(80,700,000)	—
Purchase of treasury stock	(598,000)	—
Net change in advances by borrowers	(491,073)	13,060
Proceeds from issuance of common stock	—	1,011,257
Net cash provided by financing activities	144,029,676	17,225,689
Increase (Decrease) in Cash and Cash Equivalents	26,114,797	(31,196,114)
Cash and Cash Equivalents, Beginning of Period	5,515,728	36,711,842
Cash and Cash Equivalents, End of Period	$ 31,630,525	$ 5,515,728
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest on deposits and borrowings	$ 6,005,063	$ 288,506
Supplemental Disclosure of Noncash Financing Activities		
Transfers from stock subscriptions to common stock and additional paid-in capital	$ —	$ 15,315,230
ROU asset obtained in exchange for new operating lease liability	1,452,406	—
Loans transferred to OREO	70,943	—

See Notes to Consolidated Financial Statements

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

Principles of Consolidation

The consolidated financial statements as of and for the years ended June 30, 2024 and 2023 include the accounts of VWF Bancorp, Inc. (“VFW Bancorp” or the “Company”) and its wholly-owned subsidiary, Van Wert Federal Savings Bank (“Van Wert Federal” or the “Bank”). All intercompany transactions and balances have been eliminated in consolidation.

Nature of Operations

VWF Bancorp, Inc., a Maryland corporation and registered savings and loan holding company, was incorporated on February 25, 2022, to serve as the savings and loan holding company for the Bank in connection with the Bank’s conversion from the mutual to the stock form of organization (the “Conversion”). The Conversion was completed on July 13, 2022. The Company’s shares began trading on the OTCQB under symbol VWFB on July 14, 2022. VWFB shares began trading on OTCQX on June 30, 2023. In connection with the Conversion, the Company acquired 100% ownership of the Bank and the Company offered and sold 1,922,924 shares of its common stock at $10.00 per share, for gross offering proceeds of $19,229,000. The cost of the conversion and issuance of common stock was approximately $1,364,000, which was deducted from the gross offering proceeds. The Bank’s employee stock ownership plan purchased 153,834 shares of the common stock sold by the Company, which was 8% of the 1,922,924 shares of common stock issued by the Company. The ESOP purchased the shares using a loan from the Company. The Company contributed $8,932,000 of the net proceeds from the offering to the Bank, loaned $1,538,000 of the net proceeds to the ESOP and retained approximately $7,394,000 of the net proceeds.

Following the Conversion, voting rights in the Company are held and exercised exclusively by the shareholders of the Company. Deposit account holders continue to be insured by the FDIC. The Bank may not pay a dividend on its capital stock if the effect thereof would cause retained earnings to be reduced below regulatory capital requirements. In addition, the Company is subject to certain regulations related to the payment of dividends and the repurchase of its capital stock. The Conversion was accounted for as a change in corporate form with the historic basis of the Bank’s assets, liabilities and equity unchanged as a result.

The Bank, which is the sole subsidiary of the Company, provides a variety of banking services to individuals and businesses within its principal market areas of Van Wert County, Ohio and Allen County, Indiana, as well as the surrounding areas. The Bank is a federal savings association subject to examination and regulation by the Office of the Comptroller of the Currency (“OCC”), and is also subject to examination by the FDIC as deposit insurer. Effective June 23, 2023, the Bank elected to be a “covered savings association” (“CSA”). A CSA has the same rights and privileges as a national bank that has its main offices situation in the same location as the home office of the CSA and is subject to the same duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to such a national bank. The Bank is engaged primarily in the business of making residential mortgage loans, commercial loans and accepting deposits. Its operations are conducted through its offices located in Van Wert, Ohio and Fort Wayne, Indiana. The Bank faces competition from other financial institutions and is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

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, valuation of deferred tax assets and fair values of financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents include cash, interest-bearing deposits in other institutions, certificates of deposit purchased with original maturities of three months or less and highly liquid debt instruments with original maturities when purchased for three months or less. At June 30, 2024, the Company's cash accounts at nonfederal government or nongovernmental agencies exceeded FDIC insurance limits by approximately $4,703,000.

Debt Securities

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

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

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

Subsequent to adoption of ASC 326 on July 1, 2023:

Effective July 1, 2023, the Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on debt securities. For available-for-sale debt securities in an unrealized loss position, management first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and 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 decline in fair value that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of applicable taxes.

Amortized cost excludes accrued interest receivable, which is included in Accrued Interest Receivable on the consolidated balance sheets. At June 30, 2024 and 2023, accrued interest receivable on available for sale securities was $467,000 and $300,000, respectively, and is excluded from the estimate of credit losses.

Prior to adoption of ASC 326 on July 1, 2023:

Prior to July 1, 2023, when the fair value of securities is below amortized cost, the Bank's accounting treatment for an other-than-temporary impairment (OTTI) was as follows:

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

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

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

The Company recognized no other-than-temporary impairments on debt securities during the year ended June 30, 2023.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses and 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.

Accrued interest receivable on the Company's loans, which is included in Accrued Interest Receivable on the consolidated balance sheets at June 30, 2024 and 2023 was $457,000 and $200,000, respectively, and is excluded from the estimate of credit losses.

The past due status of a loan is based on the contractual terms in the loan agreement. The accrual of interest on a loan is discontinued when the loan becomes 90 days delinquent or whenever management believes the borrower will be unable to make payments as they become due. When loans are placed on nonaccrual status or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on the cash basis if collection of the remaining recorded investment in the loan is still expected or using the cost-recovery method when collection of the remaining recorded investment is in doubt. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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.

For all loan portfolio segments except residential and consumer loans, the Bank promptly charges-off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Bank charges-off residential and consumer loans, or portions thereof, when the Bank reasonably determines the amount of the loss. The Bank adheres to delinquency thresholds established by applicable regulatory guidance to determine the charge-off timeframe for these loans. Loans at these delinquency thresholds for which the Bank can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged off.

For all classes, all interest accrued but not collected for loans that are placed on nonaccrual or charged off is 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. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Bank requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in each loan class, the Bank records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan.

Allowance for Credit Losses

The Company adopted ASU No. 2016-13 and began accounting for credit losses under ASC 326, Financial Instruments - Credit Losses, on July 1, 2023. The new standard significantly changed the impairment model for most financial assets that are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss impairment model to an expected credit loss model. Refer to Note 2 for more information on the impact to the consolidated financial statements.

The allowance for credit losses on loans is a valuation allowance that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the Company's loan portfolio. The allowance for credit losses on loans is established through provisions for credit losses charged against earnings. When available information confirms that specific loans, or portions thereof, are uncollectible, these amounts are charged against the allowance for credit losses on loans, and subsequent recoveries, if any, are credited to the allowance for credit losses on loans.

Subsequent to adoption of ASC 326 on July 1, 2023:

Effective July 1, 2023, the Company uses a current expected credit loss ("CECL") model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses on loans estimate under the CECL model, the Company segments the loan portfolio into loan pools based on loan type and similar credit risk elements; performs an individual evaluation of certain collateral dependent and other credit-deteriorated loans; calculates the historical loss rates for the segmented loan pools; applies the loss rates over the calculated life of the collectively evaluated loan pools; adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to the Company's loan portfolio.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates nonaccrual loans and other loans with evidence of credit deterioration.

For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral as of the date of the consolidated balance sheet, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

Management evaluates all collectively evaluated loan pools using the weighted average remaining life ("WARM") methodology. The WARM methodology applies calculated quarterly net loss rates to collectively evaluated loan pools on a periodic basis based on the estimated remaining life of each pool. The estimated losses under the remaining life methodology are then adjusted for qualitative factors deemed appropriate by management.

The estimated remaining life of each pool is determined using annual, pool-based attrition measurements using the Company's loan-level historical data. The Company's historical call report data is utilized for historical loss rate calculations, and the lookback period for each collectively evaluated loan pool is determined by management based upon management’s evaluation of what historical data is most reflective indicator of expected losses. Forecasted historical loss rates are calculated using the Company's historical data based on the lookback, forecast, and reversion period inputs by management. Management elected to utilize an 8-quarter forecast period, with immediate reversion to historical losses after the forecast period.

The quantitative analysis described above is supplemented with other qualitative factors based on the risks present for each collectively evaluated loan pool. These qualitative factors include: changes in lending policies and practices; changes in international, national, regional, and local business conditions; changes in the nature and volume of the portfolio and in terms of loans; changes in lending staff; changes in the volume and severity of past due loans; changes in the quality of the Company’s loan review system; changes in the value of underlying collateral; existence and effect of any concentrations of credit risk and changes in the levels of concentrations; and the effect of other external factors such as competition.

In addition to the allowance for credit losses on loans, the Company maintains a reserve for unfunded loan commitments at a level that management believes is adequate to absorb estimated probable credit losses over the contractual terms of the Company's noncancellable loan commitments. The reserve for unfunded commitments, which is included in Accrued interest payable and other liabilities on the accompanying consolidated balance, is established through provisions for credit losses charged against earnings.

Unfunded loan commitments are segmented into the same pools used for estimating the allowance for credit losses on loans. Estimated credit losses on unfunded loan commitments are based on the same methodology, inputs, and assumptions used to estimate credit losses on collectively evaluated loans, adjusted for estimated funding probabilities. The estimated funding probabilities represent management's estimate of the amount of the current unfunded loan commitment that will be funded over the remaining contractual life of the commitment and is based on historical data, when available, or as determined by management when historical data is not available.

The Company may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification. Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Prior to adoption of ASC 326 on July 1, 2023:

Prior to July 1, 2023, the Company used an incurred loss impairment model to estimate the allowance for loan losses. This methodology assessed the overall appropriateness of the allowance for loan losses on loans and included allocations for specifically identified impaired loans and loss factors for all remaining loans, with a component primarily based on historical loss rates and another component primarily based on other qualitative factors.

Under the incurred loss impairment model, the allowance for loan losses was based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. When historical data was not available, management relied upon available peer data.

The allowance for loan losses under the incurred loss impairment model consisted of allocated and general components. The allocated component related to loans that were classified as impaired. For those loans that were classified as impaired, an allowance was established when the discounted cash flows (or collateral value or observable market price) of the impaired loan was lower than the carrying value of that loan. The general component covered nonimpaired loans and was based on historical charge-off experience by segment. The historical loss experience was determined by portfolio segment and was based on the actual loss history experienced by the Company over the prior three years. Other adjustments (qualitative/environmental considerations) for each segment were added to the allowance for each loan segment after an assessment of internal or external influences on credit quality that were not fully reflected in the historical loss or risk rating data.

Under the incurred loss impairment model, a loan was considered impaired when, based on current information and events, it was probable that the Company would be unable to collect 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 included payment status, collateral value and the probability of collecting scheduled principal and interest payments when due, based on the loan's current payment status and the borrower's financial condition, including available sources of cash flows. Loans that experience insignificant payment delays and payment shortfalls generally were not classified as impaired. Management determined the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment was measured on a loan-by-loan basis for non-homogenous type loans such as commercial, non-owner-occupied residential, multi-family, nonresidential and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent. For impaired loans where the Company utilized the discounted cash flows to determine the level of impairment, the Company included the entire change in the present value of cash flows as bad debt expense.

The fair values of collateral dependent impaired loans were based on independent appraisals of the collateral. In general, the Company acquired an updated appraisal upon identification of impairment and annually thereafter for commercial, commercial real estate and multi-family loans. If the most recent appraisal was over a year old, and a new appraisal was not performed, due to lack of comparable values or other reasons, the existing appraisal is utilized and discounted based on the age of the appraisal, condition of the subject property and overall economic conditions. After determining the collateral value as described, the fair value was calculated based on the determined collateral value less selling expenses. The potential for outdated appraisal values was considered in the determination of the allowance for loan losses through analysis of various trends and conditions including the local economy, trends in charge-offs and delinquencies, etc. and the related qualitative adjustments assigned by the Company.

Under the incurred loss impairment model, segments of loans with similar risk characteristics were collectively evaluated for impairment based on the segment's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Accordingly, the Company did not separately identify individual consumer and residential loans for impairment measurements, unless such loans were the subject of a restructuring agreement due to financial difficulties of the borrower.

Prior to the adoption of ASU 2022-02, any loans that are modified were reviewed by the Company to identify if a troubled debt restructuring (TDR) had occurred, which was when, for economic or legal reasons related to a borrower's financial difficulties, the Company granted a concession to the borrower that it would not otherwise consider. With regard to determination of the amount of the allowance for loan losses, troubled debt restructured loans were considered to be impaired. As a result, the determination of the amount of impaired loans for each portfolio segment within troubled debt restructurings was the same as detailed previously.

Premises and Equipment

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

Lease Commitments

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use ("ROU") assets and lease liabilities on the Consolidated Balance Sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date.

The Company combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office building leases in Fort Wayne, Indiana.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The discount rate used in determining the lease liability and related ROU asset is based upon what would be obtained by the Company for similar loans as an incremental rate as of the date of origination or renewal.

The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Company has elected not to record leases with an initial term of 12 months or less on the Consolidated Balance Sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Stock in Correspondent Banks

Federal Home Loan Bank (FHLB) Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. For the years ended June 30, 2024 and 2023, no impairment has been recognized.

Federal Reserve Bank (FRB) Stock

The Bank is a member of its regional Federal Reserve Bank. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. For the year ended June 30, 2024, no impairment has been recognized. The Bank did not own any FRB stock during the year ended June 30, 2023.

Bank Owned Life Insurance

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

Foreclosed Assets Held for Sale

Foreclosed assets include real property and other assets that have been acquired as a result of foreclosure. At the time of foreclosure, foreclosed assets are recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at the lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed. At June 30, 2024 and 2023, there were no foreclosed assets recorded as a result of obtaining physical possession of the property. At June 30, 2024 and 2023, there were no loans for which formal foreclosure procedures were in process.

Income Taxes

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

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

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

If necessary, the Company recognizes interest and penalties on income taxes as a component of income tax expense.

With a few exceptions, the Company is no longer subject to examination by tax authorities for calendar years before 2021. As of June 30, 2024, the Company had no material uncertain income tax positions.

Employee Stock Ownership Plan (ESOP)

The cost of shares issued to the Employee Stock Ownership Plan ("ESOP"), but not yet allocated to participants, is shown as a reduction of shareholders' equity. Compensation expense is based on the average fair value of shares as they are committed to be released to participant accounts.

Stock-Based Compensation

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

Treasury Stock

Common stock shares repurchased are recorded at cost. Cost of shares retired or reissued is determined using the first-in, first-out method.

Earnings (Loss) Per Share

Basic earnings (loss) per share ("EPS") represents income available or loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the period. Unallocated common shares held by the ESOP are not included in the weighted average number of common shares outstanding for purposes of calculating EPS until they are committed to be released. Legally issued and outstanding unvested restricted shares are not included in the weighted average number of common shares outstanding for purposes of calculating basic EPS until the awards vest, however, these shares are included in the computation of the denominator of diluted EPS, if dilutive. Diluted EPS reflects additional common shares that would have been outstanding if dilutive potential common shares, in the form of stock options and restricted stock awards, had been issued, as well as any adjustment to income that would result from the assumed issuance and is calculated using the treasury stock method. Potentially dilutive common shares are excluded from the computation of diluted EPS in periods in which the effect would be anti-dilutive.

Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expense, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and changes in the funded status of the defined benefit pension plan, are reported as a separate component of the equity section of the consolidated balance sheets. Such items, along with net income (loss), are components of comprehensive income (loss).

Revenue Recognition

The Company accounts for revenue recognition in accordance with Accounting Standards Update (ASU) 2014-09 "Revenue from Contracts with Customers" (Accounting Standards Codification (ASC) 606). ASC 606 provides that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Interest income, net securities gains (losses) and income from bank-owned life insurance are not included within the scope of ASC 606. For the revenue streams in the scope of ASC 606, service charges on deposits and electronic banking fees, there are no significant judgments related to the amount and timing of revenue recognition. All of the Company's in scope revenue from contracts with customers is recognized within other noninterest income.

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

Note 2: Recent Accounting Pronouncements

Accounting Standards Adopted in 2024

<u>*Measurement of Credit Losses on Financial Instruments:*</u>

The Company recently adopted the following Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB").

ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments – This standard significantly changes how financial assets measured at amortized cost are presented. Such assets, which include most loans, are presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts. The standard also changes the accounting for credit losses related to available-for-sale securities.

The Company adopted ASU No. 2016-13 on July 1, 2023, using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the year ended June 30, 2024, are presented under Accounting Standards Codification ("ASC") 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards generally accepted in the United States ("US GAAP"). The transition adjustment for the adoption included an increase in the allowance for loan losses of $47,000, an increase in the allowance for unfunded loan commitments and letters of credit of $21,000, and a $53,000 decrease to retained earnings to reflect the cumulative effect of adopting the standard on the Company's consolidated balance sheets. See Debt Securities, Loans, and Allowance for Credit Losses on Loans accounting policies in Note 1 and see Notes 3 and 4 for additional disclosures related to this new accounting pronouncement.

ASU No. 2022-02, Troubled Debt Restructurings and Vintage Disclosures, Topic 326 (Financial Instruments-Credit Losses) – This standard eliminates the recognition and measurement guidance for troubled debt restructurings by creditors under ASC Subtopic 310-40, Receivables-Troubled Debt Restructurings by Creditors, and, instead, requires the Company to evaluate (consistent with other loan modification accounting standards) whether a loan modification represents a new loan or a continuation of an existing loan. The amendments to the standard also enhance existing disclosure requirements, and introduce new requirements related to certain modifications of loans made to borrowers experiencing financial difficulty. The Company adopted ASU No. 2022-02 on July 1, 2023, on a prospective basis. See Note 4 for new disclosures related to the new accounting standard.

Accounting Standards Updates Issued, but Not Adopted

Income Taxes: In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this ASU add specific requirements for income tax disclosures to improve transparency and decision usefulness. The guidance in ASU 2023-09 requires that public business entities disclose specific categories in the income tax rate reconciliation and provide additional qualitative information for reconciling items that meet a quantitative threshold. In addition, the amendments in ASU 2023-09 require that all entities disclose the amount of income taxes paid disaggregated by federal, state, and foreign taxes and disaggregated by individual jurisdictions. The ASU also includes other disclosure amendments related to the disaggregation of income tax expense between federal, state and foreign taxes. For public business entities, the amendments in this update are effective for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments in this update should be applied on a prospective basis and retrospective application is permitted.

Segment Reporting: In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. These amendments require, among other things, that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this ASU and all existing segment disclosures in Topic 208. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods withing fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all periods presented in the financial statements.

Note 3: Debt Securities

Debt securities held by the Company generally are classified and recorded in the consolidated financial statements as available for sale, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss).

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available-for-sale Securities:				
June 30, 2024				
U.S. Government agencies	$ 6,000,000	$ —	$ 285,910	$ 5,714,090
Mortgage-backed Government				
Sponsored Enterprises (GSEs)	29,387,507	49,792	1,676,887	27,760,412
Collateralized mortgage obligations (CMOs)	99,668,482	293,565	459,194	99,502,853
Subordinated debt	2,750,000	—	212,045	2,537,955
State and political subdivisions	4,548,588	—	718,946	3,829,642
	$ 142,354,577	$ 343,357	$ 3,352,982	$ 139,344,952

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available-for-sale Securities:				
June 30, 2023				
U.S. Government agencies	$ 7,000,000	$ 1,410	$ 471,900	$ 6,529,510
Mortgage-backed Government				
Sponsored Enterprises (GSEs)	31,081,408	961	2,153,110	28,929,259
Collateralized mortgage obligations (CMOs)	30,633,725	12,253	261,388	30,384,590
Subordinated debt	1,000,000	—	139,530	860,470
State and political subdivisions	4,561,709	—	680,344	3,881,365
	$ 74,276,842	$ 14,624	$ 3,706,272	$ 70,585,194

The amortized cost and fair value of available-for-sale securities at June 30, 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:

	June 30, 2024 Available-for-sale	
	Amortized Cost	Fair Value
Within one year	$ 1,000,000	$ 996,160
One to five years	5,937,973	5,557,166
Five to ten years	4,995,032	4,443,293
After ten years	1,365,583	1,085,068
	13,298,588	12,081,687
Mortgage-backed GSE's and CMO's	129,055,989	127,263,265
Totals	$ 142,354,577	$ 139,344,952

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was $54,822,000 and $7,201,000 at June 30, 2024 and 2023, respectively.

Proceeds from sales of securities totaled $2,989,000 during the fiscal year ended June 30, 2024. Such sales resulted in realized losses of $2,000. There were no sales of securities during the fiscal year ended June 30, 2023.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at June 30, 2024 and 2023, was $85,595,000 and $61,879,000, which is approximately 61 percent and 88 percent, respectively, of the fair value of the Company’s total investment portfolio. Management believes that all unrealized losses at June 30, 2024 and June 30, 2023 resulted from temporary changes in interest rates and current market conditions and not a result of credit deterioration.

Information related to unrealized losses in the investment portfolio as of June 30, 2024 and June 30, 2023 is summarized as follows:

	June 30, 2024					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Government agencies	$ —	$ —	$ 5,714,090	$ 285,910	$ 5,714,090	$ 285,910
Mortgage-backed Government Sponsored Enterprises (GSEs)	2,910,227	3,516	13,077,539	1,673,371	15,987,766	1,676,887
Collateralized mortgage obligations	55,863,004	418,582	1,662,871	40,612	57,525,875	459,194
Subordinated debt	1,688,750	61,250	849,205	150,795	2,537,955	212,045
State and political subdivisions	—	—	3,829,642	718,946	3,829,642	718,946
Total available-for-sale securities	$ 60,461,981	$ 483,348	$ 25,133,347	$ 2,869,634	$ 85,595,328	$ 3,352,982

	June 30, 2023					
	Less than 12 Months		12 Months or More		Total	
Description of Securities	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Government agencies	$ —	$ —	$ 5,528,100	$ 471,900	$ 5,528,100	$ 471,900
Mortgage-backed Government Sponsored Enterprises (GSEs)	17,561,545	278,848	11,312,858	1,874,262	28,874,403	2,153,110
Collateralized mortgage obligations	22,734,587	261,388	—	—	22,734,587	261,388
Subordinated debt	860,470	139,530	—	—	860,470	139,530
State and political subdivisions	448,750	8,324	3,432,615	672,020	3,881,365	680,344
Total available-for-sale securities	$ 41,605,352	$ 688,090	$ 20,273,573	$ 3,018,182	$ 61,878,925	$ 3,706,272

U.S. Government Agencies and State and Political Subdivisions and Subordinated Debt

Unrealized losses on these securities have not been recognized into income because the issuers' bonds are of high credit quality, values have only been impacted by changes in interest rates since the securities were purchased, and the Company has the intent and ability to hold the securities for the foreseeable future. The fair value is expected to recover as the bonds approach the maturity date.

Mortgage-backed GSE's, Collateralized Mortgage Obligations

Unrealized losses on these securities have not been recognized into income because the unrealized losses were caused by changes in interest rates and illiquidity, and not credit quality. The Company has the intent and ability to hold the securities for the foreseeable future. The fair value is expected to recover as the bonds approach the maturity date and the Company expects to recover the amortized cost basis over the term of the securities.

Note 4: Loans and Allowance for Credit Losses

Categories of loans at June 30, 2024 and June 30, 2023 include:

	June 30, 2024	June 30, 2023
Real estate loans:		
Commercial	$ 19,724,941	$ 6,009,615
Residential	69,826,726	65,857,446
Multifamily	659,257	688,393
Agricultural	4,213,660	4,044,648
Construction and land	17,644,710	8,567,060
Home equity line of credit (HELOC)	1,622,877	355,296
Commercial and industrial	14,879,004	3,398,557
Consumer	955,415	801,476
Total loans	129,526,590	89,722,491
Less:		
Undisbursed loans in process	2,222,582	8,202,918
Net deferred loan fees	139,947	47,756
Allowance for credit losses	772,969	263,422
Net loans	$ 126,391,092	$ 81,208,395

The following tables present the activity in the allowance for credit losses based on portfolio segment for the years ended June 30, 2024 and 2023.

	Balance June 30, 2023	Adoption of ASC 326	Provision (credit) for loan losses	Charge-offs	Recoveries	Balance June 30, 2024
Real estate loans:						
Commercial	$ 27,379	$ (2,203)	$ 181,783	$	$	$ 206,959
Residential	167,714	41,930	(35,031)	—	—	174,613
Multifamily	1,786	(9)	(502)	—	—	1,275
Agricultural	17,091	(1,196)	(3,734)	—	—	12,161
Construction and land	12,491	10,144	167,959	—	—	190,594
HELOC	34,779	(33,888)	2,160	—	—	3,051
Commercial and industrial	882	31,562	150,567	—	—	183,011
Consumer	1,300	455	(450)	—	—	1,305
Total	$ 263,422	$ 46,795	$ 462,752	$ —	$ —	$ 772,969
Unfunded loan commitments and letters of credit	$ —	$ 20,503	$ 155,850	$ —	$ —	$ 176,353

The reserve for unfunded loan commitments as of June 30, 2024, is included in accrued interest payable and other liabilities on the accompanying consolidated balance sheet. There was no reserve for unfunded loan commitments as of June 30, 2023.

	Balance June 30, 2022	Provision (credit) for loan losses	Charge-offs	Recoveries	Balance June 30, 2023
Real estate loans:					
Commercial	$ 20,643	$ 6,736	$ —	$ —	$ 27,379
Residential	177,830	(10,116)	—	—	167,714
Multifamily	1,926	(140)	—	—	1,786
Agricultural	13,868	3,223	—	—	17,091
Construction and land	5,477	7,014	—	—	12,491
HELOC	1,306	33,473	—	—	34,779
Commercial and industrial	709	173	—	—	882
Consumer	1,125	175	—	—	1,300
Total	$ 222,884	$ 40,538	$ —	$ —	$ 263,422

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment as of June 30, 2023:

	Allowance for credit losses		Loans	
	Individually	Collectively	Individually	Collectively
June 30, 2023				
Real estate loans:				
Commercial	$ —	$ 27,379	$ —	$ 6,009,615
Residential	7	167,707	304,096	65,553,350
Multifamily	—	1,786	—	688,393
Agricultural	—	17,091	—	4,044,648
Construction and land	—	12,491	—	8,567,060
HELOC	—	34,779	—	355,296
Commercial and industrial	—	882	—	3,398,557
Consumer	—	1,300	—	801,476
Total	$ 7	$ 263,415	$ 304,096	$ 89,418,395

The Company has adopted a standard loan grading system for all non-residential real estate loans. Loan grades are numbered 1 through 8. Grades 1 through 3 are considered satisfactory grades. The grade of 4, Monitor, represents loans requiring more than normal attention. The grade of 5, Special Mention, represents loans of lower quality and is considered criticized. The grades of 6, or Substandard, and 7, Doubtful, refer to loans that are classified.

Pass (1-3) Loans of reasonable credit strength and repayment ability providing a satisfactory credit risk.

Monitor (4) Loans requiring more than normal attention resulting from underwriting weaknesses as to repayment terms, loan structure, financial and/or documentation exceptions.

Special Mention (5) Loans which may include the characteristics of the Monitor classification, problems that need to be addresses by both the lender and the borrower.

Substandard (6) Loans which may include the characteristics of the Special Mention classification, but also reflects financial and other problems that might result in some loss at a future date and/or reliance upon collateral for ultimate collection.

Doubtful (7) Loans for which some loss is anticipated, but the timing and amount of the loss is not definite.

Loss (8) Loans considered non-bankable assets which may or may not have some salvage value.

Internally prepared loan gradings for commercial loans are updated at least annually. Residential real estate and home equity lines of credit are generally evaluated based on whether or not the loan is performing according to the contractual terms of the loans as of the consolidated balance sheet date.

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

Commercial Real Estate

These loans include commercial real estate and residential real estate secured by property with five or more units. The main risks are changes in the value of the collateral, ability of borrowers to collect rents, vacancy and changes in the tenants' employment status. Management specifically considers unemployment and changes in real estate values in the Company's market area.

Residential Real Estate

These loans include first liens and junior liens on 1-4 family residential real estate (both owner and non-owner occupied). The main risks for these loans are changes in the value of the collateral and stability of the local economic environment and its impact on the borrowers' employment. Management specifically considers unemployment and changes in real estate values in the Company's market area.

Multifamily

These loans include loans on residential real estate secured by property with five or more units. The main risks are changes in the value of collateral, ability of borrowers to collect rents, vacancy and changes in the tenants' employment status. Management specifically considers unemployment and changes in real estate values in the Company's market area.

Agriculture Real Estate

These loans include loans on farm ground, vacant land for development and loans on commercial real estate. The main risks are changes in the value of the collateral and changes in the economy or borrowers' business operations. Management specifically considers unemployment and changes in real estate values in the Company's market area.

Construction and Land Real Estate

These loans include construction loans for 1-4 family residential and commercial properties (both owner and non-owner occupied) and first liens on land. The main risks for construction loans include uncertainties in estimating costs of construction and in estimating the market value of the completed project. The main risks for land loans are changes in the value of the collateral and stability of the local economic environment. Management specifically considers unemployment and changes in real estate values in the Company's market area.

HELOC

These loans are generally secured by owner-occupied 1-4 family residences. The main risks for these loans are changes in the value of the collateral and stability of the local economic environment and its impact on the borrowers' employment. Management specifically considers unemployment and changes in real estate values in the Company's market area.

Commercial and Industrial

The commercial and industrial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is driven by creditworthiness of the borrower and the economic conditions that impact the cash flow stability from business operations. Commercial and industrial loans considered collateral dependent are primarily secured by accounts receivable, inventory, equipment and real estate.

Consumer Loans

These loans include vehicle loans, share loans and unsecured loans. The main risks for these loans are the depreciation of the collateral values (vehicles) and the financial condition of the borrowers. Major employment changes are specifically considered by management. Some consumer loans are unsecured and have no underlying collateral.

The following table reflects loan balances as of June 30, 2024 based on year of origination:

	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
June 30, 2024								
Commercial								
Pass (1 - 3)	$ 14,580,611	$ 1,093,719	$ 1,456,599	$ 336,694	$ 295,178	$ 1,962,140	$ —	$ 19,724,941
Monitor (4)	—	—	—	—	—	—	—	—
Special Mention (5)	—	—	—	—	—	—	—	—

Substandard (6)	—	—	—	—	—	—	—	—
Doubtful (7)	—	—	—	—	—	—	—	—
Total commercial	$ 14,580,611	$ 1,093,719	$ 1,456,599	$ 336,694	$ 295,178	$ 1,962,140	$ —	$ 19,724,941
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Multifamily								
Pass (1 - 3)	$ —	$ —	$ 659,257	$ —	$ —	$ —	$ —	$ 659,257
Monitor (4)	—	—	—	—	—	—	—	—
Special Mention (5)	—	—	—	—	—	—	—	—
Substandard (6)	—	—	—	—	—	—	—	—
Doubtful (7)	—	—	—	—	—	—	—	—
Total multifamily	$ —	$ —	$ 659,257	$ —	$ —	$ —	$ —	$ 659,257
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Agricultural								
Pass (1 - 3)	$ 627,343	$ 1,087,542	$ 827,774	$ 615,048	$ 278,000	$ 566,671	$ —	$ 4,002,378
Monitor (4)	—	—	—	—	—	211,282	—	211,282
Special Mention (5)	—	—	—	—	—	—	—	—
Substandard (6)	—	—	—	—	—	—	—	—
Doubtful (7)	—	—	—	—	—	—	—	—
Total agricultural	$ 627,343	$ 1,087,542	$ 827,774	$ 615,048	$ 278,000	$ 777,953	$ —	$ 4,213,660
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Construction and land								
Pass (1 - 3)	$ 12,732,392	$ 4,855,874	$ 20,212	$ —	$ —	$ —	$ —	$ 17,608,478
Monitor (4)	—	—	—	—	—	—	—	—
Special Mention (5)	—	—	—	—	—	—	—	—
Substandard (6)	—	—	—	—	—	36,232	—	36,232
Doubtful (7)	—	—	—	—	—	—	—	—
Total construction and land	$ 12,732,392	$ 4,855,874	$ 20,212	$ —	$ —	$ 36,232	$ —	$ 17,644,710
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and industrial								
Pass (1 - 3)	$ 14,429,210	$ 161,367	$ —	$ 288,427	$ —	$ —	$ —	$ 14,879,004
Monitor (4)	—	—	—	—	—	—	—	—
Special Mention (5)	—	—	—	—	—	—	—	—
Substandard (6)	—	—	—	—	—	—	—	—
Doubtful (7)	—	—	—	—	—	—	—	—
Total commercial and industrial	$ 14,429,210	$ 161,367	$ —	$ 288,427	$ —	$ —	$ —	$ 14,879,004
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Consumer								
Pass (1 - 3)	$ 493,671	$ 287,793	$ 132,845	$ 17,597	$ 11,714	$ 11,795	$ —	$ 955,415
Monitor (4)	—	—	—	—	—	—	—	—
Special Mention (5)	—	—	—	—	—	—	—	—
Substandard (6)	—	—	—	—	—	—	—	—
Doubtful (7)	—	—	—	—	—	—	—	—
Total consumer	$ 493,671	$ 287,793	$ 132,845	$ 17,597	$ 11,714	$ 11,795	$ —	$ 955,415
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Residential								
Performing	$ 9,835,966	$ 5,704,514	$ 14,362,807	$ 16,673,325	$ 7,723,487	$ 14,614,432	$ 410,032	$ 69,324,563
Nonperforming	—	145,011	46,674	—	—	310,478	—	502,163
Total residential	$ 9,835,966	$ 5,849,525	$ 14,409,481	$ 16,673,325	$ 7,723,487	$ 14,924,910	$ 410,032	$ 69,826,726
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
HELOC								
Performing	$ 1,231,286	$ 34,140	$ 145,393	$ 39,737	$ 51,479	$ 120,842	$ —	$ 1,622,877
Nonperforming	—	—	—	—	—	—	—	—
Total HELOC	$ 1,231,286	$ 34,140	$ 145,393	$ 39,737	$ 51,479	$ 120,842	$ —	$ 1,622,877
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Information regarding the credit quality indicators most closely monitored for other than residential real estate loans by class as of June 30, 2023 follows:

	Pass	Monitor	Special Mention	Substandard	Doubtful	Total
June 30, 2023						
Real estate loans:						
Commercial	$ 5,868,689	$ 140,926	$ —	$ —	$ —	$ 6,009,615
Multifamily	688,393	—	—	—	—	688,393
Agricultural	3,822,067	222,581	—	—	—	4,044,648
Construction and land	5,254,192	3,274,936	—	37,932	—	8,567,060
Commercial and industrial	3,398,557	—	—	—	—	3,398,557
Consumer	801,476	—	—	—	—	801,476
Total loans	$ 19,833,374	$ 3,638,443	$ —	$ 37,932	$ —	$ 23,509,749

The following tables present the credit risk profile of the Company's residential real estate loan portfolio based on internal rating category and payment activity as of June 30, 2023:

	Performing	Nonperforming	Total
June 30, 2023			
Real estate loans:			
Residential	$ 65,553,350	$ 304,096	$ 65,857,446
HELOC	355,296	—	355,296
Total	$ 65,908,646	$ 304,096	$ 66,212,742

The Company evaluates the loan risk grading system definitions and allowance for credit losses methodology on an ongoing basis. No significant changes were made to either during the past year.

The following tables present the Company's loan portfolio aging analysis of the recorded investment in loans as of June 30, 2024 and 2023:

	June 30, 2024						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
Real estate loans:							
Commercial	$ —	$ —	$ —	$ —	$ 19,724,941	$ 19,724,941	$ —
Residential	559,332	87,754	71,729	718,815	69,107,911	69,826,726	—
Multifamily	—	—	—	—	659,257	659,257	—
Agricultural	—	—	—	—	4,213,660	4,213,660	—
Construction and land	36,232	—	—	36,232	17,608,478	17,644,710	—
HELOC	—	—	—	—	1,622,877	1,622,877	—
Commercial and industrial	—	—	—	—	14,879,004	14,879,004	—
Consumer	1,528	3,522	—	5,050	950,365	955,415	—
Total	$ 597,092	$ 91,276	$ 71,729	$ 760,097	$ 128,766,493	$ 129,526,590	$ —

	June 30, 2023						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days & Accruing
Real estate loans:							
Commercial	$ —	$ —	$ —	$ —	$ 6,009,615	$ 6,009,615	$ —
Residential	—	616,352	117,395	733,747	65,123,699	65,857,446	—
Multifamily	—	—	—	—	688,393	688,393	—
Agricultural	—	—	—	—	4,044,648	4,044,648	—
Construction and land	—	—	—	—	8,567,060	8,567,060	—
HELOC	—	—	—	—	355,296	355,296	—
Commercial and industrial	—	—	—	—	3,398,557	3,398,557	—
Consumer	—	—	—	—	801,476	801,476	—
Total	$ —	$ 616,352	$ 117,395	$ 733,747	$ 88,988,744	$ 89,722,491	$ —

The following table presents the amortized cost basis of collateral-dependent loans by class of loans and related allowance, if any, as of June 30, 2024:

	As of June 30, 2024			
	Real Estate	Other	Total	Related Allowance
Real estate				
Commercial	$ —	$ —	$ —	$ —
Residential	502,163	—	502,163	—
Multifamily	—	—	—	—
Agricultural	—	—	—	—
Construction and land	36,232	—	36,232	—
Home equity line of credit (HELOC)	—	—	—	—
Commercial and industrial	—	—	—	—
Consumer	—	15,672	15,672	—
Totals	$ 538,395	$ 15,672	$ 554,067	$ —

Information about impaired loans as of and for the year ended June 30, 2023 is as follows:

	As of and for the year ended June 30, 2023				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Balance of Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance:					
Real estate					
Residential	$ 243,764	$ 243,764	$ —	$ 248,057	$ 7,456
Loans with a specific valuation allowance:					
Real estate					
Residential	60,332	60,332	7	61,670	3,886
Totals	$ 304,096	$ 304,096	$ 7	$ 309,727	$ 11,342

Information regarding nonaccrual loans as of June 30, 2024 and 2023 is as follows:

	Nonaccrual Loans With No Allowance for Credit Losses	Nonaccrual Loans With an Allowance for Credit Losses	Total Nonaccrual Loans	Total Nonaccrual Loans at Beginning of Year	Interest Income Recognized on Nonaccrual Loans	Amortized Cost Basis of Loans 90+ Days Past Due Not on Nonaccrual
June 30, 2024						
Real estate loans:						
Commercial	$ —	$ —	$ —	$ —	$ —	$ —
Residential	502,163	—	502,163	304,096	—	—
Multifamily	—	—	—	—	—	—
Agricultural	—	—	—	—	—	—
Construction and land	36,232	—	36,232	—	—	—
Home equity line of credit (HELOC)	—	—	—	—	—	—
Commercial and industrial	—	—	—	—	—	—
Consumer	15,672	—	15,672	—	—	—
Total	$ 554,067	$ —	$ 554,067	$ 304,096	$ —	$ —

During the year ended June 30, 2024, there were no significant modifications of loans to borrowers who were experiencing financial difficulty. The company did not provide any modifications under these circumstances to borrowers. There were no significant loans modified in a troubled debt restructuring during the year ended June 30, 2023 and there were no troubled debt restructurings modified in the 12 months ended June 30, 2023 that subsequently defaulted.

Note 5: Premises and Equipment

Major classifications of premises and equipment, stated at cost, at June 30, 2024 and 2023, are as follows:

	June 30, 2024	June 30, 2023
Land	$ 572,183	$ 572,183
Buildings and improvements	1,344,309	1,357,006
Furniture and equipment	996,000	1,099,722
Leasehold improvements	220,822	—
Software	72,614	—
IT equipment and improvements	98,758	65,741
Construction in progress	309,078	—
Total premises and equipment	3,613,764	3,094,652
Accumulated depreciation	(1,352,504)	(1,685,305)
Total premises and equipment, net	$ 2,261,260	$ 1,409,347

Note 6: Time Deposits

Time deposits in denominations of $250,000 or more were $10,361,000 and $5,716,000 at June 30, 2024 and 2023, respectively.

At June 30, 2024, the scheduled maturities of time deposits were as follows:

Maturing year ending June 30,	
2025	$ 46,051,659
2026	41,636,458
2027	19,135,762
2028	11,246,711
2029	17,280,018
Thereafter	—
	$ 135,350,608

Note 7: Borrowings

Borrowed funds at June 30, 2024 and 2023, are summarized as follows:

	June 30,			
	2024		2023	
	Rate	Amount	Rate	Amount
Advances from Federal Home Loan Bank of Cincinnati	5.46%	$ 38,500,000	5.19%	$ 6,200,000
Advances from Federal Reserve Bank of Cleveland	4.76%	23,500,000		—
Total borrowings		$ 62,000,000		$ 6,200,000

All borrowings from the Federal Reserve Bank ("FRB") of Cleveland under the Bank Term Funding Program ("BTFP") and Federal Home Loan Bank ("FHLB") of Cincinnati mature in fiscal year 2025. Interest payments are due at maturity for the advances from the FRB and are due monthly for FHLB advances.

Based on collateral pledged, consisting of all shares of FHLB stock owned and a blanket pledge of approximately $65,848,000 and $63,155,000 of its qualifying mortgage loans as of June 30, 2024 and 2023, respectively, the Company was eligible to borrow up to an additional $3,945,000 as of June 30, 2024.

Note 8: Leases

The Company has two operating leases for office space for its Fort Wayne branch and executive offices. Both leases expire in 2034 and include two five-year renewal options. The Company did not include the renewal options in the lease term as it is not reasonably certain that those will be exercised. The Company also has a short term lease for temporary office space expiring in September 2024.

The lease cost and other required information for the year ended June 30, 2024 is as follows:

	2024
Lease cost	
Operating lease cost	$ 77,187
Short-term lease cost	39,655
Variable lease cost	-
Total lease cost	$ 116,842

	2024
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 63,066
Right-of-use assets obtained in exchange for new operating lease liabilities	1,452,406
Weighted-average remaining lease term	9.59 yrs
Weighted-average discount rate	5.1%

Future minimum lease payments and reconciliation to the consolidated balance sheet at June 30, 2024, are as follows:

	Operating Leases
2025	$ 159,960
2026	178,307
2027	182,743
2028	187,316
2029	192,010
Thereafter	942,680
Total future undiscounted lease payments	1,843,016
Less interest	(400,396)
Lease liabilities	$ 1,442,620

Note 9: Income Taxes

The provision for income taxes includes these components:

	2024	2023
Taxes currently payable	$ 4,588	$ (6,769)
Deferred income taxes	(554,628)	(175,944)
Income tax expense (benefit)	$ (550,040)	$ (182,713)

A reconciliation of the federal income tax expense (benefit) at the statutory rate to the Company's actual income tax expense (benefit) is shown below:

	2024	2023
Computed at statutory rate (21%)	$ (539,610)	$ (152,900)
Increase (decrease) resulting from:		
Bank-owned life insurance	(26,786)	(23,397)
ESOP	8,516	17,982
Incentive stock options	950	—
Nontaxable interest income on municipal securities	(9,175)	(9,070)
Other	16,065	(15,328)
Actual income tax benefit	$ (550,040)	$ (182,713)

The composition of the Company's net deferred tax asset at June 30, 2024 and 2023, is as follows:

	2024	2023
Deferred tax assets		
Allowance for credit losses	$ 199,358	$ 55,319
Unrealized losses on available-for-sale securities	632,021	775,246
Operating lease liability	302,950	—
Net operating loss carryforward	372,397	86,723
Other	124,485	70,283
Deferred tax assets	1,631,211	987,571
Deferred tax liabilities		
Depreciation	(33,622)	(27,640)
Right of use asset - operating lease	(295,450)	—
Federal Home Loan Bank stock dividends	—	(83,328)
Defined benefit pension plan	—	(17,290)
Deferred tax liabilities	(329,072)	(128,258)
Net deferred tax asset	$ 1,302,139	$ 859,313

Retained earnings at both June 30, 2024 and 2023, includes approximately $1.8 million 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 deferred income tax liability on the preceding amount that would have been recorded if it was expected to reverse into taxable income in the foreseeable future was approximately $375,000 at June 30, 2024 and 2023.

The Company has approximately $1,773,000 of net operating loss carryforwards at June 30, 2024 that do not expire. Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income. The Company's net operating losses were generated after 2021 and have no expiration. Management believes it is more-likely-than-not that these will be realized through a reduction in future taxes payable and as such, no valuation allowance is deemed necessary.

Note 10: Capital and Regulatory Matters

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

On November 13, 2019, the federal regulators finalized and adopted a regulatory capital rule establishing a new community bank leverage ratio (CBLR), which became effective on January 1, 2020. The intent of the CBLR is to provide a simple alternative measure of capital adequacy for electing qualifying depository institutions and depository institution holding companies, as directed under the *Economic Growth, Regulatory Relief, and Consumer Protection Act*. If a qualifying depository institution, or depository institution holding company, elects to use such measure, such institution or holding company will be considered well capitalized if its ratio of Tier 1 capital to average total consolidated assets (*i.e.*, leverage ratio) exceeds 9 percent, subject to a limited two quarter grace period, during which the leverage ratio cannot go 100 basis points below the then applicable threshold, and will not be required to calculate and report risk-based capital ratios. In April 2020, under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), the 9 percent leverage ratio threshold was temporarily reduced to 8 percent in response to the COVID-19 pandemic. The threshold increased to 8.5 percent in 2021 and returned to 9 percent in 2022. The Company elected to begin using the CBLR for the first quarter of 2020. The Company's CBLR was 12.11 percent and 20.57 percent as of June 30, 2024 and 2023, respectively. Management believes, as of June 30, 2024, that the Company met all capital adequacy requirements to which it is subject.

Share Repurchase Program

On February 20, 2024, the board of directors of the Company authorized a share repurchase program of up to $600,000 of the Company's common stock. The share repurchase program does not require the Company to acquire any specific number of shares and may be modified, suspended, extended or terminated by the Company at any time without prior notice. During the year ended June 30, 2024, the Company repurchased 36,800 shares of its common stock at an average cost per share of $16.25. As of June 30, 2024, the Company had $2,000 remaining available to repurchase under the share repurchase program.

Note 11: Related Party Transactions

The Company's loans outstanding to certain of its executive officers, directors and their related interests, as of June 30, 2024 and 2023, and activity within those years, was as follows:

	2024	2023
Balance at beginning of year	$ 3,766,000	$ 4,151,000
Loans disbursed	1,500,000	60,000
Repayments	(447,121)	(445,000)
Balance at end of year	$ 4,818,879	$ 3,766,000

At June 30, 2024 and 2023, respectively, $0 and $997,000, of the related party loan balance was committed and undispersed. 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.

Deposits from related parties held by the Company at June 30, 2024 and 2023, totaled approximately $3,408,000 and $2,405,000, respectively.

Note 12: Earnings (Loss) Per Share

Loss per common share for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Basic		
Net loss	$ (2,019,533)	$ (545,384)
Shares outstanding for basic (loss) earnings per share:		
Weighted-average common shares outstanding	1,909,423	1,922,924
Less average unearned ESOP shares	(140,535)	(149,868)
Weighted-average shares - basic	1,768,888	1,773,056
Basic loss per share	$ (1.14)	$ (0.31)
Diluted		
Effect of dilutive stock-based awards		
Weighted-average shares outstanding - basic	1,768,888	1,773,056
Stock options	—	—
Restricted stock	—	—
Weighted average shares - assuming dilution	1,768,888	1,773,056
Diluted loss per share	$ (1.14)	$ (0.31)

Stock options and restricted stock awards for 10,000 and 28,841 shares of common stock, respectively, were not considered in computing diluted earnings per common share for the year ended June 30, 2024, because they were antidilutive. There were no stock options or restricted stock awards outstanding as of June 30, 2023.

Note 13: Employee Benefits

Defined Benefit Pension Plan

The Company participated in a multi-employer defined benefit pension fund through Pentegra Retirement Services (Pentegra Plan) for periods through December 31, 2022. Effective January 1, 2023, the Company withdrew from the Plan. In connection with the withdrawal from the Pentegra Plan, the Company established the Van Wert Federal Savings Bank Defined Benefit Plan ("DB Plan") as a qualified successor plan. The Company contributed $4,978,000 to the DB Plan and the DB Plan had benefit obligations of $5,008,000 at inception. As permitted under the DB Plan, the Company elected to terminate the DB Plan effective July 1, 2023. Pursuant to the DB Plan termination, all obligations due to the DB Plan participants were satisfied during the year ended June 30, 2024 and the DB Plan has since been terminated.

Information about the DB Plan's funded status and pension cost as of and for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Change in benefit obligation:		
Beginning of the year	$ 4,894,847	$ —
Benefit obligation upon transfer from Pentegra plan	—	5,007,614
Service cost	16,000	16,000
Interest cost	137,961	83,992
Actuarial (gain)/loss	336,005	(86,514)
Benefits paid	(332,557)	(97,520)
Plan termination settlements	(4,997,799)	—
Administrative expenses	(54,457)	(28,725)
End of the year	—	4,894,847
Change in plan assets:		
Beginning of the year	4,929,288	—
Transfer from Pentegra plan	—	4,977,837
Actual return on assets	158,629	77,696
Employer contributions	296,896	—
Administrative expenses	(54,457)	(28,725)
Benefits paid	(332,557)	(97,520)
Plan termination settlements	(4,997,799)	—
End of the year	—	4,929,288
Funded status at end of the year	$ —	$ 34,441

Amounts recognized in accumulated other comprehensive loss not yet recognized as components of net periodic benefit cost consist of the following:

	2024	2023
Net gain	$ —	$ 82,333
Prior service cost	—	—
	$ —	$ 82,333

Information for the pension plan with respect to benefit obligation and plan assets is as follows:

	2024	2023
Projected benefit obligation	$ —	$ 4,894,847
Fair value of plan assets	$ —	$ 4,929,288

	2024	2023
Components of net periodic benefit cost:		
Service cost	$ 16,000	$ 16,000
Interest cost	137,961	83,992
Return on plan assets	(120,254)	(81,877)
Amortization of net gain	(82,333)	—
Net periodic pension cost	(48,626)	18,115
Recognition of underfunded pension benefit obligation at transition	—	29,777
Settlement recognition of net loss	297,630	—
Expense recognized	$ 249,004	$ 47,892

Significant assumptions include the following:

	2024	2023
Weighed-average assumptions used to determine benefit obligation:		
Discount rate	N/A	5.80%
Weighted average assumptions used to determine benefit cost:		
Discount rate	N/A	5.09%
Expected return on plan assets	N/A	5.00%

401(k) Plan

The Company sponsors a 401(k) profit sharing plan covering substantially all employees. Employees are eligible to participate once they have reached age 21 and have completed 90 days of service. The Company will make matching contributions up to 6 percent of an employee's compensation once the employee has completed 12 months of service. The Company's expense relative to the plan totaled approximately $39,000 and $68,000 for the years ended June 30, 2024 and 2023, respectively.

Salary Continuation Plan

On August 1, 2016, the Company entered into a salary continuation plan with the Company's former President to provide additional retirement benefits for the life of the former President, with a guaranteed payout period of 15 years. The plan is intended to be an unfunded, non-qualified deferred compensation plan. The Company's expense (benefit) relative to the plan totaled approximately $(7,100) and $(9,000) for the years ended June 30, 2024 and 2023, respectively. The Company's liability related to the plan totaled approximately $137,000 and $155,000 as of June 30, 2024 and 2023, respectively.

Employee Stock Ownership Plan

In July 2022, the Company established an employee stock ownership plan ("ESOP") for the benefit of all employees of the Company. Employees of the Company who have worked at least 1,000 hours in the first year of employment and who have attained the age of 18 are eligible to participate in the ESOP. The Company made a loan to the ESOP in the amount of $1.5 million, which the ESOP used to purchase 153,834 shares. It is anticipated that contributions will be made to the ESOP in amounts necessary to amortize the debt to the Company over a period of 20 years.

The Company recognizes compensation cost equal to the fair value of the ESOP shares during the periods in which they are committed to be released. To the extent that the fair value of the Company's ESOP shares differs from the cost of such shares, the differential is credited to shareholder's equity. The Company receives a tax deduction equal to the cost of the shares released. As the loan is internally leveraged, the loan receivable from the ESOP to the Company is not reported as an asset nor is the debt of the ESOP shown as a Company liability.

Compensation expense related to the ESOP totaled approximately $117,000 and $165,000 for the years ended June 30, 2024 and 2023, respectively.

Shares held by the ESOP as of June 30, 2024 and 2023 is as follows:

	2024	2023
Shares committed to be released to participants	3,846	7,692
Shares allocated to participants	15,383	—
Unearned shares	134,605	146,142
Total ESOP shares	153,834	153,834
Fair value of unearned shares	$ 2,051,380	$ 1,899,846

Stock-based Compensation

In November 2023, the Company's shareholders approved the VWF Bancorp, Inc. 2023 Equity Incentive Plan (the "2023 Plan"). The 2023 Plan authorized the issuance or delivery to participants of up to 269,208 shares of the Company's common stock pursuant to the grants of restricted stock awards, restricted stock unit awards, incentive stock options and non-qualified stock options. Of this number, the maximum number of shares of Company common stock that may be issued under the 2023 Plan pursuant to the exercise of stock options is 192,292 shares and the maximum number of shares of Company common stock that may be issued as restricted stock awards or restricted stock units is 76,916. Shares subject to award under the 2023 Plan may be authorized but unissued shares or treasury shares.

Awards may vest or become exercisable only upon the achievement of performance measures or based solely on the passage of time after award. Stock options and restricted stock awards provide for accelerated vesting if there is a change in control (as defined in the 2023 Plan).

Stock Options

The Company estimates the fair value of each option granted using the Black-Scholes option pricing model. The following key management assumptions were used to value the options granted during the year ended June 30, 2024:

	2024
Expected volatility	20.27%
Expected dividends	1.50%
Expected term (in years)	6.50
Risk-free rate	4.12%

The following table summarizes stock option activity for the periods indicated:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, June 30, 2023	—	$ —	$ —	—	$ —
Granted	10,000	16.25	4.07	9.67	—
Exercised	—	—	—	—	—
Forfeited or expired	—	—	—	—	—
Nonvested shares, June 30, 2024	10,000	$ 16.25	$ 4.07	9.67	$ —
Exercisable, June 30, 2024	—	$ —	$ —	—	$ —

Restricted Stock Awards

The following table summarizes restricted stock award activity for the periods indicated:

	Shares	Weighted Average Grant Date Fair Value
Nonvested shares, June 30, 2023	—	$ —
Awarded	28,841	16.39
Vested	—	—
Forfeited	—	—
Nonvested shares, June 30, 2024	28,841	$ 16.39

As of June 30, 2024, there was approximately $440,000 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the 2023 Plan. That cost is expected to be recognized over a weighted-average period of 2.6 years. During the year ended June 30, 2024, the Company has recorded approximately $73,000 in award-based compensation expense, which is included in salaries and employee benefits and director fees.

Note 14: Disclosures about Fair Value of Assets and Liabilities

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants 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 (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 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)
June 30, 2024				
U.S. Government agencies	$ 5,714,090	$ —	$ 5,714,090	$ —
Mortgage-backed GSEs	27,760,412	—	27,760,412	—
Collateralized mortgage obligations	99,502,853	—	99,502,853	—
Subordinated debt	2,537,955	—	2,537,955	—
State and political subdivisions	3,829,642	—	3,829,642	—
June 30, 2023				
U.S. Government agencies	$ 6,529,510	$ —	$ 6,529,510	$ —
Mortgage-backed GSEs	28,929,259	—	28,929,259	—
Collateralized mortgage obligations	30,384,590	—	30,384,590	—
Subordinated debt	860,470	—	860,470	—
State and political subdivisions	3,881,365	—	3,881,365	—

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There are no liabilities measured at fair value on a recurring basis. There have been no significant changes in the valuation techniques during the year ended June 30, 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 quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 are not available, securities are classified within Level 3 of the hierarchy. The Company had no Level 3 securities.

Nonrecurring Measurements

The Company had no assets or liabilities measured at fair value on a nonrecurring basis at June 30, 2024. At June 30, 2023, the Company had one loan measured at fair value with a carrying value of $60,000, which is classified within

Level 3 of the fair value hierarchy. The fair value of the loan is estimated using third-party appraisals of the collateral, less estimated costs to sell.

The estimated fair values of the Company's financial instruments not carried at fair value on the consolidated balance sheets are as follows:

	Carrying Value	Fair Value	Fair Value Measurements Using (Level 1)	(Level 2)	(Level 3)
June 30, 2024 (Unaudited)					
Financial assets:					
Cash and due from banks	$ 31,630,525	$ 31,630,525	$ 31,630,525	$ —	$ —
Loans, net	126,391,092	115,890,092	—	—	115,890,092
Stock in correspondent banks	2,195,900	2,195,900	—	2,195,900	—
Accrued interest receivable	961,856	961,856	961,856	—	—
Financial liabilities:					
Deposits	209,310,330	209,243,722	73,959,722	—	135,284,000
Borrowings	62,000,000	61,812,000	—	—	61,812,000
Accrued interest payable	778,831	778,831	778,831	—	—
June 30, 2023					
Financial assets:					
Cash and due from banks	$ 5,515,728	$ 5,515,728	$ 5,515,728	$ —	$ —
Loans, net	81,208,395	73,268,657	—	—	73,268,657
Stock in correspondent banks	396,800	396,800	—	396,800	—
Accrued interest receivable	498,807	498,807	498,807	—	—
Financial liabilities:					
Deposits	119,991,581	120,415,085	68,571,085	—	51,844,000
Borrowings	6,200,000	6,191,000	—	—	6,191,000
Accrued interest payable	55,667	55,667	55,667	—	—

Limitations: Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Fair value estimates may not be realizable in an immediate settlement of the instrument. In some instances, there are no quoted market prices for the Company's various financial instruments, in which case fair values may be based on estimates using present value or other valuation techniques, or based on judgments regarding future expected loss experience, current economic conditions, risk characteristic of the financial instruments, or other factors. Those techniques are significantly affected by the assumptions used, including the discount rate and estimate of future cash flows. Subsequent changes in assumptions could significantly affect the estimates.

Note 15: Commitments and Credit Risks

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

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

Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

Commitments outstanding at June 30, 2024 and 2023 were as follows:

	June 30, 2024	June 30, 2023
Commitments to originate loans	$ 2,766,266	$ 7,028,000
Undisbursed balance of loans closed	30,314,342	3,994,000
Total	$ 33,080,608	$ 11,022,000

Note 16: Accumulated Other Comprehensive Loss

The following table summarizes the changes in the balances of each component of accumulated other comprehensive income (loss), net of tax, as of June 30, 2024 and 2023:

	Accumulated Other Comprehensive Income (Loss)		
	Unrealized Gains (Losses) on Securities Available for Sale	Unrealized Gains (Losses) on Defined Benefit Plans	Total
Balance at June 30, 2023	$ (2,916,402)	$ 65,043	$ (2,851,359)
Other comprehensive income before reclassifications	538,798	—	538,798
Amounts reclassified from accumulated other comprehensive income (loss)	—	(65,043)	(65,043)
Period change	538,798	(65,043)	473,755
Balance at June 30, 2024	$ (2,377,604)	$ —	$ (2,377,604)
Balance at June 30, 2022	$ (2,094,759)	$ —	$ (2,094,759)
Other comprehensive income (loss) before reclassifications	(821,643)	65,043	(756,600)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Period change	(821,643)	65,043	(756,600)
Balance at June 30, 2023	$ (2,916,402)	$ 65,043	$ (2,851,359)

The following are significant amounts reclassified out of accumulated other comprehensive income (loss) for the year ended June 30, 2024:

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) For the Year Ended June 30, 2024	Affected Line Item in the Statements of Operations
Valuation gain on defined benefit plan	$ (82,333)	Pension plan withdrawal
Tax effect	17,290	Provision for income taxes (benefits)
Net of tax	$ (65,043)	

There were no amounts reclassified out of accumulated other comprehensive income (loss) for the year ended June 30, 2023.

Note 17: Conversion to Stock Form

On March 3, 2022, the Board of Directors of the Bank adopted a plan of conversion. The plan of conversion was subject to the approval of the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, and the approval by the affirmative vote of at least a majority of the total votes eligible to be cast by the voting members of the Bank at a special meeting. The plan of conversion provided for the Bank to convert into a stock savings bank structure with the establishment of a stock holding company (VWF Bancorp, Inc.), as parent of the Bank. The Bank converted to the stock form of ownership, followed by the issuance of all of the Bank's outstanding stock to VWF Bancorp, Inc. Pursuant to the plan of conversion, the Bank determined the total offering value and number of shares of common stock based upon an independent appraiser's valuation.

VWF Bancorp, Inc. is organized as a corporation under the laws of the State of Maryland and owns all of the outstanding common stock of the Bank as of completion of the conversion.

At the completion of the conversion to stock form, the Bank established a liquidation account in the amount of retained earnings contained in the final prospectus. The liquidation account will be maintained for the benefit of eligible savings account holders who maintain deposit accounts in the Bank after conversion.

The conversion was accounted for as a change in corporate form with the historic basis of the Bank's assets, liabilities and equity unchanged as a result. In accordance with OCC regulations, at the time of the conversion, the Bank established a liquidation account. The liquidation account must be maintained for the benefit of eligible account holders and supplemental eligible account holders who continue to maintain their accounts at the Bank after the conversion. The liquidation account will be reduced annually to the extent that eligible holders and supplemental eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's or supplemental eligible account holder's interest in the liquidation account. In the event of a complete liquidation by the Bank, and only in such event, each eligible account holder and supplemental eligible account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held. The Bank may not pay dividends if those dividends would reduce equity capital below the required liquidation account amount.

VWF Bancorp, Inc. is an emerging growth company, and, for as long as it continues to be an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies." VWF Bancorp, Inc. uses the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, its financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

Note 18: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial condition, results of operations and cash flows of the Company:

Condensed Balance Sheet
As of June 30,

	2024	2023
Assets		
Cash and due from banks	$ 5,446,073	$ 7,374,159
Investment in Van Wert Federal Savings Bank	30,992,252	31,202,165
Other assets	170,256	61,500
Total assets	36,608,581	38,637,824
Liabilities and Shareholders' Equity		
Liabilities		
Accrued interest payable and other liabilities	60,749	139,824
Shareholders' Equity	36,547,832	38,498,000
Total liabilities and shareholders' equity	$ 36,608,581	$ 38,637,824

Condensed Statement of Operations
For the Year Ended June 30,

	2024	2023
Operating Income	$ —	$ —
General, Adminstrative and Other Expenses		
Salaries and employee benefits and director fees	223,348	123,291
Professional services	257,113	142,840
Total	480,461	266,131
Loss before income tax benefit and equity in loss of subsidiary	(480,461)	(266,131)
Income tax benefits	(91,431)	(61,500)
Loss before equity in loss of subsidiary	(389,030)	(204,631)
Equity in loss of Van Wert Federal Savings Bank	(1,630,503)	(340,753)
Net Loss	$ (2,019,533)	$ (545,384)

Condensed Statement of Cash Flows
For the Year Ended June 30,

	2024	2023
Operating Activities		
Net loss	$ (2,019,533)	$ (545,384)
Items not requiring (providing) cash:		
Equity in loss of subsidiary	1,630,503	340,753
Shares allocated to ESOP	173,626	106,391
Stock compensation expense	73,150	—
Net change in other assets and liabilities	(187,832)	78,325
Net cash used in operating activities	(330,086)	(19,915)
Investing Activities		
Investment in subsidiary	(1,000,000)	(8,932,413)
Financing Activities		
Proceeds from issuance of common stock	—	16,326,487
Purchase of treasury stock	(598,000)	—
Net cash (used in) provided by financing activities	(598,000)	16,326,487
Net change in cash and cash equivalents	(1,928,086)	7,374,159
Cash and cash equivalents at beginning of year	7,374,159	—
Cash and cash equivalents at end of year	$ 5,446,073	$ 7,374,159

Note 19: Subsequent Events

On July 1, 2024, the Company repaid $24 million of its outstanding advances from FHLB. On August 1, 2024, the Bank completed its rebranding efforts resulting in the legal name change of the Bank from Van Wert Federal Savings Bank to GreenWay Bank.

ITEM 9. <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>

None.

ITEM 9A. <u>Controls and Procedures</u>

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of June 30, 2024. These disclosure controls and procedures are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities and Exchange Act of 1934, as amended, such as this report, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to the Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. Based on that evaluation, the Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were ineffective as of June 30, 2024.

Internal Controls Over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of June 30, 2024, the Company's management, including the Company's principal executive officer and principal financial officer, has assessed the effectiveness of its internal control over financial reporting using the criteria set forth in the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). Based on the assessment using those criteria, management identified material weaknesses related to the Company's internal control over financial reporting and, as such, concluded that the Company's internal control over financial reporting was ineffective as of June 30, 2024. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements would not be prevented or detected on a timely basis. The following material weakness was identified in the Company's internal control over financial reporting:

- The Company has failed to identify, design and maintain all applicable internal controls which has ultimately led to a level of precision on account reconciliations and review of financial statements that is less than what is required of an SEC filer. The material weakness did not result in a material misstatement.

Attestation Report of the Registered Public Accounting Firm

This report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the rules of the SEC that permit the Company to provide only the management's report in this report.

Changes in Internal Control Over Financial Reporting

During the year ended June 30, 2024, the Company made notable improvements in its internal controls over financial reporting. In addition to adding a new Chief Financial Officer and Corporate Controller in calendar year 2023, the Company added two additional accounting staff early in calendar year 2024, allowing for additional segregation of duties and more levels of review. Management has also engaged with a third party to begin work on a SOX gap analysis, internal control risk assessment, and regularly occurring internal audits. This work is scheduled to begin in September 2024 and will allow the Company to continue to develop and implement enhanced internal controls over financial reporting.

ITEM 9B. **Other Information**

None.

ITEM 9C. **Disclosure Regarding Foreign Jurisdictions That Prevent Inspections**

Not applicable.

PART III

ITEM 10. **Directors, Executive Officers and Corporate Governance**

The information relating to the directors and officers of the Company, information regarding compliance with Section 16(a) of the Exchange Act and information regarding the audit committee and audit committee financial expert is incorporated herein by reference to the Company's Definitive Proxy Statement for the 2024 Annual Meeting of Stockholders (the "Proxy Statement") under the captions "Proposal 1—Election of Directors," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," "Nominating Committee Procedures—Procedures to be Followed by Stockholders," "Corporate Governance—Committees of the Board of Directors" and "—Audit Committee" is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its principal executive officer, the principal financial officer and principal accounting officer. The Code of Ethics is posted on the Bank's Internet Web site.

ITEM 11. **Executive Compensation**

The information regarding executive compensation, compensation committee interlocks and insider participation is incorporated herein by reference to the Proxy Statement under the captions "Executive Officers—Executive Compensation" and "Director Compensation."

ITEM 12. **Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

(a) Securities Authorized for issuance under Stock-Based Compensation Plans

Information required by this item is incorporated herein by reference to the section captioned "Stock Ownership" in the Proxy Statement.

(b) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned "Stock Ownership" in the Proxy Statement.

(c) Security Ownership of Management

Information required by this item is incorporated herein by reference to the section captioned “Stock Ownership” in the Proxy Statement.

(d) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person or securities of the Company, the operation of which may at a subsequent date result in a change in control of the registrant.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information relating to certain relationships and related transactions and director independence is incorporated herein by reference to the Proxy Statement under the captions “Transactions with Related Persons” and “Proposal 1 — Election of Directors.”

ITEM 14. Principal Accountant Fees and Services

The information relating to the principal accounting fees and expenses is incorporated herein by reference to the Proxy Statement under the captions “Proposal II—Ratification of Independent Registered Public Accounting Firm—Audit Fees” and “—Pre-Approval of Services by the Independent Registered Public Accounting Firm.”

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

3.1	Articles of Incorporation of VWF Bancorp, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1 filed March 11, 2022)
3.2	Bylaws of VWF Bancorp, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1 filed March 11, 2022)
4.1	Form of Common Stock Certificate of VWF Bancorp, Inc. (incorporated by reference to Exhibit 4 of the Company's Registration Statement on Form S-1 filed March 11, 2022)
4.2	Description of Securities of VWF Bancorp, Inc. Registered Under Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.2 of the Company's Annual Report on Form 10-K filed September 28, 2022)
10.1†	Executive Agreement with Gary L. Clay (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed July 18, 2022)
10.2†	Salary Continuation Agreement for Gary L. Clay (incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-1 filed March 11, 2022)
10.3†	Van Wert Federal Savings Bank Split Dollar Life Insurance Plan (incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1 filed March 11, 2022)
10.4†	Form of Van Wert Federal Savings Bank Split Dollar Life Insurance Plan Participation Agreement for Certain Executive Officers and Directors (incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-1 filed March 11, 2022)
10.5†	Employment Agreement with Michael D. Cahill (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed October 3, 2022)
10.6†	Employment Agreement with Richard W. Brackin (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 21, 2023)
10.7†	Change in Control Agreement with Andrew D. Holy (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 1, 2023)
10.8†	VWF Bancorp, Inc. 2023 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-8 filed December 21, 2023)
10.9†	Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-8 filed December 21, 2023)
10.10†	Form of Incentive Stock Option Award Agreement (incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form S-8 filed December 21, 2023)
10.11†	Form of Non-Qualified Stock Option Award Agreement (incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-8 filed December 21, 2023)
21.1*	Subsidiaries of VWF Bancorp, Inc.
31.1*	Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023, formatted in XBRL: (i) Balance Sheets, (ii) Statements of Operations, (iii) Statements of Comprehensive Income (Loss), (iv) Changes in Stockholders' Equity, (v) Statements of Cash Flows and (vi) Notes to the Financial Statements (embedded within the Inline XBRL document)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed concurrently herewith
† Indicates a management contract or compensatory plan or arrangement

ITEM 16. <u>Form 10-K Summary</u>

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VWF BANCORP, INC.

Date: September 27, 2024

By: /s/ Michael D. Cahill
Michael D. Cahill
President and Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Michael D. Cahill Michael D. Cahill	Director, President and Chief Executive Officer (Principal Executive Officer)	September 27, 2024
/s/ Richard W. Brackin Richard W. Brackin	EVP, Chief Financial Officer (Principal Financial and Accounting Officer)	September 27, 2024
/s/ Gary L. Clay Gary L. Clay	Director (Chairman of the Board)	September 27, 2024
/s/ Jon Bagley Jon Bagley	Director	September 27, 2024
/s/ Charles F. Koch Charles F. Koch	Director	September 27, 2024
/s/ Michael Keysor Michael Keysor	Director	September 27, 2024
/s/ Thomas Turnwald Thomas Turnwald	Director	September 27, 2024