

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2025

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 No. 0-25023

**First Capital, Inc.**

(Exact name of registrant as specified in its charter)

**Indiana**

**35-2056949**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

**220 Federal Drive NW, Corydon, Indiana 47112 1-812-738-2198**

(Address of principal executive offices, zip code, telephone number)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	FCAP	The NASDAQ Stock Market LLC

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 such 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 for such shorter period that the registrant was required to submit and post 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,355,353 shares of common stock were outstanding as of April 30, 2025.

FIRST CAPITAL, INC.

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**PART I - FINANCIAL INFORMATION**  
**FIRST CAPITAL, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
*(Unaudited)*

	March 31, 2025	December 31, 2024
	(In thousands)	
ASSETS		
Cash and due from banks	\$ 26,022	\$ 18,418
Interest bearing deposits with banks	90,601	87,499
Total cash and cash equivalents	116,623	105,917
Interest-bearing time deposits	2,695	2,695
Securities available for sale, at fair value (amortized cost \$417,251 and \$418,935, respectively)	391,718	389,243
Securities held to maturity, at amortized cost (fair value \$4,591 and \$4,591, respectively)	7,000	7,000
Loans held for sale	341	472
Loans, net of allowance for credit losses of \$9,535 (\$9,281 in 2024)	642,941	631,199
Federal Home Loan Bank and other stock, at cost	1,836	1,836
Premises and equipment	14,097	14,179
Accrued interest receivable	4,558	4,575
Cash value of life insurance	9,401	9,329
Goodwill	6,472	6,472
Core deposit intangible	49	86
Other assets	16,807	14,520
<b>Total Assets</b>	<b>\$ 1,214,538</b>	<b>\$ 1,187,523</b>
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 203,779	\$ 197,993
Interest-bearing	880,142	868,446
Total deposits	1,083,921	1,066,439
Accrued interest payable	1,759	1,922
Accrued expenses and other liabilities	8,663	4,451
Total liabilities	1,094,343	1,072,812
EQUITY		
Preferred stock of \$.01 par value per share		
Authorized 1,000,000 shares; none issued	-	-
Common stock of \$.01 par value per share		
Authorized 7,500,000 shares; issued 3,810,883 shares (3,806,983 in 2024); outstanding 3,355,353 (3,351,703 in 2024)	38	38
Additional paid-in capital	41,823	41,676
Retained earnings-substantially restricted	107,551	105,290
Unearned stock compensation	(244)	(135)
Accumulated other comprehensive loss	(19,799)	(22,990)
Less treasury stock, at cost - 455,530 shares (455,280 in 2024)	(9,289)	(9,280)
Total First Capital, Inc. stockholders' equity	120,080	114,599
Noncontrolling interest in subsidiary	115	112
Total equity	120,195	114,711
<b>Total Liabilities and Equity</b>	<b>\$ 1,214,538</b>	<b>\$ 1,187,523</b>

See accompanying notes to consolidated financial statements.

**PART I - FINANCIAL INFORMATION**  
**FIRST CAPITAL, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
*(Unaudited)*

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>INTEREST INCOME</b>	<i>(In thousands, except per share data)</i>	
Loans, including fees	\$ 9,774	\$ 9,238
Securities:		
Taxable	1,834	1,629
Tax-exempt	649	704
Dividends	26	12
Federal funds sold and other income	1,063	254
Total interest income	13,346	11,837
<b>INTEREST EXPENSE</b>		
Deposits	3,765	2,806
Advances - FHLB	-	48
Borrowed funds - Bank Term Funding Program ("BTFP")	-	383
Total interest expense	3,765	3,237
Net interest income	9,581	8,600
Provision for credit losses	338	280
Net interest income after provision for credit losses	9,243	8,320
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	593	593
ATM and debit card fees	1,036	1,060
(Loss) gain on sale of securities	(55)	32
Unrealized gain (loss) on equity securities	18	(68)
Gain on sale of loans	89	101
Increase in cash surrender value of life insurance	72	48
Other income	95	133
Total noninterest income	1,848	1,899
<b>NONINTEREST EXPENSE</b>		
Compensation and benefits	4,102	3,843
Occupancy and equipment	623	463
Data processing	1,108	1,076
Professional fees	286	259
Advertising	74	88
Other expenses	988	1,028
Total noninterest expense	7,181	6,757
Income before income taxes	3,910	3,462
Income tax expense	672	507
<b>Net Income</b>	3,238	2,955
Less: net income attributable to noncontrolling interest in subsidiary	3	3
<b>Net Income Attributable to First Capital, Inc.</b>	\$ 3,235	\$ 2,952
<b>Earnings per common share attributable to First Capital, Inc.:</b>		
Basic	\$ 0.97	\$ 0.88
Diluted	\$ 0.97	\$ 0.88
<b>Dividends per share</b>	\$ 0.29	\$ 0.27

See accompanying notes to consolidated financial statements.

**PART I - FINANCIAL INFORMATION**  
**FIRST CAPITAL, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(Unaudited)*

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In thousands)</i>	
<b>Net Income</b>	\$ 3,238	\$ 2,955
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period	4,104	(2,041)
Income tax (expense) benefit	(956)	433
Net of tax amount	3,148	(1,608)
Less: reclassification adjustment for realized losses (gains) included in net income	55	(32)
Income tax (expense) benefit	(12)	7
Net of tax amount	43	(25)
<b>Other Comprehensive Income (Loss), net of tax</b>	3,191	(1,633)
<b>Comprehensive Income</b>	6,429	1,322
Less: comprehensive income attributable to the noncontrolling interest in subsidiary	3	3
<b>Comprehensive Income Attributable to First Capital, Inc.</b>	\$ 6,426	\$ 1,319

See accompanying notes to consolidated financial statements.

**PART I - FINANCIAL INFORMATION**  
**FIRST CAPITAL, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
*(Unaudited)*

<i>(In thousands)</i>	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Unearned Stock Compensation</b>	<b>Treasury Stock</b>	<b>Noncontrolling Interest</b>	<b>Total</b>
Balances at January 1, 2024	\$ 38	\$ 41,588	\$ 97,105	\$ (24,033)	\$ (249)	\$ (9,216)	\$ 112	\$ 105,345
Net income	-	-	2,952	-	-	-	3	2,955
Other comprehensive loss	-	-	-	(1,633)	-	-	-	(1,633)
Cash dividends	-	-	(905)	-	-	-	-	(905)
Stock compensation expense	-	-	-	-	78	-	-	78
Restricted stock grants	-	88	-	-	(88)	-	-	-
Balances at March 31, 2024	<u>\$ 38</u>	<u>\$ 41,676</u>	<u>\$ 99,152</u>	<u>\$ (25,666)</u>	<u>\$ (259)</u>	<u>\$ (9,216)</u>	<u>\$ 115</u>	<u>\$ 105,840</u>
Balances at January 1, 2025	\$ 38	\$ 41,676	\$ 105,290	\$ (22,990)	\$ (135)	\$ (9,280)	\$ 112	\$ 114,711
Net income	-	-	3,235	-	-	-	3	3,238
Other comprehensive income	-	-	-	3,191	-	-	-	3,191
Cash dividends	-	-	(974)	-	-	-	-	(974)
Stock compensation expense	-	-	-	-	38	-	-	38
Purchase of treasury shares	-	-	-	-	-	(9)	-	(9)
Restricted stock grants	-	147	-	-	(147)	-	-	-
Balances at March 31, 2025	<u>\$ 38</u>	<u>\$ 41,823</u>	<u>\$ 107,551</u>	<u>\$ (19,799)</u>	<u>\$ (244)</u>	<u>\$ (9,289)</u>	<u>\$ 115</u>	<u>\$ 120,195</u>

See accompanying notes to consolidated financial statements.

**PART I - FINANCIAL INFORMATION**  
**FIRST CAPITAL, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(Unaudited)*

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In thousands)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	3,238	\$ 2,955
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Amortization of premiums and accretion of discounts on securities, net	220	312
Depreciation and amortization expense	281	265
Deferred income taxes	(96)	(207)
Stock compensation expense	38	78
Increase in cash value of life insurance	(72)	(48)
Loss (gain) on sale of securities	55	(32)
Provision for credit losses	338	280
Proceeds from sales of loans	4,812	6,311
Loans originated for sale	(4,592)	(6,169)
Gain on sale of loans	(89)	(101)
Amortization of tax credit investment	384	577
Unrealized (gain) loss on equity securities	(18)	68
Loss on disposal of premises and equipment	58	-
Decrease in accrued interest receivable	17	346
(Decrease) increase in accrued interest payable	(163)	189
Net change in other assets/liabilities	(24)	2,395
<b>Net Cash Provided By Operating Activities</b>	<b>4,387</b>	<b>7,219</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease in interest-bearing time deposits	-	735
Purchase of securities available for sale	(30,783)	(27,030)
Proceeds from maturities of securities available for sale	15,385	9,475
Proceeds from sales of securities available for sale	11,192	19,189
Principal collected on mortgage-backed obligations	6,617	5,140
Net increase in loans receivable	(12,080)	(7,248)
Investment in tax credit entities	(291)	-
Purchase of premises and equipment	(220)	(159)
<b>Net Cash (Used In) Provided By Investing Activities</b>	<b>(10,180)</b>	<b>102</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase (decrease) in deposits	17,482	(15,119)
Advances from FHLB and BTFP	-	107,750
Repayment of advances from the FHLB and BTFP	-	(95,625)
Purchase of treasury stock	(9)	-
Dividends paid	(974)	(905)
<b>Net Cash Provided By (Used In) Provided By Financing Activities</b>	<b>16,499</b>	<b>(3,899)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>10,706</b>	<b>3,422</b>
Cash and cash equivalents at beginning of period	105,917	38,670
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 116,623</b>	<b>\$ 42,092</b>

See accompanying notes to consolidated financial statements.

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

**1. Presentation of Interim Information**

First Capital, Inc. (“Company”) is the financial holding company of First Harrison Bank (“Bank”), an Indiana chartered commercial bank and wholly owned subsidiary. First Harrison Investments, Inc. and First Harrison Holdings, Inc. are wholly-owned Nevada corporate subsidiaries of the Bank that jointly own First Harrison, LLC, a Nevada limited liability corporation that holds and manages an investment portfolio. First Harrison REIT, Inc. (“REIT”) is a wholly-owned subsidiary of First Harrison Holdings, Inc. that holds a portion of the Bank’s real estate mortgage loan portfolio.

In the opinion of management, the unaudited consolidated financial statements include all adjustments considered necessary to present fairly the financial position as of March 31, 2025, and the results of operations for the three months ended March 31, 2025 and 2024 and the cash flows for the three months ended March 31, 2025 and 2024. All of these adjustments are of a normal, recurring nature. Such adjustments are the only adjustments included in the unaudited consolidated financial statements. Interim results are not necessarily indicative of results for a full year or any other period.

The accompanying unaudited consolidated financial statements and notes have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial statements and are presented as permitted by the instructions to Form 10-Q. Accordingly, they do not contain certain information included in the Company’s annual audited consolidated financial statements and related footnotes for the year ended December 31, 2024 included in the Company’s Annual Report on Form 10-K.

The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform with the current period presentation. The reclassifications had no effect on net income or stockholders’ equity.

**2. Recent Accounting Pronouncements**

**Recently Issued but Not Adopted Accounting Guidance**

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. Among other things, the ASU requires that public business entities on an annual basis (1) disclose specific categories in the income tax rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than five percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate). In addition, the ASU requires information pertaining to taxes paid (net of refunds received) to be disaggregated for federal, state, and foreign taxes and further disaggregated for specific jurisdictions to the extent the related amounts are equal to or greater than five percent of total income taxes paid (net of refunds received). For public business entities, the ASU is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The adoption of the ASU is not expected to have a material impact on the Company’s financial position or results of operations.

The Company has determined that all other recently issued accounting pronouncements will not have a material impact on the Company’s consolidated financial statements or do not apply to its operations.



**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**3. Investment Securities**

Investment securities have been classified in the consolidated balance sheets according to management's intent. Investment securities at March 31, 2025 and December 31, 2024 are summarized as follows:

<i>(In thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>March 31, 2025</b>				
Securities available for sale:				
Agency mortgage-backed securities	\$ 78,033	\$ 106	\$ 6,938	\$ 71,201
Agency CMO	64,236	502	222	64,516
Agency notes and bonds	111,629	18	3,632	108,015
Treasury notes and bonds	16,828	-	135	16,693
Municipal obligations	146,525	396	15,628	131,293
Total securities available for sale	<u>\$ 417,251</u>	<u>\$ 1,022</u>	<u>\$ 26,555</u>	<u>\$ 391,718</u>
Securities held to maturity:				
Other debt securities:				
Corporate notes	\$ 7,000	\$ -	\$ 2,409	\$ 4,591
Total securities held to maturity	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 2,409</u>	<u>\$ 4,591</u>
<b>December 31, 2024</b>				
Securities available for sale:				
Agency mortgage-backed securities	\$ 76,295	\$ -	\$ 8,354	\$ 67,941
Agency CMO	47,821	197	500	47,518
Agency notes and bonds	122,834	6	4,760	118,080
Treasury notes and bonds	21,803	-	254	21,549
Municipal obligations	150,182	171	16,198	134,155
Total securities available for sale	<u>\$ 418,935</u>	<u>\$ 374</u>	<u>\$ 30,066</u>	<u>\$ 389,243</u>
Securities held to maturity:				
Other debt securities:				
Corporate notes	\$ 7,000	\$ -	\$ 2,409	\$ 4,591
Total securities held to maturity	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ 2,409</u>	<u>\$ 4,591</u>

Agency notes and bonds, agency mortgage-backed securities and agency collateralized mortgage obligations ("CMO") include securities issued by the Government National Mortgage Association ("GNMA"), a U.S. government agency, and the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation ("FHLMC"), the Federal Farm Credit Bank ("FFCB") and the Federal Home Loan Bank ("FHLB"), which are government-sponsored enterprises. Corporate notes classified as held to maturity include subordinated debt obligations issued by other bank holding companies ("BHC").

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(3 – continued)

The amortized cost and fair value of debt securities as of March 31, 2025, by contractual maturity, are shown below. Expected maturities of mortgage-backed securities and CMO may differ from contractual maturities because the mortgages underlying the obligations may be prepaid without penalty.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(In thousands)</i>				
Due in one year or less	\$ 69,148	\$ 67,850	\$ -	\$ -
Due after one year through five years	77,427	73,803	-	-
Due after five years through ten years	61,762	55,648	2,000	1,324
Due after ten years	66,645	58,700	5,000	3,267
	274,982	256,001	7,000	4,591
Mortgage-backed securities and CMO	142,269	135,717	-	-
	<u>\$ 417,251</u>	<u>\$ 391,718</u>	<u>\$ 7,000</u>	<u>\$ 4,591</u>

Information pertaining to investment securities with gross unrealized losses at March 31, 2025, aggregated by investment category and the length of time that individual investment securities have been in a continuous loss position, follows.

	Number of Investment Positions	Fair Value	Gross Unrealized Losses
<i>(Dollars in thousands)</i>			
<b>March 31, 2025:</b>			
Securities available for sale:			
Continuous loss position less than twelve months:			
Agency mortgage-backed securities	1	\$ 928	\$ 1
Agency CMO	3	6,654	60
Agency notes and bonds	2	1,992	9
Municipal obligations	23	11,738	247
Total less than twelve months	29	21,312	317
Continuous loss position more than twelve months:			
Agency mortgage-backed securities	93	58,330	6,937
Agency CMO	20	5,127	162
Agency notes and bonds	42	104,127	3,623
Treasury notes and bonds	7	16,693	135
Municipal obligations	187	97,944	15,381
Total more than twelve months	349	282,221	26,238
Total securities available for sale	378	\$ 303,533	\$ 26,555
Securities held to maturity:			
Continuous loss position more than twelve months:			
Corporate notes	4	\$ 4,591	\$ 2,405
Total more than twelve months	4	4,591	2,405
Total securities held to maturity	4	\$ 4,591	\$ 2,405

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(3 – continued)

Information pertaining to investment securities with gross unrealized losses at December 31, 2024, aggregated by investment category and the length of time that individual investment securities have been in a continuous position, follows.

	Number of Investment Positions	Fair Value	Gross Unrealized Losses
<i>(Dollars in thousands)</i>			
<b>December 31, 2024:</b>			
Securities available for sale:			
Continuous loss position less than twelve months:			
Agency mortgage-backed securities	7	\$ 8,008	\$ 93
Agency CMO	11	19,211	215
Agency notes and bonds	7	4,830	57
Municipal obligations	39	18,880	334
Total less than twelve months	64	50,929	699
Continuous loss position more than twelve months:			
Agency mortgage-backed securities	93	59,933	8,261
Agency CMO	22	7,271	285
Agency notes and bonds	45	112,046	4,703
Treasury notes and bonds	8	21,549	254
Municipal obligations	196	103,201	15,864
Total more than twelve months	364	304,000	29,367
Total securities available for sale	428	\$ 354,929	\$ 30,066
Securities held to maturity:			
Continuous loss position less than twelve months:			
Corporate notes	4	\$ 4,591	\$ 2,405
Total less than twelve months	4	4,591	2,405
Total securities held to maturity	4	\$ 4,591	\$ 2,405

The Company has not identified any specific available for sale securities in a loss position that it intends to sell in the near term and does not believe that it will be required to sell any such securities. The Company reviews its securities on a quarterly basis to assess declines in fair value for credit losses. Consideration is given to such factors as the credit rating of the borrower, market conditions such as current interest rates, any adverse conditions specific to the security, and delinquency status on contractual payments. At March 31, 2025, management concluded that in all instances, securities with fair values less than carrying value were due to fluctuations in interest rates and other factors; thus, no credit loss provision was required.

In addition, management assesses held to maturity securities for credit losses on a quarterly basis. The assessment includes review of performance metrics, identification of delinquency and evaluation of market factors. In July 2024, a BHC whose subordinated debt the Company holds and is classified as held to maturity, having an amortized cost balance of \$2.0 million, announced the suspension of its quarterly dividend. Beginning with this announcement, management began performing additional research regarding the financial stability and strength of the BHC and underlying bank quarterly. Based on all analysis, management concludes the decline in fair value of all securities classified as held to maturity was due to changes in interest rates and other market factors.

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

(3 – continued)

At March 31, 2025, the municipal obligations and U.S. government agency debt securities, including Treasury notes and bonds, agency notes and bonds, mortgage-backed securities and CMOs classified as available for sale and in a loss position had depreciated approximately 8.0% from the amortized cost basis. All of the U.S. government agency securities and municipal obligations are issued by U.S. government agencies, government-sponsored enterprises and municipal governments, or are secured by first mortgage loans and municipal project revenues. At March 31, 2025, the corporate notes classified as held to maturity in a loss position had depreciated approximately 34.4% from the amortized cost basis. These unrealized losses related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government, its agencies or other governments, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As the Company has the ability to hold the debt securities until maturity, or the foreseeable future if classified as available for sale, no credit loss is deemed to exist.

As of March 31, 2025 and December 31, 2024, the Company estimated expected credit losses to be immaterial based on the composition of the held to maturity securities portfolio.

While management does not anticipate any credit losses at March 31, 2025, additional deterioration in market and economic conditions may have an adverse impact on credit quality in the future.

During the three months ended March 31, 2025, the Company recognized gross gains of \$31,000 and gross losses of \$86,000 on sales of available for sale securities. During the three months ended March 31, 2024, the Company recognized gross gains of \$133,000 and gross losses of \$101,000 on sales of available for sale securities.

At March 31, 2025 and December 31, 2024, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, with an aggregate book value greater than 10% of stockholders' equity.

Accrued interest receivable on available for sale debt securities totaled \$2.1 million at both March 31, 2025 and December 31, 2024, respectively, and was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

Accrued interest receivable on held to maturity debt securities totaled \$18,000 at both March 31, 2025 and December 31, 2024, and was reported in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

*Equity Securities*

In September 2018, the Company acquired 90,000 shares of common stock in another BHC, representing approximately 5% of the outstanding common stock of the entity, for a total investment of \$1.9 million. During the three months ended March 31, 2025, the Company recognized an unrealized gain of \$18,000. During the three months ended March 31, 2024, the Company recognized an unrealized loss of \$68,000. At March 31, 2025 and December 31, 2024, the equity investment had a fair value of \$905,000 and \$887,000, respectively, and is included in other assets on the consolidated balance sheets.

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In October 2021, the Company entered into an agreement to invest in a bank technology fund through a limited partnership. At both March 31, 2025 and December 31, 2024, the Company's investment in the limited partnership was \$965,000 and is reflected in other assets on the consolidated balance sheets. The unfunded commitment related to the limited partnership investment at March 31, 2025 and December 31, 2024 was \$380,000 and is reflected in other liabilities on the consolidated balance sheets. The Company expects to fulfill the commitment as capital calls are made through 2026. The investment is accounted for as an equity security without a readily determinable fair value, and has been recorded at cost, less any impairment, and adjustments resulting from observable price changes. There were no impairments or adjustments on equity securities without readily determinable fair values during the three months ended March 31, 2025 or 2024.

**4. Loans and Allowance for Credit Losses**

Loans at March 31, 2025 and December 31, 2024 consisted of the following:

<i>(In thousands)</i>	<b>March 31, 2025</b>	<b>December 31, 2024</b>
1-4 Family Residential Mortgage	\$ 140,853	\$ 138,936
Home Equity and Second Mortgage	67,074	66,549
Multifamily Residential	45,891	36,822
1-4 Family Residential Construction	17,573	15,245
Other Construction, Development and Land	70,168	75,840
Commercial Real Estate	189,309	184,851
Commercial Business	63,343	62,727
Consumer and Other	57,148	58,406
Principal loan balance	651,359	639,376
Deferred loan origination fees and costs, net	1,117	1,104
Allowance for credit losses	(9,535)	(9,281)
Loans, net	<u>\$ 642,941</u>	<u>\$ 631,199</u>

The Allowance for Credit Losses ("ACL") on loans is measured on a collective (pooled) basis when similar risk characteristics exist. The Company's pools/segments are largely determined based on loan types as defined by Call Report instructions. The Company has identified and utilizes the following portfolio segments:

1-4 Family Residential Mortgage – 1-4 Family Residential Mortgage loans are primarily secured by 1-4 family residences that are owner-occupied and serve as the primary residence of the borrower. In addition, the Company typically has a senior (1st lien) position securing the collateral of loans in this portfolio. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by unemployment levels in the market area due to economic conditions. Repayment may also be impacted by changes in residential property values.

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**Home Equity and Second Mortgage** – Home Equity and Second Mortgage loans and lines of credit are primarily secured by 1-4 family residences that are owner-occupied and serve as the primary residence of the borrower. However, the Company typically has a junior lien position securing the collateral of loans in this portfolio. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by unemployment levels in the market area due to economic conditions. Repayment may also be impacted by changes in residential property values. While secured by collateral similar to that of the 1-4 Family Residential Mortgage loans, loans within this segment are considered to carry elevated risk due to the Company's junior lien position on the underlying collateral property.

**Multi-family Residential** – Multi-family Residential loans are primarily secured by properties such as apartment complexes and other multi-tenant properties within the Company's market area. In some situations, the collateral may reside outside of the Company's typical market area. Repayment of these loans is often dependent on the successful operation and management of the properties and collection of associated rents. Repayment of such loans may be affected by adverse conditions in the real estate market or the economy.

**1-4 Family Residential Construction** – 1-4 Family Residential Construction loans are generally secured by 1-4 family residences that will be owner-occupied upon completion. Risks inherent in construction lending are related to the market value of the property held as collateral, the cost and timing of constructing or improving a property, movements in interest rates and the real estate market during the construction phase, and the ability of the borrower to obtain permanent financing. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by unemployment levels in the market area due to economic conditions. Repayment may also be impacted by changes in residential property values.

**Other Construction, Development and Land** – Other Construction, Development and Land loans include loans secured by multi-family properties, commercial projects, and vacant land. This portfolio includes both owner-occupied and speculative investment properties. Risks inherent in construction lending are related to the market value of the property held as collateral, the cost and timing of constructing or improving a property, the borrower's ability to use funds generated by a project to service a loan until a project is completed, movements in interest rates and the real estate market during the construction phase, and the ability of the borrower to obtain permanent financing.

**Commercial Real Estate** – Commercial Real Estate loans are comprised of loans secured by various types of collateral including warehouses, retail space, and mixed-use buildings, among others, located in the Company's primary lending area. Risks related to commercial real estate lending are related to the market value of the property taken as collateral, the underlying cash flows, and general economic condition of the local real estate market. Repayment of these loans is generally dependent on the ability of the borrower to attract tenants at lease rates that provide for adequate debt service and can be impacted by local economic conditions which impact vacancy rates. The Company generally obtains loan guarantees from financially capable parties for Commercial Real Estate loans. To a lesser degree, this segment also includes loans secured by farmland. The risks associated with loans secured by farmland are related to the market value of the property taken as collateral and the underlying cash flows from farming operations and general economic conditions.

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Commercial Business – Commercial Business loans include lines of credit to businesses, term loans and letters of credit secured by business assets such as equipment, accounts receivable, inventory, or other assets excluding real estate. Loans in this portfolio may also be unsecured and are generally made to finance capital expenditures or fund operations. Commercial Business loans contain risks related to the value of the collateral securing the loan and the repayment is primarily dependent upon the financial success and viability of the borrower. As with Commercial Real Estate loans, the Company generally obtains loan guarantees from financially capable parties for Commercial Business loans.

Consumer and Other Loans – Consumer and Other Loans consist mainly of loans secured by new and used automobiles and trucks, recreational vehicles such as boats and RVs, mobile homes and secured and unsecured loans to individuals. The risks associated with these loans are related to local economic conditions including the unemployment level. To a lesser degree, this segment also includes loans secured by lawn and farm equipment, well as farm output and loans secured by marketable securities. The risks associated with these loans are related to local economic conditions including the unemployment level, general economic conditions impacting crop prices, the supply chain and the fair value of the security collateral.

Loans that do not share risk characteristics are evaluated on an individual basis. In addition, loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable or the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date adjusted for selling costs.

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The following table provides the components of the Company's amortized cost basis in loans at March 31, 2025:

	1-4 Family		Home Equity and Second Mortgage		Multifamily Residential		1-4 Family Residential Construction		Other Construction, Development and Land (In thousands)		Commercial Real Estate	Commercial Business	Consumer and Other	Total				
<b><u>Amortized Cost Basis in Loans:</u></b>																		
Principal loan balance	\$	140,853	\$	67,074	\$	45,891	\$	17,573	\$	70,168	\$	189,309	\$	63,343	\$	57,148	\$	651,351
Net deferred loan origination fees and costs		89		1,214		(17)		-		(30)		(137)		(2)		-		1,117
Amortized cost basis in loans	\$	140,942	\$	68,288	\$	45,874	\$	17,573	\$	70,138	\$	189,172	\$	63,341	\$	57,148	\$	652,470

The following table provides the components of the Company's amortized cost basis in loans at December 31, 2024:

	1-4 Family		Home Equity and Second Mortgage		Multifamily Residential		1-4 Family Residential Construction		Other Construction, Development and Land		Commercial Real Estate	Commercial Business	Consumer and Other	Total				
	Residential Mortgage								(In thousands)									
<u>Amortized Cost Basis in Loans:</u>																		
Principal loan balance	\$	138,936	\$	66,549	\$	36,822	\$	15,245	\$	75,840	\$	184,851	\$	62,727	\$	58,406	\$	639,370
Net deferred loan origination fees and costs		98		1,206		(17)		-		(29)		(145)		(9)		-		1,103
Amortized cost basis in loans	\$	139,034	\$	67,755	\$	36,805	\$	15,245	\$	75,811	\$	184,706	\$	62,718	\$	58,406	\$	640,480



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An analysis of the changes in the ACL on loans for the three months ended March 31, 2025 is as follows:

	Other												
	1-4 Family Residential Mortgage	Home Equity and Second Mortgage	Multifamily Residential	1-4 Family Residential Construction	Construction, Development and Land	Commercial Real Estate	Commercial Business	Consumer and Other	Total				
(In thousands)													
ACL on Loans:													
Beginning balance	\$ 1,592	\$ 478	\$ 545	\$ 184	\$ 588	\$ 2,459	\$ 2,424	\$ 1,011	\$9,280				
Provision for credit losses	(157)	89	(114)	39	591	(131)	(61)	82	338				
Charge-offs	-	-	-	-	-	-	(27)	(100)	(127)				
Recoveries	3	-	-	-	-	-	1	39	43				
Ending balance	\$ 1,438	\$ 567	\$ 431	\$ 223	\$ 1,179	\$ 2,328	\$ 2,337	\$ 1,032	\$9,538				

An analysis of the changes in the ACL on loans for the three months ended March 31, 2024 is as follows:

					Other					
	1-4 Family Residential Mortgage	Home Equity and Second Mortgage	Multifamily Residential	1-4 Family Residential Construction	Construction, Development and Land	Commercial Real Estate	Commercial Business	Consumer and Other	Total	
<i>(In thousands)</i>										
ACL on Loans:										
Beginning balance	\$ 1,490	\$ 406	\$ 332	\$ 208	\$ 804	\$ 2,119	\$ 1,431	\$ 1,215	\$8,005	
Provision for credit losses	(152)	35	91	(16)	7	634	(129)	(190)	280	
Charge-offs	(1)	-	-	-	-	-	-	(99)	(100)	
Recoveries	1	3	-	-	-	1	-	40	44	
Ending balance	\$ 1,338	\$ 444	\$ 423	\$ 192	\$ 811	\$ 2,754	\$ 1,302	\$ 966	\$8,230	

Accrued interest on loans of \$2.4 million at March 31, 2025 and December 31, 2024 is included in accrued interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

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The Company utilizes the Weighted Average Remaining Maturity (“WARM”) method in determining expected future credit losses. The WARM method uses average annual charge-off rates and the remaining life of the loan to estimate the ACL. For the Company’s loan portfolios, the remaining contractual life for each loan is adjusted by the expected scheduled payments and estimated prepayments. The average annual charge-off rate is applied to the amortization adjusted remaining life of the loan to determine the unadjusted lifetime historical charge-off rate. The Company’s expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company’s historical look-back periods for the loan portfolio range from one to 10 years depending on the WARM of the given portfolio segment and are updated on an annual basis.

The Company estimates the ACL on loans using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Reasonable and supportable forecasts typically utilize a 12-month period with immediate reversion to historical losses. Historical loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for losses reflected by peers, changes in underwriting standards, changes in economic conditions, changes in delinquency levels, collateral values and other factors.

Qualitative adjustments reflect management’s overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration industry and collateral concentrations, acquired loan portfolio characteristics and other credit-related analytics as deemed appropriate.

Management exercises significant judgment in evaluating the relevant historical loss experience and the qualitative factors. Management also monitors the differences between estimated and actual incurred loan losses in order to evaluate the effectiveness of the estimation process and make any changes in the methodology as necessary.

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Collateral dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. There have been no significant changes to the types of collateral securing the Company's collateral dependent loans. The following table presents the amortized cost basis of, and ACL allocation to, individually evaluated collateral-dependent loans by class of loans as of March 31, 2025:

	<b>March 31, 2025</b>				
	<b>Real Estate</b>	<b>Equipment</b>	<b>Other</b>	<b>Total</b>	<b>ACL Allocation</b>
	<i>(In thousands)</i>				
1-4 Family Residential Mortgage	\$ 1,563	\$ -	\$ -	\$ 1,563	\$ -
Home Equity and Second Mortgage	639	-	-	639	-
Multifamily Residential	-	-	-	-	-
1-4 Family Residential Construction	91	-	-	91	55
Other Construction, Development and Land	107	-	-	107	-
Commercial Real Estate	3,890	-	-	3,890	-
Commercial Business	-	1,866	149	2,015	1,233
Consumer and Other	-	-	-	-	-
	<u>\$ 6,290</u>	<u>\$ 1,866</u>	<u>\$ 149</u>	<u>\$ 8,305</u>	<u>\$ 1,288</u>

The following table presents the amortized cost basis of, and ACL allocation to, individually evaluated collateral-dependent loans by class of loans as of December 31, 2024:

	<b>Real Estate</b>	<b>Equipment</b>	<b>Other</b>	<b>Total</b>	<b>ACL Allocation</b>
	<i>(In thousands)</i>				
1-4 Family Residential Mortgage	\$ 1,613	\$ -	\$ -	\$ 1,613	\$ -
Home Equity and Second Mortgage	714	-	-	714	-
Multifamily Residential	-	-	-	-	-
1-4 Family Residential Construction	90	-	-	90	54
Other Construction, Development and Land	106	-	-	106	-
Commercial Real Estate	3,912	-	-	3,912	-
Commercial Business	-	1,926	155	2,081	1,233
Consumer and Other	-	-	-	-	-
	<u>\$ 6,435</u>	<u>\$ 1,926</u>	<u>\$ 155</u>	<u>\$ 8,516</u>	<u>\$ 1,287</u>

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Nonperforming loans consists of nonaccrual loans and loans past due and still accruing interest. The following table presents the amortized cost basis of loans on nonaccrual status and loans 90 days or more past due still accruing as of March 31, 2025:

	<b>Nonaccrual Loans with No ACL</b>	<b>Nonaccrual Loans with An ACL</b>	<b>Total Nonaccrual (In thousands)</b>	<b>Loans 90+ Days Past Due Still Accruing</b>	<b>Total Nonperforming Loans</b>
1-4 Family Residential Mortgage	\$ 1,073	\$ -	\$ 1,073	\$ -	\$ 1,073
Home Equity and Second Mortgage	432	-	432	-	432
Multifamily Residential	-	-	-	-	-
1-4 Family Residential Construction	-	91	91	-	91
Other Construction, Development and Land	60	-	60	-	60
Commercial Real Estate	413	-	413	-	413
Commercial Business	99	1,907	2,006	-	2,006
Consumer and Other	-	-	-	18	18
<b>Total</b>	<b>\$ 2,077</b>	<b>\$ 1,998</b>	<b>\$ 4,075</b>	<b>\$ 18</b>	<b>\$ 4,093</b>

The following table presents the amortized cost basis of loans on nonaccrual status and loans 90 days or more past due still accruing as of December 31, 2024:

	<b>Nonaccrual Loans with No ACL</b>	<b>Nonaccrual Loans with An ACL</b>	<b>Total Nonaccrual (In thousands)</b>	<b>Loans 90+ Days Past Due Still Accruing</b>	<b>Total Nonperforming Loans</b>
1-4 Family Residential Mortgage	\$ 1,186	\$ -	\$ 1,186	\$ -	\$ 1,186
Home Equity and Second Mortgage	568	-	568	-	568
Multifamily Residential	-	-	-	-	-
1-4 Family Residential Construction	-	90	90	-	90
Other Construction, Development and Land	59	-	59	-	59
Commercial Real Estate	413	-	413	-	413
Commercial Business	99	1,967	2,066	-	2,066
Consumer and Other	-	-	-	-	-
<b>Total</b>	<b>\$ 2,325</b>	<b>\$ 2,057</b>	<b>\$ 4,382</b>	<b>\$ -</b>	<b>\$ 4,382</b>

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No interest income was recognized on nonaccrual loans during the three months ended March 31, 2025 and 2024.

The following table presents the aging of the amortized cost basis in loans at March 31, 2025:

	<b>30-59 Days Past Due</b>	<b>60-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Current</b>	<b>Total Loans</b>
				<i>(In thousands)</i>		
1-4 Family Residential Mortgage	\$ 2,136	\$ 66	\$ 714	\$ 2,916	\$ 138,026	\$ 140,942
Home Equity and Second Mortgage	130	98	117	345	67,943	68,288
Multifamily Residential	-	-	-	-	45,874	45,874
1-4 Family Residential Construction	-	-	91	91	17,482	17,573
Other Construction, Development and Land	260	-	60	320	69,818	70,138
Commercial Real Estate	720	311	413	1,444	187,728	189,172
Commercial Business	51	51	140	242	63,099	63,341
Consumer and Other	285	17	18	320	56,828	57,148
<b>Total</b>	<b>\$ 3,582</b>	<b>\$ 543</b>	<b>\$ 1,553</b>	<b>\$ 5,678</b>	<b>\$ 646,798</b>	<b>\$ 652,476</b>

The following table presents the aging of the amortized cost basis in loans at December 31, 2024:

	<b>30-59 Days Past Due</b>	<b>60-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Current</b>	<b>Total Loans</b>
				<i>(In thousands)</i>		
1-4 Family Residential Mortgage	\$ 1,758	\$ 205	\$ 828	\$ 2,791	\$ 136,243	\$ 139,034
Home Equity and Second Mortgage	269	202	148	619	67,136	67,755
Multifamily Residential	-	-	-	-	36,805	36,805
1-4 Family Residential Construction	-	-	90	90	15,155	15,245
Other Construction, Development and Land	98	25	59	182	75,629	75,811
Commercial Real Estate	252	1,027	413	1,692	183,014	184,706
Commercial Business	80	25	140	245	62,473	62,718
Consumer and Other	472	54	-	526	57,880	58,406
<b>Total</b>	<b>\$ 2,929</b>	<b>\$ 1,538</b>	<b>\$ 1,678</b>	<b>\$ 6,145</b>	<b>\$ 634,335</b>	<b>\$ 640,480</b>

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Occasionally, the Company modifies loans to borrowers in financial distress by providing principal forgiveness, a term extension, an other-than-insignificant payment delay or an interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL on loans. In some cases, the Company may provide multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

During the three months ended March 31, 2025, there were no modifications to borrowers in financial distress. During the three months ended March 31, 2024, the Company modified Commercial Business loans with an amortized cost basis of \$2.0 million, or approximately 3% of the amortized cost of all Commercial Business loans, for which the borrowers were experiencing financial distress. The modification for each loan was the granting of a three-month, interest only payment period with an additional three months added to the original term of the loans. No principal was forgiven, no payments were delayed, and no interest rates were reduced for the modified loans.

The Company monitors the performance of modified loans and no modified loans were delinquent at March 31, 2025 or December 31, 2024. There were no loans to borrowers experiencing financial distress that were modified during the previous 12 months and which subsequently defaulted during the three months ended March 31, 2025 and 2024. There were no unfunded commitments associated with loans modified for borrowers experiencing financial distress as of March 31, 2025 and December 31, 2024.

### **Credit Quality Indicators**

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, public information, historical payment experience, credit documentation, and current economic trends, among other factors. The Company classifies loans based on credit risk at least quarterly. The Company uses the following regulatory definitions for risk ratings:

**Special Mention:** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

**Substandard:** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

**Doubtful:** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

**Loss:** Loans classified as loss are considered uncollectible and of such little value that their continuance on the institution's books as an asset is not warranted.

Loans not meeting the criteria above that are analyzed individually as part of the described process are considered to be pass rated loans.

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Based on the analysis performed at March 31, 2025, the risk category of loans by class of loans is as follows:

	Term Loans Amortized Cost Basis by Origination Year									
	2025	2024	2023	2022	2021	Prior	Revolving	Total		
	(In thousands)									
1-4 Family Residential Mortgage										
Pass	\$ 6,519	\$ 21,416	\$ 31,069	\$ 25,646	\$ 22,711	\$ 31,633	\$ -	\$ 138,994		
Special Mention	-	-	-	91	93	202	-	386		
Substandard	-	-	-	-	-	489	-	489		
Doubtful	-	-	31	39	151	852	-	1,073		
	\$ 6,519	\$ 21,416	\$ 31,100	\$ 25,776	\$ 22,955	\$ 33,176	\$ -	\$ 140,942		
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Home Equity and Second Mortgage										
Pass	\$ 279	\$ 1,848	\$ 3,809	\$ 3,310	\$ 312	\$ 372	\$ 57,671	\$ 67,601		
Special Mention	-	-	-	-	28	-	19	47		
Substandard	-	-	-	-	-	-	208	208		
Doubtful	-	43	-	-	-	389	-	432		
	\$ 279	\$ 1,891	\$ 3,809	\$ 3,310	\$ 340	\$ 761	\$ 57,898	\$ 68,288		
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Multifamily Residential										
Pass	\$ 7	\$ 959	\$ 6,455	\$ 18,186	\$ 8,447	\$ 11,820	\$ -	\$ 45,874		
Special Mention	-	-	-	-	-	-	-	-		
Substandard	-	-	-	-	-	-	-	-		
Doubtful	-	-	-	-	-	-	-	-		
	\$ 7	\$ 959	\$ 6,455	\$ 18,186	\$ 8,447	\$ 11,820	\$ -	\$ 45,874		
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
1-4 Family Residential Construction										
Pass	\$ 1,194	\$ 13,513	\$ 1,198	\$ 665	\$ -	\$ 912	\$ -	\$ 17,482		
Special Mention	-	-	-	-	-	-	-	-		
Substandard	-	-	-	-	-	-	-	-		
Doubtful	-	-	-	-	91	-	-	91		
	\$ 1,194	\$ 13,513	\$ 1,198	\$ 665	\$ 91	\$ 912	\$ -	\$ 17,573		
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		

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(Unaudited)

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	Term Loans Amortized Cost Basis by Origination Year										
	2025	2024	2023	2022	2021	Prior	Revolving	Total			
	(In thousands)										
Other											
Construction, Development and Land											
Pass	\$ 4,164	\$ 15,959	\$ 23,257	\$ 17,698	\$ 1,621	\$ 4,334	\$ -	\$ 67,033			
Special											
Mention	-	-	-	2,998	-	-	-	2,998			
Substandard	-	-	-	-	-	47	-	47			
Doubtful	-	-	-	-	-	60	-	60			
	\$ 4,164	\$ 15,959	\$ 23,257	\$ 20,696	\$ 1,621	\$ 4,441	\$ -	\$ 70,138			
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Commercial											
Real Estate											
Pass	\$ 2,357	\$ 21,733	\$ 19,985	\$ 47,307	\$ 26,136	\$ 61,015	\$ 2,320	\$ 180,853			
Special											
Mention	203	-	509	1,924	-	1,793	-	4,429			
Substandard	-	311	711	-	553	1,902	-	3,477			
Doubtful	-	-	-	-	-	413	-	413			
	\$ 2,560	\$ 22,044	\$ 21,205	\$ 49,231	\$ 26,689	\$ 65,123	\$ 2,320	\$ 189,172			
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Commercial											
Business											
Pass	\$ 4,716	\$ 7,767	\$ 9,913	\$ 8,898	\$ 8,391	\$ 8,961	\$ 12,020	\$ 60,666			
Special											
Mention	38	427	33	48	56	16	-	618			
Substandard	-	-	-	-	51	-	-	51			
Doubtful	-	-	107	1,866	-	33	-	2,006			
	\$ 4,754	\$ 8,194	\$ 10,053	\$ 10,812	\$ 8,498	\$ 9,010	\$ 12,020	\$ 63,341			
Current period gross write-offs	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ -	\$ -	\$ 27			
Consumer and Other											
Pass	\$ 5,934	\$ 16,790	\$ 14,758	\$ 7,053	\$ 2,872	\$ 7,846	\$ 1,803	\$ 57,056			
Special											
Mention	-	-	-	-	-	-	-	-			
Substandard	-	-	-	-	-	-	92	92			
Doubtful	-	-	-	-	-	-	-	-			
	\$ 5,934	\$ 16,790	\$ 14,758	\$ 7,053	\$ 2,872	\$ 7,846	\$ 1,895	\$ 57,148			
Current period gross write-offs	\$ -	\$ 35	\$ 29	\$ 18	\$ -	\$ 1	\$ 17	\$ 100			



**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(4 – continued)

Term Loans Amortized Cost Basis by Origination Year										
	2025	2024	2023	2022	2021	Prior	Revolving	Total		
(In thousands)										
Total Loans										
Pass	\$ 25,170	\$ 99,985	\$ 110,444	\$ 128,763	\$ 70,490	\$ 126,893	\$ 73,814	\$ 635,559		
Special										
Mention	241	427	542	5,061	177	2,011	19	8,478		
Substandard	-	311	711	-	604	2,438	300	4,364		
Doubtful	-	43	138	1,905	242	1,747	-	4,075		
	\$ 25,411	\$ 100,766	\$ 111,835	\$ 135,729	\$ 71,513	\$ 133,089	\$ 74,133	\$ 652,476		
Current period gross write-offs	\$ -	\$ 35	\$ 29	\$ 45	\$ -	\$ 1	\$ 17	\$ 127		

Based on the most recent analysis performed, the risk category of loans by class of loans as of December 31, 2024 is as follows:

Term Loans Amortized Cost Basis by Origination Year																
	2024		2023		2022		2021		2020		Prior	Revolving	Total			
(In thousands)																
1-4 Family Residential Mortgage																
Pass	\$	22,095	\$	31,871	\$	26,756	\$	23,181	\$	5,824	\$	27,218	\$	-	\$	136,945
Special																
Mention		-		31		-		-		-		445		-		476
Substandard		-		-		-		-		-		427		-		427
Doubtful		-		-		41		154		73		918		-		1,186
	\$	22,095	\$	31,902	\$	26,797	\$	23,335	\$	5,897	\$	29,008	\$	-	\$	139,034
Home Equity and Second Mortgage																
Pass	\$	2,014	\$	3,962	\$	3,617	\$	353	\$	182	\$	242	\$	56,590	\$	66,960
Special																
Mention		-		-		-		-		-		-		80		80
Substandard		-		-		-		-		-		-		147		147
Doubtful		-		-		-		-		-		568		-		568
	\$	2,014	\$	3,962	\$	3,617	\$	353	\$	182	\$	810	\$	56,817	\$	67,755

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

(4 – continued)

	Term Loans Amortized Cost Basis by Origination Year									
	2024	2023	2022	2021	2020	Prior		Revolving		Total
	(In thousands)									
Multifamily Residential										
Pass	\$ 964	\$ 3,534	\$ 11,820	\$ 8,505	\$ 7,663	\$ 4,319	\$ -	\$ -	\$ 36,805	
Special Mention	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	-	-	
	\$ 964	\$ 3,534	\$ 11,820	\$ 8,505	\$ 7,663	\$ 4,319	\$ -	\$ -	\$ 36,805	
1-4 Family Residential Construction										
Pass	\$ 12,186	\$ 1,498	\$ 642	\$ -	\$ 829	\$ -	\$ -	\$ -	\$ 15,155	
Special Mention	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	-	-	
Doubtful	-	-	-	90	-	-	-	-	90	
	\$ 12,186	\$ 1,498	\$ 642	\$ 90	\$ 829	\$ -	\$ -	\$ -	\$ 15,245	
Other Construction, Development and Land										
Pass	\$ 11,687	\$ 26,093	\$ 31,645	\$ 1,823	\$ 1,443	\$ 3,014	\$ -	\$ -	\$ 75,705	
Special Mention	-	-	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	47	-	-	47	
Doubtful	-	-	-	-	-	59	-	-	59	
	\$ 11,687	\$ 26,093	\$ 31,645	\$ 1,823	\$ 1,443	\$ 3,120	\$ -	\$ -	\$ 75,811	
Commercial Real Estate										
Pass	\$ 22,024	\$ 20,478	\$ 41,583	\$ 26,748	\$ 19,760	\$ 44,237	\$ 2,129	\$ -	\$ 176,959	
Special Mention	-	511	3,032	-	-	292	-	-	3,835	
Substandard	311	716	-	557	211	1,704	-	-	3,499	
Doubtful	-	-	-	-	-	413	-	-	413	
	\$ 22,335	\$ 21,705	\$ 44,615	\$ 27,305	\$ 19,971	\$ 46,646	\$ 2,129	\$ -	\$ 184,706	

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

(4 – continued)

Term Loans Amortized Cost Basis by Origination Year										
	2024	2023	2022	2021	2020	Prior	Revolving	Total		
(In thousands)										
Commercial Business										
Pass	\$ 8,414	\$ 10,636	\$ 9,590	\$ 8,699	\$ 4,750	\$ 4,543	\$ 12,895	\$ 59,527		
Special Mention	486	149	130	126	15	-	162	1,068		
Substandard	-	-	-	57	-	-	-	57		
Doubtful	-	107	1,926	-	-	33	-	2,066		
	\$ 8,900	\$ 10,892	\$ 11,646	\$ 8,882	\$ 4,765	\$ 4,576	\$ 13,057	\$ 62,718		
Consumer and Other										
Pass	\$ 18,932	\$ 16,555	\$ 8,274	\$ 3,574	\$ 810	\$ 7,554	\$ 2,577	\$ 58,276		
Special Mention	-	-	-	-	-	-	-	-		
Substandard	-	-	-	-	-	-	130	130		
Doubtful	-	-	-	-	-	-	-	-		
	\$ 18,932	\$ 16,555	\$ 8,274	\$ 3,574	\$ 810	\$ 7,554	\$ 2,707	\$ 58,406		
Total Loans										
Pass	\$ 98,316	\$ 114,627	\$ 133,927	\$ 72,883	\$ 41,261	\$ 91,127	\$ 74,191	\$ 626,332		
Special Mention	486	691	3,162	126	15	737	242	5,459		
Substandard	311	716	-	614	211	2,178	277	4,307		
Doubtful	-	107	1,967	244	73	1,991	-	4,382		
	\$ 99,113	\$ 116,141	\$ 139,056	\$ 73,867	\$ 41,560	\$ 96,033	\$ 74,710	\$ 640,480		

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**ACL on Off-Balance-Sheet Credit Exposures**

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The ACL for off-balance-sheet credit exposures was \$131,000 at both March 31, 2025 and December 31, 2024. The ACL for off-balance-sheet credit exposures is presented in accrued expenses and other liabilities on the consolidated balance sheets. Changes in the ACL for off-balance-sheet credit exposures are reflected in the provision for credit losses on the consolidated statements of income. There were no changes to the ACL for off-balance-sheet credit exposures during the three months ended March 31, 2025 and 2024.

**5. Qualified Affordable Housing Project Investment**

On January 19, 2018, the Bank entered into an agreement to invest in qualified affordable housing projects through a limited liability company. At March 31, 2025 and December 31, 2024, the balance of the Bank's investment was \$1.5 million and \$1.6 million, respectively, and is reflected in other assets on the consolidated balance sheets. The unfunded commitment related to the qualified affordable housing project investment was \$168,000 at both March 31, 2025 and December 31, 2024, and is reflected in other liabilities on the consolidated balance sheets. The Bank expects to fulfill the commitment as capital calls are made through 2029.

The investment is accounted for using the proportional amortization method. During the three month periods ended March 31, 2025 and 2024, the Bank recognized amortization expense of \$84,000 and \$72,000, respectively, as a component of income tax expense on the consolidated statements of income. Additionally, during the three month periods ended March 31, 2025 and 2024, the Bank recognized income tax credits and other income tax benefits from its qualified affordable housing project investment of \$103,000 and \$102,000, respectively, which was included in income tax expense on the consolidated statements of income.

**6. Renewable Energy Tax Credit Investment**

On March 26, 2025, April 17, 2024 and April 21, 2023, the Bank entered into agreements to invest in investment tax credits generated by solar energy producing facilities through limited liability companies. At March 31, 2025 and December 31, 2024, the balance of the Bank's investments in the limited liability companies was \$4.1 million and \$401,000, respectively, and was reflected in other assets on the consolidated balance sheets. The unfunded commitment related to the solar energy tax credit investments was \$4.0 million and \$276,000 at March 31, 2025 and December 31, 2024, respectively, and is reflected in other liabilities on the consolidated balance sheets. The Bank expects to fulfill the commitment as capital calls are made by December 31, 2025.

The investments are accounted for using the proportional amortization method. During the three month periods ended March 31, 2025 and 2024, the Bank recognized amortization expense of \$299,000 and \$505,000, respectively, as a component of income tax expense on the consolidated statements of income. Additionally, during the three month periods ended March 31, 2025 and 2024, the Bank recognized income tax credits and other income tax benefits from its solar energy tax credit investment of \$304,000 and \$596,000, respectively, which was included in income tax expense on the consolidated statements of income.

**FIRST CAPITAL, INC.**  
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**7. Borrowed Funds**

At March 31, 2025 and December 31, 2024, the Company had no outstanding borrowings.

On March 12, 2023, the FRB created the BTFP to make additional funding available to eligible depository institutions. The BTFP offered loans of up to one year in length to banks, savings associations, credit unions and other depository institutions which pledged collateral, such as U.S. Treasuries, U.S. agency notes and bonds and U.S. agency mortgage-backed securities. The collateral is valued at par, and advances under this program did not include any fees or prepayment penalties. In January 2024, the Company repaid all outstanding borrowings under the BTFP and advances from the FHLB and then borrowed \$33.6 million under the BTFP at a fixed rate of 4.85% for a one-year period. Effective March 11, 2024, the BTFP ceased making new loans. All BTFP advances were repaid in October and November 2024.

The Company also has access to the FRB Discount Window for Borrowings. The Company has pledged certain U.S. Treasuries and U.S. agency notes and bonds with a carrying value of \$16.7 million to secure borrowings through the Discount Window, if needed. While the Company has conducted a test of borrowing through the Discount Window, there were no borrowings outstanding through the Discount Window at March 31, 2025 or December 31, 2024.

FHLB advances are secured under a blanket collateral agreement. At March 31, 2025, the carrying value of U.S. Treasury notes and mortgage loans pledged as security for future FHLB advances was \$5.0 million and \$54.7 million, respectively. At March 31, 2025, the Company had a \$31.7 million borrowing capacity limit with the FHLB based on pledged collateral.

On February 28, 2024, the Bank entered into an Overdraft Line of Credit Agreement with the FHLB which established a line of credit not to exceed \$10.0 million secured under the blanket collateral agreement. This agreement expired on February 28, 2025 and automatically renewed for an additional one-year term. At March 31, 2025 and December 31, 2024, there no borrowings under the agreement.

During the three month period ended March 31, 2025, the Company did not utilize any FHLB advances. During the three month period ended March 31, 2024, the Company utilized a series of short-term fixed-rate bullet and variable rate advances from the FHLB in order to meet daily liquidity requirements and to fund growth in earning assets. The fixed-rate bullet advances had an average term of seven days.

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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The following table sets forth information on the short-term FHLB advances and BTFP borrowings during the three month period ended March 31, 2024:

	<b>Three Months Ended March 31, 2024</b>
<i>(Dollars in thousands)</i>	
<i>FHLB variable-rate advances</i>	
Maximum balance at any month end	\$ -
Average balance	1,192
Period end balance	-
Weighted average interest rate (annualized):	
At end of period	0.00%
During the period	5.78%
<i>FHLB fixed-rate bullet advances</i>	
Maximum balance at any month end	\$ 13,000
Average balance	2,220
Period end balance	-
Weighted average interest rate (annualized):	
At end of period	0.00%
During the period	5.63%
<i>BTFP borrowings:</i>	
Maximum balance at any month end	\$ 33,625
Average balance	31,908
Period end balance	33,625
Weighted average interest rate (annualized):	
At end of period	4.85%
During the period	4.81%

**FIRST CAPITAL, INC.**  
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**8. Supplemental Disclosure for Earnings Per Share**

	Three Months Ended March 31,	
	2025	2024
<i>(In thousands, except per share data)</i>		
<b>Basic</b>		
Earnings:		
Net income attributable to First Capital, Inc.	\$ 3,235	\$ 2,952
Shares:		
Weighted average common shares outstanding	3,346,850	3,345,060
Net income attributable to First Capital, Inc. per common share, basic	\$ 0.97	\$ 0.88
<b>Diluted</b>		
Earnings:		
Net income attributable to First Capital, Inc.	\$ 3,235	\$ 2,952
Shares:		
Weighted average common shares outstanding	3,346,850	3,345,060
Add: Dilutive effect of restricted stock	1,448	.
Weighted average common shares outstanding, as adjusted	3,348,298	3,345,060
Net income attributable to First Capital, Inc. per common share, diluted	\$ 0.97	\$ 0.88

Nonvested restricted stock shares are not considered as outstanding for purposes of computing weighted average common shares outstanding. No restricted shares were excluded from the calculation of diluted net income per share for the three month period ending March 31, 2025. Restricted shares totaling 8,750 were excluded from the calculation of diluted net income per share because their effect would be anti-dilutive for the three month period ending March 31, 2024.

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. Stock-Based Compensation Plan**

On May 20, 2009, the Company adopted the 2009 Equity Incentive Plan (the “2009 Plan”) which terminated as of May 20, 2019. The 2009 Plan provided for the award of stock options, restricted stock, performance shares and stock appreciation rights. The aggregate number of shares of the Company’s common stock available for issuance under the 2009 Plan could not exceed 223,000 shares and 176,150 shares were still available for issuance under the 2009 Plan at its termination.

On May 22, 2019, the Company adopted the 2019 Equity Incentive Plan (the “2019 Plan” and together with the 2009 Plan, the “Plans”). The 2019 Plan provides for the award of stock options, restricted stock, performance shares and stock appreciation rights. The aggregate number of shares of the Company’s common stock available for issuance under the 2019 Plan may not exceed 176,150 shares. If an award under the 2009 Plan is canceled, terminates, expires, is forfeited or lapses for any reason, any issued shares subject to the award shall not be available for issuance pursuant to awards subsequently granted under the 2019 Plan. Further, no additional participants, as that term is defined in the 2009 Plan, are eligible for grants of awards under the 2009 Plan. The Company generally issues new shares under the 2019 Plan from its authorized but unissued shares.

At March 31, 2025, 155,750 shares of the Company’s common stock were available for issuance under the 2019 Plan. The Company may grant both non-statutory and statutory stock options which may not have a term exceeding ten years. In the case of incentive stock options, the aggregate fair value of the stock (determined at the time the incentive stock option is granted) for which any optionee may be granted incentive options which are first exercisable during any calendar year shall not exceed \$100,000. Option prices may not be less than the fair market value of the underlying stock at the date of the grant. An award of a performance share is a grant of a right to receive shares of the Company’s common stock which is contingent upon the achievement of specific performance criteria or other objectives set at the grant date. Stock appreciation rights are equity or cash settled share-based compensation arrangements whereby the number of shares that will ultimately be issued or the cash payment is based upon the appreciation of the Company’s common stock. Awards granted under the 2019 Plan may be granted either alone, in addition to, or in tandem with, any other award granted under the 2019 Plan. The terms of the 2019 Plan also include provisions whereby all unearned options and restricted shares become immediately exercisable and fully vested upon a change in control.

As of March 31, 2025, no stock options had been granted under the Plans.

Compensation expense is measured based on the fair market value of the restricted stock at the grant date and is recognized ratably over the period during which the shares are earned (the vesting period). The Company accounts for any forfeitures when they occur, and any previously recognized compensation for an award is reversed in the period the award is forfeited. Compensation expense related to restricted stock recognized for the three month periods ended March 31, 2025 and 2024 amounted to \$38,000 and \$78,000, respectively. The total income tax expense related to stock-based compensation was \$9,000 and \$18,000, for the three month periods ended March 31, 2025 and 2024, respectively.



**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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A summary of the Company's nonvested restricted shares under the 2019 Plan as of March 31, 2025 and changes during the three month period then ended is presented below.

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of period	4,800	\$ 43.40
Granted	3,900	37.90
Vested	-	-
Forfeited	-	-
Nonvested at end of period	8,700	\$ 40.93

There were no restricted shares that vested during the three month periods ending March 31, 2025 or 2024. At March 31, 2025, there was \$244,000 of unrecognized compensation expense related to nonvested restricted shares. The compensation expense is expected to be recognized over a weighted average period of 4.3 years.

**10. Supplemental Disclosures of Cash Flow Information**

	Three Months Ended, March 31,	
<i>(In thousands)</i>	2025	2024
<b>Cash payments for:</b>		
Interest	\$ 3,928	\$ 3,047
Income taxes (net of refunds received)	-	-
<b>Noncash investing activities:</b>		
Security purchased but trade not settled	1,002	-
Agreement to invest in renewable energy tax credit facility	3,709	2,000

**11. Fair Value Measurements**

FASB ASC Topic 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Level 2: Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. The following table presents the balances of assets measured at fair value on a recurring and nonrecurring basis as of March 31, 2025. The Company had no liabilities measured at fair value as of March 31, 2025.

(In thousands)	Carrying Value			
	Level 1	Level 2	Level 3	Total
<b>March 31, 2025</b>				
<b>Assets Measured on a Recurring Basis</b>				
Securities available for sale:				
Agency mortgage-backed securities	\$ -	\$ 71,201	\$ -	\$ 71,201
Agency CMO	-	64,516	-	64,516
Agency notes and bonds	-	108,015	-	108,015
Treasury notes and bonds	16,693	-	-	16,693
Municipal obligations	-	131,293	-	131,293
Total securities available for sale	<u>\$ 16,693</u>	<u>\$ 375,025</u>	<u>\$ -</u>	<u>\$ 391,718</u>
Equity securities	<u>\$ 905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 905</u>
<b>Assets Measured on a Nonrecurring Basis</b>				
Collateral dependent loans:				
Commercial Business	\$ -	\$ -	\$ 633	\$ 633
1-4 Family Residential Construction	-	-	36	36
Total collateral dependent loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669</u>	<u>\$ 669</u>

**FIRST CAPITAL, INC.**  
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The following table presents the balances of assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2024. The Company had no liabilities measured at fair value as of December 31, 2024.

(In thousands)	Carrying Value			
	Level 1	Level 2	Level 3	Total
<b>December 31, 2024</b>				
<b>Assets Measured on a Recurring Basis</b>				
Securities available for sale:				
Agency mortgage-backed securities	\$ -	\$ 67,941	\$ -	\$ 67,941
Agency CMO	-	47,518	-	47,518
Agency notes and bonds	-	118,080	-	118,080
Treasury notes and bonds	21,549	-	-	21,549
Municipal obligations	-	134,155	-	134,155
Total securities available for sale	<u>\$ 21,549</u>	<u>\$ 367,694</u>	<u>\$ -</u>	<u>\$ 389,243</u>
Equity securities	<u>\$ 886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 886</u>
<b>Assets Measured on a Nonrecurring Basis</b>				
Collateral dependent loans:				
Commercial Business	\$ -	\$ -	\$ 693	\$ 693
1-4 Family Residential Construction	-	-	36	36
Total collateral dependent loans	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729</u>	<u>\$ 729</u>

Fair value is based upon quoted market prices, where available. If quoted market prices are not available, fair value is based on internally developed models or obtained from third parties that primarily use, as inputs, observable market-based parameters or a matrix pricing model that employs the Bond Market Association's standard calculations for cash flow and price/yield analysis and observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include unobservable parameters. Any such valuation adjustments have been applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**FIRST CAPITAL, INC.**  
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**Securities Available for Sale and Equity Securities:** Securities classified as available for sale and equity securities are reported at fair value on a recurring basis. These securities are classified as Level 1 of the valuation hierarchy where quoted market prices from reputable third-party brokers are available in an active market. If quoted market prices are not available, the Company obtains fair value measurements from an independent pricing service. These securities are reported using Level 2 inputs and the fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, U.S. government and agency yield curves, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other factors. For securities where quoted market prices, market prices of similar securities or prices from an independent third-party pricing service are not available, fair values are calculated using discounted cash flows or other market indicators and are classified within Level 3 of the fair value hierarchy. Changes in fair value of securities available for sale are recorded in other comprehensive income, net of income tax effect. Changes in fair value of equity securities are recorded in noninterest income on the consolidated statements of income.

**Loans Held for Sale:** Loans held for sale are carried at the lower of cost or market value. The portfolio is comprised of residential real estate loans and fair value is estimated based on specific prices of underlying contracts for sales to investors. These measurements are carried at Level 2 in the fair value hierarchy. At March 31, 2025 and December 31, 2024, the Company did not have any loans held for sale measured at fair value on a nonrecurring basis.

**Collateral Dependent Loans:** Collateral dependent loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. In accordance with accounting standards, only collateral dependent loans for which a specific ACL has been established require classification in the fair value hierarchy. The fair value of collateral dependent loans is classified as Level 3 in the fair value hierarchy.

Collateral dependent loans with specific allocations of ACL are measured at the fair value of the collateral less estimated costs to sell. Collateral may be real estate and/or business assets, including equipment, inventory and/or accounts receivable. The fair value of the collateral is generally determined based on real estate appraisals or other independent evaluations by qualified professionals, which are then discounted to reflect management's estimate of the fair value of the collateral given the current market conditions and the condition of the collateral.

At March 31, 2025, the significant unobservable inputs used in the fair value measurement of collateral dependent loans included a discount from appraised value for estimates of changes in market conditions, the condition of the collateral and estimated costs to sell the collateral ranging from 10% to 20%, with a weighted average discount of 10.7%. The Company recognized provisions for credit losses on collateral dependent loans of \$1,000 for the three months ended March 31, 2025. The Company recognized an \$11,000 reduction in provisions for credit losses on collateral dependent impaired loans for the three months ended March 31, 2024.

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

(11 – continued)

There have been no changes in the valuation techniques and related inputs used for assets measured at fair value on a recurring and nonrecurring basis during the three month periods ended March 31, 2025 and 2024. There were no transfers into or out of the Company's Level 3 financial assets for the three month periods ended March 31, 2025 and 2024.

GAAP requires disclosure of the fair value of financial assets and financial liabilities, whether or not recognized in the balance sheet. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The estimated fair values of the Company's financial instruments are as follows:

(In thousands)	Carrying Value	Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
March 31, 2025:					
Financial assets:					
Cash and cash equivalents	\$ 116,623	\$ 116,623	\$ 116,623	\$ -	\$ -
Interest-bearing time deposits	2,695	2,729	-	2,729	-
Securities available for sale	391,718	391,718	16,693	375,025	-
Securities held to maturity	7,000	4,591	-	4,591	-
Loans held for sale	341	345	-	345	-
Loans, net	642,941	631,143	-	-	631,143
FHLB and other restricted stock	1,836	N/A	N/A	N/A	N/A
Accrued interest receivable	4,558	4,558	-	4,558	-
Equity securities (included in other assets)	905	905	905	-	-
Financial liabilities:					
Deposits	1,083,921	1,083,306	875,286	-	208,020
Accrued interest payable	1,759	1,759	-	1,759	-
December 31, 2024:					
Financial assets:					
Cash and cash equivalents	\$ 105,917	\$ 105,917	\$ 105,917	\$ -	\$ -
Interest-bearing time deposits	2,695	2,725	-	2,725	-
Securities available for sale	389,243	389,243	21,549	367,694	-
Securities held to maturity	7,000	4,591	-	4,591	-
Loans held for sale	472	477	-	477	-
Loans, net	631,199	628,057	-	-	628,057
FHLB and other restricted stock	1,836	N/A	N/A	N/A	N/A
Accrued interest receivable	4,575	4,575	-	4,575	-
Equity securities (included in other assets)	886	886	886	-	-
Financial liabilities:					
Deposits	1,066,439	1,065,687	866,559	-	199,128
Accrued interest payable	1,922	1,922	-	1,922	-

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

(11 – continued)

The methods and assumptions used to estimate fair value are described as follows:

Carrying amount is the estimated fair value for cash and cash equivalents, accrued interest receivable and payable, demand deposits and other transactions accounts. The fair value of securities and interest-bearing time deposits in other financial institutions is based on quoted market prices (where available) or values obtained from an independent pricing service. The fair value of loans, excluding loans held for sale, fixed-maturity certificates of deposit and borrowed funds is based on discounted cash flows using current market rates applied to the estimated life and credit risk of the instrument. The fair value of loans held for sale is based on specific prices of underlying contracts for sales to investors. It is not practicable to determine the fair value of FHLB and other restricted stock due to restrictions placed on its transferability. The methods utilized to measure the fair value of financial instruments at March 31, 2025 and December 31, 2024 represent an approximation of exit price, but an actual exit price may differ.

**12. Revenue from Contracts with Customers**

Substantially all of the Company's revenue from contracts with customers in the scope of FASB ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the three months ended March 31, 2025 and 2024:

	<b>Three Months Ended March 31,</b>	
	<b>2025</b>	<b>2024</b>
<i>(In thousands)</i>		
<b>In Scope for ASC 606</b>		
Service charges on deposit accounts	\$ 593	\$ 593
ATM and debit card fees	1,036	1,060
Other	48	48
Revenue from contracts with customers	<u>1,677</u>	<u>1,701</u>
<b>Out of Scope for ASC 606</b>		
Net gains on loans and investments	52	65
Increase in cash value of life insurance	72	48
Other	47	85
Other noninterest income	<u>171</u>	<u>198</u>
Total noninterest income	<u>\$ 1,848</u>	<u>\$ 1,899</u>

**FIRST CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

(12 – continued)

A description of the Company's revenue streams accounted for under FASB ASC 606 follows:

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

**ATM and Debit Card Fees:** The Company earns ATM usage fees and interchange fees from debit cardholder transactions conducted through a payment network. ATM fees are recognized at the point in time the transaction occurs. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

**Other Income:** Other income from contracts with customers includes safe deposit box fees, investment advisory income and ACH origination fees. This revenue is recognized at the time the transaction is executed or over the period the Company satisfies the performance obligation.

**13. Segment Information**

The Company's reportable segment is determined by the Chief Executive Officer, who is the designated CODM, based upon information provided about the Company's products and services offered, primarily banking operations. The segment is also distinguished by the level of information provided to the CODM, who uses such information to review performance of various components of the business, which are then aggregated if operating performance, products/services, and customers are similar. The CODM will evaluate the financial performance of the Company's business components such as by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's segment and in the determination of allocating resources. The CODM uses revenue streams to evaluate product pricing and significant expenses to assess performance and evaluate return on assets. The CODM uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis coupled with monitoring of budget to actual results are used in assessment performance and in establishing compensation. Loans, investments, and deposits provide the revenues in the banking operation. Interest expense, provisions for credit losses, and payroll provide the significant expenses in the banking operation. All operations are domestic. Accounting policies for segments have not changed from those described in Note 1 in the Company's Annual Report on Form 10-K for the year ended December 31, 2024. Segment performance is evaluated using consolidated net income as reported in the consolidated statements of income presented.

**PART I - ITEM 2**  
**MANAGEMENT'S DISCUSSION AND**  
**ANALYSIS OF FINANCIAL CONDITION AND**  
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**FIRST CAPITAL, INC.**

**Safe Harbor Statement for Forward-Looking Statements**

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts nor guarantees of future performance; rather they are statements based on the Company's current expectations regarding its business strategies and their intended results and its future performance. Forward-looking statements can be identified by use of the words "expects," "believes," "anticipates," "intends," "could," "should" and similar expressions. Forward-looking statements also include, but are not limited to, statements regarding estimated cost savings, plans and objectives for future operations, and the Company's business and growth strategies.

Numerous risks and uncertainties could cause or contribute to the Company's actual results, performance and achievements being materially different from those expressed or implied by the forward-looking statements. Factors that may cause or contribute to these differences include, without limitation, general economic conditions, including changes in market interest rates and changes in monetary and fiscal policies of the federal government; the ability of the Company to execute its business plan; legislative and regulatory changes; the quality and composition of the loan and investment securities portfolio; loan demand; deposit flows; competition; and changes in accounting principles and guidelines. Additional factors that may affect our results are discussed in Part II of this Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2024 under "Item 1A. Risk Factors." These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. These forward-looking statements are made only as of the date of this Quarterly Report on Form 10-Q and, except as required by applicable law or regulation, the Company assumes no obligation and disclaims any obligation to update any forward-looking statements.

**Critical Accounting Policies**

The discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements that have been prepared in accordance with GAAP. The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income and expenses. These estimates are based upon historical experience and on various other assumptions that management believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and judgments that management believes involve the most complex and subjective estimates and judgments and have the most effect on the Company's reported financial position and results of operations are described as critical accounting policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2024. During the three months ended March 31, 2025, there was no significant change in the Company's critical account policies or the application of critical accounting policies as disclosed in the Company's Annual report on Form 10-K for the year ended December 31, 2024.



**PART I - ITEM 2**  
**MANAGEMENT'S DISCUSSION AND**  
**ANALYSIS OF FINANCIAL CONDITION AND**  
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**FIRST CAPITAL, INC.**

**Comparison of Financial Condition at March 31, 2025 and December 31, 2024**

Total assets increased \$27.0 million from \$1.19 billion at December 31, 2024 to \$1.21 billion at March 31, 2025.

Net loans receivable (excluding loans held for sale) increased \$11.7 million from \$631.2 million at December 31, 2024 to \$642.9 million at March 31, 2025. Multifamily residential, commercial real estate, 1-4 family residential construction, and 1-4 family residential mortgage loan increases of \$9.1 million, \$4.5 million, \$2.3 million, and \$1.9 million, respectively, were partially offset by decreases of \$5.7 million and \$1.3 million in other construction, development and land and consumer and other loans, respectively, during the three months ended March 31, 2025.

Cash and cash equivalents increased from \$105.9 million at December 31, 2024 to \$116.6 million at March 31, 2025 primarily due to net deposit inflows at the Bank.

Securities available for sale increased \$2.5 million from \$389.2 million at December 31, 2024 to \$391.7 million at March 31, 2025. Purchases of \$30.8 million of securities classified as available for sale were made during the three months ended March 31, 2025 and consisted primarily of U.S. government agency CMOs and mortgage-backed securities and municipal bonds. Principal payments and maturities of available for sale securities totaled \$6.6 million and \$15.4 million, respectively, during the three months ended March 31, 2025. Securities classified as available for sale totaling \$11.2 million were sold during the three months ended March 31, 2025 and consisted primarily of municipal and U.S. government agency notes and bonds. In addition, there was an unrealized gain of \$4.1 million on the securities available for sale portfolio during the three month period ended March 31, 2025 due primarily to decreasing market interest rates.

Total deposits increased \$17.5 million from \$1.07 billion at December 31, 2024 to \$1.08 billion at March 31, 2025. Savings accounts, non-interest-bearing checking accounts and time deposits increased \$5.4 million, \$5.8 million and \$8.8 million, respectively, during the three months ended March 31, 2025, while interest bearing deposits decreased \$2.5 million during the period. Deposit inflows and outflows are influenced by prevailing market interest rates, competition, local and national economic conditions, and fluctuations in our customers' own liquidity needs and may also be influenced by recent developments in the financial services industry. Significant competition for deposits remains and the deposit growth during the quarter ended March 31, 2025 was accompanied by increased costs to attract those deposits.

The Company had no outstanding borrowings at March 31, 2025 or December 31, 2024.

Total stockholders' equity attributable to the Company increased from \$114.6 million at December 31, 2024 to \$120.1 million at March 31, 2025, due to a \$2.3 million increase in retained net income as well as a \$3.2 million net unrealized gain on available for sale securities. The net unrealized gain on available for sale securities during the period is primarily due to decreased market interest rates.

**PART I - ITEM 2**  
**MANAGEMENT'S DISCUSSION AND**  
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**FIRST CAPITAL, INC.**

**Results of Operations for the Three Month Periods Ended March 31, 2025 and 2024**

**Net income.** Net income attributable to the Company was \$3.2 million (\$0.97 per diluted share) for the three months ended March 31, 2025 compared to \$3.0 million (\$0.88 per diluted share) for the three months ended March 31, 2024.

**Net interest income.** Net interest income after provision for credit losses increased \$923,000 for the three months ended March 31, 2025 as compared to the same period in 2024.

Total interest income increased \$1.5 million when comparing the two periods due to an increase in the average tax-equivalent yield on interest-earning assets from 4.29% for the quarter ended March 31, 2024 to 4.63% for the same period in 2025, in addition to an increase in the average balance of interest-earning assets from \$1.12 billion for the quarter ended March 31, 2024 to \$1.17 billion for the same period in 2025.

Total interest expense increased \$528,000 as the average cost of interest-bearing liabilities increased from 1.55% for the quarter ended March 31, 2024 to 1.71% for the same period in 2025, in addition to an increase in the average balance of interest-bearing liabilities from \$833.7 million for the quarter ended March 31, 2024 to \$881.6 million for the same period in 2025.

As a result of the changes in interest-earning assets and interest-bearing liabilities, the tax equivalent net interest margin increased from 3.14% for the quarter ended March 31, 2024 to 3.34% for the same period in 2025.

**Provision for credit losses.** Based on management's analysis of the ACL on loans and unfunded loan commitments, the provision for credit losses increased from \$280,000 for the quarter ended March 31, 2024 to \$338,000 for the quarter ended March 31, 2025. The increase was due to loan growth during the period as well as management's consideration of macroeconomic uncertainty. The Bank recognized net charge-offs of \$84,000 and \$55,000 for the quarters ended March 31, 2025 and 2024, respectively.

**Noninterest income.** Noninterest income decreased \$51,000 for the quarter ended March 31, 2025 as compared to the quarter ended March 31, 2024 primarily due to the Company recognizing a \$55,000 loss on sale of available for sale securities for the quarter ended March 31, 2025 compared to a \$32,000 gain on sale of available for sale securities for the quarter ended March 31, 2024. The Company also recognized decreases of \$38,000 and \$24,000 in other income and ATM and debit card fees, respectively, when comparing the two periods. These were partially offset by the Company recognizing an \$18,000 gain on equity securities during the quarter ended March 31, 2025 compared to a loss of \$68,000 during the same period in 2024.

**Noninterest expense.** Noninterest expenses increased \$424,000 for the quarter ended March 31, 2025 as compared to the same period in 2024. This was primarily due to increases in compensation and benefits and occupancy and equipment expenses of \$259,000 and \$160,000, respectively, when comparing the two periods. The increase in compensation and benefits is due to increases in salary and wages associated with annual cost of living and performance related adjustments as well as increases in the cost of Company-provided health insurance benefits. The increase in occupancy and equipment expenses is primarily due to costs associated with snow removal across the Company's branch network given the historic storms in our communities as well as a loss on the disposal of premises and equipment.

**Income tax expense.** Income tax expense increased \$165,000 for the quarter ended March 31, 2025 as compared to the same period in 2024 resulting in an effective tax rate of 17.2% for the quarter ended March 31, 2025, compared to 14.6% for the same period in 2024.

**PART I - ITEM 2**  
**MANAGEMENT'S DISCUSSION AND**  
**ANALYSIS OF FINANCIAL CONDITION AND**  
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**FIRST CAPITAL, INC.**

**Liquidity and Capital Resources**

The Bank's primary sources of funds are customer deposits, proceeds from loan repayments, maturing securities and borrowings from the FHLB or FRB. While loan repayments and maturities are a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by market interest rates, general economic conditions and competition. At March 31, 2025, the Bank had cash and cash equivalents of \$116.6 million and securities available-for-sale with a fair value of \$391.7 million. If the Bank requires funds beyond its ability to generate them internally, it has additional borrowing capacity with the FHLB, FRB, collateral eligible for repurchase agreements and unsecured federal funds purchased lines of credit with other financial institutions.

The Bank's primary investing activity is the origination of one-to-four family mortgage loans and commercial real estate loans and, to a lesser extent, consumer, multi-family, commercial business and residential construction loans. The Bank also invests in U.S. Government and agency securities and mortgage-backed securities issued by U.S. Government agencies.

The Bank must maintain an adequate level of liquidity to ensure the availability of sufficient funds to support loan growth and deposit withdrawals, to satisfy financial commitments and to take advantage of investment opportunities. Historically, the Bank has been able to retain a significant amount of its deposits as they mature.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, the Company, on a stand-alone basis, is responsible for paying any dividends declared to its shareholders. The Board of Directors of the Company also has authorized the repurchase of shares of its common stock. The Company's primary source of income is dividends received from the Bank. The amount of dividends that the Bank may declare and pay to the Company in any calendar year, without the receipt of prior approval from the Indiana Department of Financial Institutions ("IDFI"), cannot exceed net income for that year to date plus retained net income (as defined under Indiana law) for the preceding two calendar years. On a stand-alone basis, the Company had liquid assets of \$2.8 million at March 31, 2025.

The Bank is required to maintain specific amounts of capital pursuant to regulatory requirements. Beginning in 2020, qualifying community banks with assets of less than \$10 billion are eligible to opt in to the Community Bank Leverage Ratio ("CBLR") framework. The CBLR is the ratio of a bank's tangible equity capital to average total consolidated assets. A qualifying community bank that exceeds this ratio will be deemed to be in compliance with all other capital and leverage 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 capital for the new CBLR at not less than 8% and not more than 10%, and has set the minimum ratio at 9% effective January 1, 2022. A financial institution that falls below the minimum CBLR generally has a two quarter grace period to get back into compliance as long as it maintains a minimum CBLR of 8%. A financial institution can elect to be subject to or opt out of the CBLR framework at any time. As a qualified community bank, the Bank had opted into the CBLR framework as of March 31, 2025 and December 31, 2024 and its CBLR was 10.61% and 10.57% as of those dates, respectively. Management believes that the Bank met all capital adequacy requirements to which it was subject as of March 31, 2025. At both March 31, 2025 and December 31, 2024, the Bank was considered "well-capitalized" under applicable regulatory guidelines.

**PART I - ITEM 2**  
**MANAGEMENT'S DISCUSSION AND**  
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**FIRST CAPITAL, INC.**

**Off-Balance Sheet Arrangements**

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with GAAP, are not recorded on the Company's financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are primarily used to manage customers' requests for funding and take the form of loan commitments and letters of credit. A further presentation of the Company's off-balance sheet arrangements is presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2024. See Note 4 of this quarterly report for additional information regarding the ACL for these off-balance sheet arrangements.

For the three months ended March 31, 2025, the Company did not engage in any off-balance sheet transactions reasonably likely to have a material effect on the Company's financial condition, results of operations or cash flows.

**PART I – ITEM 3**  
**QUANTITATIVE AND QUALITATIVE DISCLOSURES**  
**ABOUT MARKET RISK**  
**FIRST CAPITAL, INC.**

**Qualitative Aspects of Market Risk.** Market risk is the risk that the estimated fair value of the Company's assets and liabilities will decline as a result of changes in interest rates or financial market volatility, or that the Company's net income will be significantly reduced by interest rate changes.

The Company's principal financial objective is to achieve long-term profitability while reducing its exposure to fluctuating market interest rates. The Company has sought to reduce the exposure of its earnings to changes in market interest rates by attempting to manage the mismatch between asset and liability maturities and interest rates. In order to reduce the exposure to interest rate fluctuations, the Company has developed strategies to manage its liquidity, shorten its effective maturities of certain interest-earning assets and decrease the interest rate sensitivity of its asset base. Management has sought to decrease the average maturity of its assets by emphasizing the origination of short-term commercial and consumer loans, all of which are retained by the Company for its portfolio. The Company relies on retail deposits as its primary source of funds. Management believes retail deposits, compared to brokered deposits, reduce the effects of interest rate fluctuations because they generally represent a more stable source of funds.

**Quantitative Aspects of Market Risk.** The Company does not maintain a trading account for any class of financial instrument nor does the Company engage in hedging activities or purchase high-risk derivative instruments. Furthermore, the Company is not subject to foreign currency exchange rate risk or commodity price risk.

Potential cash flows, sales, or replacement value of many of our assets and liabilities, especially those that earn or pay interest, are sensitive to changes in the general level of interest rates. This interest rate risk arises primarily from our normal business activities of gathering deposits, extending loans and investing in investment securities. Many factors affect the Company's exposure to changes in interest rates, such as general economic and financial conditions, customer preferences, historical pricing relationships, and re-pricing characteristics of financial instruments. The Company's earnings can also be affected by the monetary and fiscal policies of the U.S. Government and its agencies, particularly the Board of Governors of the Federal Reserve System.

An element in the Company's ongoing process is to measure and monitor interest rate risk using a Net Interest Income at Risk simulation to model the interest rate sensitivity of the balance sheet and to quantify the impact of changing interest rates on the Company. The model quantifies the effects of various possible interest rate scenarios on projected net interest income over a one-year horizon. The model assumes a semi-static balance sheet and measures the impact on net interest income relative to a base case scenario of hypothetical changes in interest rates over twelve months and provides no effect given to any steps that management might take to counter the effect of the interest rate movements. The scenarios include prepayment assumptions, changes in the level of interest rates, the shape of the yield curve, and spreads between market interest rates in order to capture the impact from re-pricing, yield curve, option, and basis risks.

**PART I – ITEM 3**  
**QUANTITATIVE AND QUALITATIVE DISCLOSURES**  
**ABOUT MARKET RISK**  
**FIRST CAPITAL, INC.**

Results of the Company’s simulation modeling, which assumes an immediate and sustained parallel shift in market interest rates, project that the Company’s net interest income could change as follows over a one-year horizon, relative to our base case scenario, based on March 31, 2025 and December 31, 2024 financial information:

Immediate Change in the Level of Interest Rates	At March 31, 2025		At December 31, 2024	
	One Year Horizon		One Year Horizon	
	Dollar Change	Percent Change	Dollar Change	Percent Change
	<i>(Dollars in thousands)</i>			
300bp	\$ 2,076	5.38%	\$ 1,314	3.56%
200bp	1,495	3.87	1,154	3.13
100bp	792	2.05	656	1.78
Static	-	-	-	-
(100)bp	(1,050)	(2.72)	(897)	(2.43)
(200)bp	(1,931)	(5.00)	(1,681)	(4.55)
(300)bp	(2,907)	(7.52)	(2,490)	(6.74)

At March 31, 2025 and December 31, 2024, the Company’s simulated exposure to an increase in interest rates shows that an immediate and sustained increase in rates of 1.00%, 2.00% or 3.00% would increase the Company’s net interest income over a one year horizon compared to a flat interest rate scenario. At March 31, 2025 and December 31, 2024, the Company’s simulated exposure to a decrease in interest rates shows that an immediate and sustained decrease in rates of 1.00%, 2.00% or 3.00% would decrease the Company’s net interest income over a one year horizon compared to a flat interest rate scenario. During the quarter ended March 31, 2025, management evaluated and adjusted deposit rate betas and key interest rate index ties in its scenarios to better reflect the current interest rate environment and increased competitive pressure for deposits.

The Company also has longer term interest rate risk exposure, which may not be appropriately measured by Net Interest Income at Risk modeling. Therefore, the Company also uses an Economic Value of Equity (“EVE”) interest rate sensitivity analysis in order to evaluate the impact of its interest rate risk on earnings and capital. This is measured by computing the changes in net EVE for its cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. EVE modeling involves discounting present values of all cash flows for on and off balance sheet items under different interest rate scenarios and provides no effect given to any steps that management might take to counter the effect of the interest rate movements. The discounted present value of all cash flows represents the Company’s EVE and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. The amount of base case EVE and its sensitivity to shifts in interest rates provide a measure of the longer term re-pricing and option risk in the balance sheet.

**PART I – ITEM 3**  
**QUANTITATIVE AND QUALITATIVE DISCLOSURES**  
**ABOUT MARKET RISK**  
**FIRST CAPITAL, INC.**

Results of the Company's simulation modeling, which assumes an immediate and sustained parallel shift in market interest rates, project that the Company's EVE could change as follows, relative to the Company's base case scenario, based on March 31, 2025 and December 31, 2024 financial information:

Immediate Change in the Level of Interest Rates	At March 31, 2025						
	Economic Value of Equity			Economic Value of Equity as a			
	Dollar	Dollar	Percent	Percent of Present Value of Assets			
	Amount	Change	Change	EVE Ratio	Change		
	(Dollars in thousands)						
300bp	\$	200,535	\$	4,719	2.41%	18.62%	180t
200bp		201,085		5,269	2.69	18.19	137t
100bp		199,332		3,516	1.80	17.58	76t
Static		195,816		-	-	16.82	0t
(100)bp		185,581		(10,235)	(5.23)	15.58	(124)t
(200)bp		174,587		(21,229)	(10.84)	14.29	(253)t
(300)bp		165,484		(30,332)	(15.49)	13.14	(368)t

Immediate Change in the Level of Interest Rates	At December 31, 2024						
	Economic Value of Equity			Economic Value of Equity as a			
	Dollar	Dollar	Percent	Percent of Present Value of Assets			
	Amount	Change	Change	EVE Ratio	Change		
	(Dollars in thousands)						
300bp	\$	257,887	\$	10,236	4.13%	23.76%	261t
200bp		257,819		10,168	4.11	23.17	202t
100bp		254,035		6,384	2.58	22.26	111t
Static		247,651		-	-	21.15	0t
(100)bp		230,424		(17,227)	(6.96)	19.24	(192)t
(200)bp		212,461		(35,190)	(14.21)	17.26	(389)t
(300)bp		190,313		(57,338)	(23.15)	15.02	(613)t

The tables indicate that at March 31, 2025 and December 31, 2024 the Company would expect an increase in its EVE in the event of a sudden and sustained 100, 200 and 300 basis point increase in prevailing interest rates. At March 31, 2025 and December 31, 2024, the Company would expect a decrease in its EVE in the event of a sudden and sustained 100, 200 and 300 basis point decrease in prevailing interest rates. As previously mentioned in this report, during the quarter ended March 31, 2025, the Company evaluated and adjusted deposit rate betas and key interest rate index ties in its scenarios to better reflect the current interest rate environment and increased competitive pressure for deposits.

**PART I – ITEM 3**  
**QUANTITATIVE AND QUALITATIVE DISCLOSURES**  
**ABOUT MARKET RISK**  
**FIRST CAPITAL, INC.**

The models are driven by expected behavior in various interest rate scenarios and many factors besides market interest rates affect the Company's net interest income and EVE. For this reason, the Company models many different combinations of interest rates and balance sheet assumptions to understand its overall sensitivity to market interest rate changes. Therefore, as with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing tables and it is recognized that the model outputs are not guarantees of actual results. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, expected rates of prepayments on loans and early withdrawals from certificates of deposit could deviate significantly from those assumed in the modeling scenarios.

**PART I - ITEM 4**  
**CONTROLS AND PROCEDURES**  
**FIRST CAPITAL, INC.**

**Controls and Procedures**

The Company's management, including the Company's principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the SEC (1) is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



**PART II**  
**OTHER INFORMATION**  
**FIRST CAPITAL, INC.**

**Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors previously disclosed in the “Risk Factors” section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2024.

Recent changes in international trade regulation or foreign trade policy, including tariffs, could lead to higher than anticipated inflation and supply chain disruption, which may impact consumer and commercial borrower performance.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 through January 31, 2025	-	N/A	-	113,721
February 1 through February 28, 2025	-	N/A	-	113,721
March 1 through March 31, 2025	250	\$ 37.90	250	113,471
Total	250	\$ 37.90	250	

On August 19, 2008, the board of directors authorized the repurchase of up to 240,467 shares of the Company’s outstanding common stock. The stock repurchase program will expire upon the purchase of the maximum number of shares authorized under the program, unless the board of directors terminates the program earlier.

**Item 3. Defaults upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**PART II**  
**OTHER INFORMATION**  
**FIRST CAPITAL, INC.**

**Item Exhibits**  
**6.**

[3.1](#) [Articles of Incorporation of First Capital, Inc. \(1\)](#)

[3.2](#) [Fifth Amended and Restated Bylaws of First Capital, Inc. \(2\)](#)

[31.1](#) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer](#)

[31.2](#) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer](#)

[32.1](#) [Section 1350 Certification of Chief Executive Officer](#)

[32.2](#) [Section 1350 Certification of Chief Financial Officer](#)

101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded with the Inline XBRL document

101.SCH Inline XBRL Taxonomy Extension Schema Document

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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- (1) Incorporated by reference to Exhibit 3.1 filed with the Registration Statement on Form SB-2 on September 16, 1998, and any amendments thereto, Registration No. 333-63515, as amended by that Amendment to Articles of Incorporation provided as Exhibit 3.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on May 19, 2016.
- (2) Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 18, 2013.

## SIGNATURES

Pursuant to the requirements 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.

FIRST CAPITAL, INC.  
(Registrant)

**Dated May 14, 2025**

**BY: /s/ Michael C. Frederick**  
Michael C. Frederick  
President and CEO

**Dated May 14, 2025**

**BY: /s/ Joshua P. Stevens**  
Joshua P. Stevens  
Executive Vice President, CFO and Treasurer

**CERTIFICATION**

I, Michael C. Frederick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and in preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2025

/s/ Michael C. Frederick  
 Michael C. Frederick  
 President and Chief Executive Officer

**CERTIFICATION**

I, Joshua P. Stevens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of First Capital, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and in preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2025

/s/ Joshua P. Stevens  
Joshua P. Stevens  
Executive Vice President, Chief  
Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of First Capital, Inc. and Subsidiaries (the "Company") on Form 10-Q for the period ended March 31, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Michael C. Frederick, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

**DATE:** May 14, 2025

**BY:** /s/ Michael C. Frederick  
Michael C. Frederick  
President and Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of First Capital, Inc. and Subsidiaries (the "Company") on Form 10-Q for the period ended March 31, 2025, as filed with the Securities and Exchange Commission (the "Report"), I, Joshua P. Stevens, Executive Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

**DATE:** May 14, 2025

**BY:** /s/ Joshua P. Stevens  
Joshua P. Stevens  
Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)