UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

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. 001-38491

Mid-Southern Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Indiana	**82-4821705**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

300 North Water Street, Salem, Indiana 47167 812-883-2639
(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 $.01 per share	MSVB	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 __X__ 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 such files). Yes __X__ No ____

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a small 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 _X_
Smaller Reporting Company __X__ Emerging Growth Company _X_

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 __X__

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 4, 2020, there were 3,496,128 shares of the registrant's common stock outstanding.

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Item 1. Consolidated Financial Statements

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share information) (Unaudited)

	March 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	$ 2,117	$ 1,577
Interest-bearing deposits with banks	19,625	17,240
Cash and cash equivalents	21,742	18,817
Securities available for sale, at fair value	56,047	58,417
Securities held to maturity	38	42
Loans, net	122,238	123,272
Federal Home Loan Bank stock, at cost	778	778
Real estate held for sale	135	135
Premises and equipment	1,871	1,874
Accrued interest receivable:		
Loans	384	410
Securities	375	455
Cash value of life insurance	3,812	3,794
Other assets	882	442
Total Assets	$ 208,302	$ 208,436
LIABILITIES		
Deposits:		
Noninterest-bearing	$ 18,992	$ 17,796
Interest-bearing	129,142	129,173
Total deposits	148,134	146,969
Advance from Federal Home Loan Bank	10,000	10,000
Accrued interest payable	15	7
Accrued expenses and other liabilities	642	647
Total Liabilities	158,791	157,623
STOCKHOLDERS' EQUITY		
Preferred stock, 1,000,000 shares authorized, $0.01 par value, no shares issued and outstanding	-	-
Common stock, 30,000,000 shares authorized, $0.01 par value, 3,565,430 shares issued and 3,539,828 shares outstanding (3,557,728 in 2019)	36	36
Additional paid-in capital	30,440	30,415
Retained earnings, substantially restricted	21,681	21,363
Accumulated other comprehensive (loss) income	(206)	1,281
Unearned ESOP shares	(1,857)	(1,883)
Unearned stock compensation plan	(278)	(300)
Treasury stock, at cost - 25,602 shares (7,702 in 2019)	(305)	(99)
Total Stockholders' Equity	49,511	50,813
Total Liabilities and Stockholders’ Equity	$ 208,302	$ 208,436

See accompanying Notes to Consolidated Financial Statements.

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data) (Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
INTEREST INCOME		
Loans, including fees	$ 1,466	$ 1,542
Investment securities:		
Mortgage-backed securities	121	149
Municipal tax exempt	218	165
Other debt securities	69	69
Federal Home Loan Bank dividends	7	13
Interest-bearing deposits with banks and time deposits	52	47
Total interest income	1,933	1,985
INTEREST EXPENSE		
Deposits	219	186
Borrowings	44	-
Total interest expense	263	186
Net interest income	1,670	1,799
Provision for loan losses	57	-
Net interest income after provision for loan losses	1,613	1,799
NONINTEREST INCOME		
Deposit account service charges	49	76
Increase in cash value of life insurance	17	18
ATM and debit card fee income	91	89
Other income	15	10
Total noninterest income	172	193
NONINTEREST EXPENSE		
Compensation and benefits	762	758
Occupancy and equipment	104	101
Data processing	110	296
Professional fees	137	149
Directors' compensation	74	44
Stockholder meeting expense	11	13
Supervisory examinations	19	19
Deposit insurance premiums	-	13
Other expenses	131	169
Total noninterest expense	1,348	1,562
Income before income taxes	437	430
Income tax expense	52	68
Net Income	$ 385	$ 362
Earnings per common share:		
Basic	$ 0.12	$ 0.11
Diluted	$ 0.12	$ 0.11

See accompanying Notes to Consolidated Financial Statements.

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2020	**2019**
Net Income	$ 385	$ 362
Other Comprehensive (Loss) Income, net of tax		
Unrealized (losses) gains on securities available for sale:		
Net unrealized holding (losses) gains arising during the period	(1,979)	586
Income tax benefit (expense)	492	(145)
Net of tax amount	(1,487)	441
Other Comprehensive (Loss) Income, net of tax	(1,487)	441
Total Comprehensive (Loss) Income	$ (1,102)	$ 803

See accompanying Notes to Consolidated Financial Statements.

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share information) (Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Unearned ESOP Shares	Unearned Stock Compensation	Treasury Stock	Total
Balances at January 1, 2019	$ 36	$ 30,302	$ 20,672	$ (166)	$ (1,997)	$ (1)	$ (3)	$ 48,843
Net income	-	-	362	-	-	-	-	362
Other comprehensive income	-	-	-	441	-	-	-	441
Cash dividends ($0.02 per share)	-	-	(67)	-	-	-	-	(67)
ESOP shares committed to be released	-	7	-	-	26	-	-	33
Balances at March 31, 2019	$ 36	$ 30,309	$ 20,967	$ 275	$ (1,971)	$ (1)	$ (3)	$ 49,612
Balances at January 1, 2020	$ 36	$ 30,415	$ 21,363	$ 1,281	$ (1,883)	$ (300)	$ (99)	$ 50,813
Net income	-	-	385	-	-	-	-	385
Other comprehensive loss	-	-	-	(1,487)	-	-	-	(1,487)
Cash dividends ($0.02 per share)	-	-	(67)	-	-	-	-	(67)
ESOP shares committed to be be released	-	7	-	-	26	-	-	33
Purchase of 17,900 treasury shares	-	-	-	-	-	-	(206)	(206)
Stock compensation expense	-	18	-	-	-	22	-	40
Balances at March 31, 2020	$ 36	$ 30,440	$ 21,681	$ (206)	$ (1,857)	$ (278)	$ (305)	$ 49,511

See accompanying Notes to Consolidated Financial Statements.

MID-SOUTHERN BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Three Months Ended March 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 385	$ 362
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and accretion of discounts on securities, net	61	45
Provision for loan losses	57	-
Stock compensation expense	40	-
Depreciation expense	38	24
ESOP compensation expense	33	33
Deferred income taxes	(18)	3
Increase in cash value of life insurance	(17)	(18)
Decrease in accrued interest receivable	106	60
Increase in accrued interest payable	8	-
Net change in other assets and liabilities	65	(40)
Net Cash Provided By Operating Activities	758	469
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale	(1,650)	-
Principal collected on mortgage-backed securities available for sale	1,590	2,326
Proceeds from maturities of securities available for sale	390	385
Principal collected on mortgage-backed securities held to maturity	4	4
Proceeds from maturities of securities held to maturity	-	25
Net decrease (increase) in loans receivable	977	(3,165)
Purchase of premises and equipment	(35)	-
Investment in cash value of life insurance	(1)	(1)
Net Cash Provided By (Used In) Investing Activities	1,275	(426)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	1,165	(2,621)
Purchase of treasury stock	(206)	-
Cash dividends paid	(67)	(67)
Net Cash Provided By (Used In) Financing Activities	892	(2,688)
Net Increase (Decrease) in Cash and Cash Equivalents	2,925	(2,645)
Cash and cash equivalents at beginning of year	18,817	12,700
Cash and Cash Equivalents at End of Year	$ 21,742	$ 10,055
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ 248	$ 186
Net tax payments	-	-

See accompanying Notes to Consolidated Financial Statements.

1. Presentation of Interim Information

Mid-Southern Bancorp, Inc., (the "Company") was incorporated in January 2018 and became the holding company for Mid-Southern Savings Bank, FSB (the "Bank"), on July 11, 2018, upon the completion of the Bank's conversion from the mutual holding company ownership structure and the Company's related public stock offering. Please see Note 2 – Conversion and Stock Issuance for more information.

The accompanying unaudited consolidated financial statements and notes have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. Generally Accepted Accounting Principles ("GAAP") for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC on March 26, 2020 ("2019 Form 10-K").

In the opinion of management, the unaudited consolidated financial statements include all adjustments considered necessary for a fair presentation of the unaudited interim consolidated financial statements in accordance with GAAP. 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 unaudited consolidated financial statements include the accounts of the Company and its subsidiary. 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. In preparing the unaudited consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the allowance for loan losses, the valuation of foreclosed real estate and the underlying collateral of impaired loans, deferred tax assets, and the fair value of financial instruments.

On April 5, 2012, the Jumpstart Our Business Startups Act ("JOBS Act") was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our condensed consolidated financial statements may not be comparable to companies that comply with such new or revised accounting standards.

2. Conversion and Stock Issuance

The Company, an Indiana corporation, was organized by Mid-Southern, M.H.C. ("the MHC") and the Bank in connection with the MHC's plan of conversion from mutual to stock form of ownership (the "Conversion"). Upon consummation of the Conversion, which occurred on July 11, 2018, the Company became the holding company for the Bank and now owns all of the issued and outstanding shares of the Bank's common stock.

In connection with the Conversion, the Company sold a total of 2,559,871 shares of common stock in an offering to certain depositors of the Bank and others, including 204,789 shares purchased by the Bank's employee stock ownership plan ("ESOP") funded by a loan from the Company (see Note 6 of the Notes to Consolidated Financial Statements). All shares were sold at a purchase price of $10.00 per share. Costs to complete the stock offering were deducted from the gross proceeds of the offering.

Proceeds from the offering, net of $1.2 million in expenses, totaled $24.4 million. The Company used $2.0 million of the net proceeds to fund the ESOP and made a $10.2 million capital contribution to the Bank. In addition, concurrent with the offering, shares of Bank common stock owned by public stockholders were exchanged for 2.3462 shares of the Company's common stock, with cash being paid in lieu of issuing any fractional shares. As a result of the offering, exchange and cash in lieu of fractional shares, the Company issued 3,565,430 shares.

The Company has established a liquidation account in an amount equal to the MHC's ownership interest in the stockholders' equity of the Bank as reflected in the latest consolidated balance sheet contained in the final prospectus plus the value of the net assets of the MHC as reflected in the latest balance sheet of the MHC prior to the effective date of the conversion (excluding its ownership of Bank common stock). The liquidation account will be maintained for the benefit of eligible account holders who maintain deposit accounts with the Bank after conversion.

The conversion was accounted for as a change in corporate form with the historic basis of the Bank's assets, liabilities and equity unchanged as a result.

3. Investment Securities

Investment securities have been classified in the consolidated balance sheets according to management's intent. Debt securities held by the Company include mortgage-backed securities and other debt securities issued by the Government National Mortgage Association ("GNMA"), a U.S. government agency, and mortgage-backed securities and collateralized mortgage obligations issued by the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"), which are government-sponsored enterprises. Mortgage-backed securities ("MBS") represent participating interests in pools of long-term first mortgage loans originated and serviced by the issuers of the securities. Collateralized mortgage obligations ("CMO") are complex mortgage-backed securities that restructure the cash flows and risks of the underlying mortgage collateral. The Company also holds debt securities issued by municipalities and political subdivisions of state and local governments.

Investment securities at March 31, 2020 and December 31, 2019 are summarized as follows:

(In thousands) **March 31, 2020**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities available for sale:				
Mortgage-backed securities:				
Agency MBS	$ 9,157	$ 168	$ -	$ 9,325
Agency CMO	9,553	346	-	9,899
	18,710	514	-	19,224
Other debt securities:				
Municipal obligations	37,610	383	1,170	36,823
Total securities available for sale	$ 56,320	$ 897	$ 1,170	$ 56,047
Securities held to maturity:				
Agency MBS	$ 38	$ -	$ -	$ 38
Total securities held to maturity	$ 38	$ -	$ -	$ 38
December 31, 2019				
Securities available for sale:				
Mortgage-backed securities:				
Agency MBS	$ 9,803	$ 3	$ 36	$ 9,770
Agency CMO	10,520	209	17	10,712
	20,323	212	53	20,482
Other debt securities:				
Municipal obligations	36,390	1,649	104	37,935
Total securities available for sale	$ 56,713	$ 1,861	$ 157	$ 58,417
Securities held to maturity:				
Agency MBS	$ 42	$ -	$ -	$ 42
Total securities held to maturity	$ 42	$ -	$ -	$ 42

The amortized cost and fair value of debt securities as of March 31, 2020, by contractual maturity, are shown below. Expected maturities of MBS and CMO may differ from contractual maturities because the mortgages underlying the obligations may be prepaid without penalty.

	Available for Sale		Held to Maturity	
(In thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -	$ -	$ -
Due after one year through five years	1,504	1,566	-	-
Due after five years through ten years	8,464	8,697	-	-
Due after ten years	27,642	26,560	-	-
	37,610	36,823	-	-
MBS and CMO	18,710	19,224	38	38
	$ 56,320	$ 56,047	$ 38	$ 38

Information pertaining to investment securities available for sale with gross unrealized losses at March 31, 2020, aggregated by investment category and the length of time that individual investment securities have been in a continuous position, follows. At March 31, 2020, the Company did not have any securities held to maturity with an unrealized loss. At March 31, 2020, the Company did not have any securities in a continuous loss position for more than 12 months.

(Dollars in thousands) **March 31, 2020**	Number of Investment Positions	Fair Value	Gross Unrealized Losses
Securities available for sale:			
Continuous loss position less than 12 months:			
Municipal obligations	36	$ 18,371	$ 1,170
Total less than 12 months	36	18,371	1,170
Total securities available for sale	36	$ 18,371	$ 1,170

Information pertaining to investment securities available for sale with gross unrealized losses at December 31, 2019, aggregated by investment category and the length of time that individual investment securities have been in a continuous position, follows. At December 31, 2019, the Company did not have any securities held to maturity in a loss position.

(Dollars in thousands) **December 31, 2019**	**Number of Investment Positions**	**Fair Value**	**Gross Unrealized Losses**
Securities available for sale:			
Continuous loss position less than 12 months:			
Agency MBS	3	$ 3,304	$ 9
Agency CMO	2	1,942	6
Municipal obligations	10	7,030	104
Total less than 12 months	15	12,276	119
Continuous loss position more than 12 months:			
Agency MBS	6	3,696	27
Agency CMO	1	1,089	11
Total more than 12 months	7	4,785	38
Total securities available for sale	22	$ 17,061	$ 157

Management evaluates securities for other-than-temporary impairment at least quarterly, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recover in fair value.

At March 31, 2020, the debt securities in the available for sale in a loss position had depreciated approximately 5.99% from the amortized cost basis. All of the debt securities in a loss position at March 31, 2020 were backed by residential first mortgage loans or were obligations issued by federal or local government-sponsored enterprises. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition for purposes of evaluating whether declines in value are other-than-temporary, management considers whether the securities are issued by the federal government, its agencies or sponsored enterprises or local 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 for the foreseeable future if classified as available for sale, no declines are deemed to be other-than-temporary.

Additional deterioration in market and economic conditions related to the recent Coronavirus Disease 2019 ("COVID-19") pandemic, may have an adverse impact on credit quality in the future and result in other-than-temporary impairment charges.

There were no securities sales during the three-month periods ended March 31, 2020 and 2019.

4. Loans and Allowance for Loan Losses

The Company's loan and allowance for loan loss policies are as follows:

Loans Held for Investment. Loans are stated at unpaid principal balances, less net deferred loan fees and the allowance for loan losses. The Company grants real estate mortgages, commercial business and consumer loans. A substantial portion of the loan portfolio is represented by mortgage loans to customers in southern Indiana. The ability of the Company's customers to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loan origination and commitment fees, as well as certain direct costs of underwriting and closing loans, are deferred and amortized as a yield adjustment to interest income over the lives of the related loans using the interest method. Amortization of net deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Nonaccrual Loans. The recognition of income on a loan is discontinued and previously accrued interest is reversed when interest or principal payments become 90 days past due unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Generally, by applying the cash receipts method, interest income is subsequently recognized only as received until the loan is returned to accrual status. The cash receipts method is used when the likelihood of further loss on the loan is remote. Otherwise, the Company applies the cost recovery method and applies all payments as a reduction of the unpaid principal balance until the loan qualifies for return to accrual status. Interest income on impaired loans is recognized using the cost recovery method, unless the likelihood of further loss on the loan is remote.

A loan is restored to accrual status when all principal and interest payments are brought current and the borrower has demonstrated the ability to make future payments of principal and interest as scheduled, which generally requires that the borrower demonstrate a period of performance of at least six consecutive months.

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Additions to the allowance for loan losses are made by the provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The Company uses a disciplined process and methodology to evaluate the allowance for loan losses on at least a quarterly basis that is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are individually evaluated for impairment or loans otherwise classified as doubtful or substandard. For such loans that are classified as impaired, an allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan.

The general component covers non-classified loans and classified loans that are found, upon individual evaluation, to not be impaired. Such loans are pooled by portfolio segment and losses are modeled using annualized historical loss experience adjusted for qualitative factors. The historical loss experience is determined by portfolio segment and is based on the Company's actual loss history over the most recent twenty calendar quarters unless the historical loss experience is not considered indicative of the level of risk in the remaining balance of a particular portfolio segment, in which case an adjustment is determined by management. The Company's historical loss experience is then adjusted for qualitative factors that are reviewed on a quarterly basis.

Management's determination of the allowance for loan losses considers changes and trends in the following qualitative loss factors: lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices and management experience, national and local economic conditions, new loan trends, past due and nonaccrual loans, loan reviews, collateral values, credit concentrations and other internal and external factors such as competition, legal and regulatory changes. Each loan pool's historical loss rate is adjusted based on positive or negative changes in the qualitative loss factor. This adjustment is what determines the adjust loss rate used in management's allowance for loan loss adequacy calculation.

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 for loans considered impaired in order to evaluate the effectiveness of the estimation process and make any changes in the methodology as necessary.

The following portfolio segments are considered in the allowance for loan loss analysis: one-to-four family residential real estate, multi-family residential real estate, residential construction, commercial construction, commercial real estate non owner occupied, commercial real estate owner occupied, junior liens, home equity lines of credit, commercial business, and consumer loans.

Residential real estate loans primarily consist of loans to individuals for the purchase or refinance of their primary residence, with a smaller portion of the segment secured by non-owner-occupied residential investment properties and multi-family residential investment properties. Also, included within the residential real estate loan portfolio are home equity loans and junior lien loans, which are secured by liens on the borrower's personal residence. The risks associated with residential real estate loans are closely correlated to the local housing market and general economic conditions, as repayment of the loans is primarily dependent on the borrower's or tenant's personal cash flow and employment status.

The Company's construction loan portfolio consists of single-family residential properties, multi-family properties and commercial projects, and 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 loans are comprised of loans secured by various types of collateral including farmland, office buildings, warehouses, retail space and mixed-use buildings 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 or general business operating cash flows that provide for adequate debt service and can be impacted by local economic conditions which impact vacancy rates and the general level of business activity. The Company generally obtains loan guarantees from financially capable parties for commercial real estate loans.

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 and are generally made to finance capital expenditures or fund operations. Commercial 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 loans consist primarily of home improvement loans, automobile and truck loans, boat loans, mobile home loans, loans secured by savings deposits, and other personal loans. The risks associated with these loans are related to the local housing market and local economic conditions including the unemployment level.

Loan Charge-Offs. For portfolio segments other than consumer loans, the Company's practice is to charge-off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, the loan's classification as a loss by regulatory examiners, or for other reasons. A partial charge-off is recorded on a loan when the collectability of a portion of the loan has been confirmed, such as when a loan is discharged in bankruptcy, the collateral is liquidated, a loan is restructured at a reduced principal balance, or other identifiable events that lead management to determine the full principal balance of the loan will not be repaid. A specific reserve is recognized as a component of the allowance for estimated losses on loans individually evaluated for impairment. Partial charge-offs on nonperforming and impaired loans are included in the Company's historical loss experience used to estimate the general component of the allowance for loan losses as discussed above. Specific reserves are not considered charge-offs in management's evaluation of the general component of the allowance for loan losses because they are estimates and the outcome of the loan relationship is undetermined. At March 31, 2020, the Company had six loans for which partial charge-offs in the aggregate of $156,000 had been recorded.

Consumer loans not secured by real estate are typically charged off at 90 days past due, or earlier if deemed uncollectible, unless the loans are in the process of collection. Overdrafts are charged off after 60 days past due. A charge-off is typically recorded on a loan secured by real estate when the property is foreclosed upon when the carrying value of the loan exceeds the property's fair value less the estimated costs to sell.

Impaired Loans. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Values for collateral dependent loans are generally based on appraisals obtained from independent licensed real estate appraisers, with adjustments applied for estimated costs to sell the property, costs to complete unfinished or repair damaged property and other factors. New appraisals or valuations are generally obtained for all significant properties (if the value is estimated to exceed $100,000) when a loan is identified as impaired. Subsequent appraisals are obtained or an internal evaluation is prepared annually, or more frequently if management believes there has been a significant change in the market value of a collateral property securing a collateral dependent impaired loan. In instances where it is not deemed necessary to obtain a new appraisal, management bases its impairment evaluation on the original appraisal with adjustments for current conditions based on management's assessment of market factors and inspection of the property.

At March 31, 2020 and December 31, 2019, there were no loans secured by residential real estate property for which formal foreclosure proceedings are in process.

Loans at March 31, 2020 and December 31, 2019 consisted of the following:

(In thousands)	March 31, 2020	December 31, 2019
Real estate mortgage loans:		
One-to-four family residential	$ 69,270	$ 71,606
Multi-family residential	9,260	9,260
Residential construction	828	367
Commercial real estate	33,210	32,311
Commercial real estate construction	2,817	2,867
Commercial business loans	6,626	6,456
Consumer loans	1,746	1,875
Total loans	123,757	124,742
Deferred loan origination fees and costs, net	22	28
Allowance for loan losses	(1,541)	(1,498)
Loans, net	$ 122,238	$ 123,272

The following table provides the components of the Company's recorded investment in loans at March 31, 2020:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
				(In thousands)			
Recorded Investment in Loans:							
Principal loan balance	$ 69,270	$ 9,260	$ 3,645	$ 33,210	$ 6,626	$ 1,746	$ 123,757
Accrued interest receivable	219	21	8	104	27	5	384
Net deferred loan fees/costs	21	(10)	(36)	(12)	13	46	22
Recorded investment in loans	$ 69,510	$ 9,271	$ 3,617	$ 33,302	$ 6,666	$ 1,797	$ 124,163
Recorded Investment to Loan as Evaluated for Impairements:							
Individually evaluated for impairment	$ 1,327	$ -	$ -	$ 614	$ 403	$ -	$ 2,344
Collectively evaulated for impairment	68,183	9,271	3,617	32,688	6,263	1,797	121,819
Ending balance	$ 69,510	$ 9,271	$ 3,617	$ 33,302	$ 6,666	$ 1,797	$ 124,163

The following table provides the components of the Company's recorded investment in loans at December 31, 2019:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
				(In thousands)			
Recorded Investment in Loans:							
Principal loan balance	$ 71,606	$ 9,260	$ 3,234	$ 32,311	$ 6,456	$ 1,875	$ 124,742
Accrued interest receivable	254	25	11	88	26	6	410
Net deferred loan fees/costs	23	(11)	(36)	(6)	10	48	28
Recorded investment in loans	$ 71,883	$ 9,274	$ 3,209	$ 32,393	$ 6,492	$ 1,929	$ 125,180
Recorded Investment to Loan as Evaluated for Impairements:							
Individually evaluated for impairment	$ 1,431	$ -	$ -	$ 600	$ 412	$ -	$ 2,443
Collectively evaulated for impairment	70,452	9,274	3,209	31,793	6,080	1,929	122,737
Ending balance	$ 71,883	$ 9,274	$ 3,209	$ 32,393	$ 6,492	$ 1,929	$ 125,180

An analysis of the allowance for loan losses as of March 31, 2020 is as follows:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
				(In thousands)			
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 26	$ -	$ -	$ 19	$ 33	$ -	$ 78
Collectively evaluated for impairment	942	92	40	293	72	24	1,463
Ending balance	$ 968	$ 92	$ 40	$ 312	$ 105	$ 24	$ 1,541

An analysis of the allowance for loan losses as of December 31, 2019 is as follows:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
				(In thousands)			
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ 25	$ -	$ -	$ 19	$ 34	$ -	$ 78
Collectively evaluated for impairment	930	83	44	270	68	25	1,420
Ending balance	$ 955	$ 83	$ 44	$ 289	$ 102	$ 25	$ 1,498

An analysis of the changes in the allowance for loan losses for the three months ended March 31, 2020 is as follows:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
				(In thousands)			
Allowance for Loan Losses:							
Beginning balance	$ 955	$ 83	$ 44	$ 289	$ 102	$ 25	$ 1,498
Provisions	24	9	(4)	23	3	2	57
Charge-offs	(12)	-	-	-	-	(6)	(18)
Recoveries	1	-	-	-	-	3	4
Ending balance	$ 968	$ 92	$ 40	$ 312	$ 105	$ 24	$ 1,541

An analysis of the changes in the allowance for loan losses for the three months ended March 31, 2019 is as follows:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
				(In thousands)			
Allowance for Loan Losses:							
Beginning balance	$ 1,012	$ 59	$ 48	$ 259	$ 98	$ 28	$ 1,504
Provisions	(30)	16	(10)	24	5	(5)	-
Charge-offs	-	-	-	-	-	(5)	(5)
Recoveries	10	-	-	-	-	5	15
Ending balance	$ 992	$ 75	$ 38	$ 283	$ 103	$ 23	$ 1,514

The following table summarizes the Company's impaired loans as of March 31, 2020 and for the three months ended March 31, 2020. The Company did not recognize any interest income on impaired loans using the cash receipts method of accounting for the three-month period ended March 31, 2020:

	At March 31, 2020			Three Months Ended March 31, 2020	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(In thousands)		
Loans with no related allowance recorded:					
One-to-four family residential	$ 1,070	$ 1,148	$ -	$ 1,121	$ 2
Multi-family residential	-	-	-	-	-
Construction	-	-	-	-	-
Commercial real estate	253	246	-	244	-
Commercial business	31	30	-	31	-
Consumer	-	-	-	-	-
	$ 1,354	$ 1,424	$ -	$ 1,396	$ 2
Loans with an allowance recorded:					
One-to-four family residential	$ 257	$ 282	$ 25	$ 258	$ -
Multi-family residential	-	-	-	-	-
Construction	-	-	-	-	-
Commercial real estate	361	359	19	363	5
Commercial business	372	419	34	376	5
Consumer	-	-	-	-	-
	$ 990	$ 1,060	$ 78	$ 997	$ 10
Total:					
One-to-four family residential	$ 1,327	$ 1,430	$ 25	$ 1,379	$ 2
Multi-family residential	-	-	-	-	-
Construction	-	-	-	-	-
Commercial real estate	614	605	19	607	5
Commercial business	403	449	34	407	5
Consumer	-	-	-	-	-
	$ 2,344	$ 2,484	$ 78	$ 2,393	$ 12

The following table summarizes the Company's impaired loans for the three-month period ended March 31, 2019. The Company did not recognize any interest income on impaired loans using the cash receipts method of accounting for the three-month period ended March 31, 2019:

	Three Months Ended March 31, 2019	
	Average Recorded Investment	Interest Income Recognized
	(In thousands)	
Loans with no related allowance recorded:		
One-to-four family residential	$ 1,424	$ 8
Multi-family residential	-	-
Construction	-	-
Commercial real estate	385	1
Commercial business	48	-
Consumer	-	-
	$ 1,857	$ 9
Loans with an allowance recorded:		
One-to-four family residential	$ 454	$ 3
Multi-family residential	-	-
Construction	-	-
Commercial real estate	354	5
Commercial business	415	6
Consumer	-	-
	$ 1,223	$ 14
Total:		
One-to-four family residential	$ 1,878	$ 11
Multi-family residential	-	-
Construction	-	-
Commercial real estate	739	6
Commercial business	463	6
Consumer	-	-
	$ 3,080	$ 23

The following table summarizes the Company's impaired loans as of December 31, 2019:

	At December 31, 2019		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In thousands)	
Loans with no related allowance recorded:			
One-to-four family residential	$ 1,172	$ 1,457	$ -
Multi-family residential	-	-	-
Construction	-	-	-
Commercial real estate	235	389	-
Commercial business	32	32	-
Consumer	-	-	-
	$ 1,439	$ 1,878	$ -
Loans with an allowance recorded:			
One-to-four family residential	$ 259	$ 284	$ 25
Multi-family residential	-	-	-
Construction	-	-	-
Commercial real estate	365	364	19
Commercial business	380	426	34
Consumer	-	-	-
	$ 1,004	$ 1,074	$ 78
Total:			
One-to-four family residential	$ 1,431	$ 1,741	$ 25
Multi-family residential	-	-	-
Construction	-	-	-
Commercial real estate	600	753	19
Commercial business	412	458	34
Consumer	-	-	-
	$ 2,443	$ 2,952	$ 78

Nonperforming loans consists of nonaccrual loans and loans over 90 days past due and still accruing interest. The following table presents the recorded investment in nonperforming loans at March 31, 2020 and December 31, 2019:

	At March 31, 2020			At December 31, 2019		
	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans	Nonaccrual Loans	Loans 90+ Days Past Due Still Accruing	Total Nonperforming Loans
	(In thousands)					
One-to-four family residential	$ 991	$ -	$ 991	$ 947	$ -	$ 947
Multi-family residential	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Commercial real estate	253	-	253	235	-	235
Commercial business	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	$ 1,244	$ -	$ 1,244	$ 1,182	$ -	$ 1,182

The following tables present the aging of the recorded investment in loans at March 31, 2020 and December 31, 2019:

	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
March 31, 2020			*(In thousands)*			
One-to-four family residential	$ 1,370	$ -	$ 52	$ 1,422	$ 68,088	$ 69,510
Multi-family residential	-	-	-	-	9,271	9,271
Construction	-	-	-	-	3,617	3,617
Commercial real estate	482	-	-	482	32,820	33,302
Commercial business	11	-	-	11	6,655	6,666
Consumer	-	-	-	-	1,797	1,797
Total	$ 1,863	$ -	$ 52	$ 1,915	$ 122,248	$ 124,163
December 31, 2019						
One-to-four family residential	$ 1,425	$ 575	$ 238	$ 2,238	$ 69,645	$ 71,883
Multi-family residential	-	-	-	-	9,274	9,274
Construction	152	-	-	152	3,057	3,209
Commercial real estate	477	134	-	611	31,782	32,393
Commercial business	-	-	-	-	6,492	6,492
Consumer	7	-	-	7	1,922	1,929
Total	$ 2,061	$ 709	$ 238	$ 3,008	$ 122,172	$ 125,180

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 above described process are considered to be pass rated loans.

The following table presents the recorded investment in loans by risk category as of the dates indicated:

	One-to-Four Family Residential	Multi-Family Residential	Construction	Commercial Real Estate	Commercial Business	Consumer	Total
March 31, 2020				*(In thousands)*			
Pass	$ 68,288	$ 9,271	$ 3,617	$ 32,676	$ 6,263	$ 1,797	$ 121,912
Special mention	-	-	-	207	-	-	207
Substandard	1,222	-	-	419	403	-	2,044
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total	$ 69,510	$ 9,271	$ 3,617	$ 33,302	$ 6,666	$ 1,797	$ 124,163
December 31, 2019							
Pass	$ 70,611	$ 9,274	$ 3,209	$ 31,949	$ 6,080	$ 1,929	$ 123,052
Special mention	-	-	-	-	-	-	-
Substandard	1,272	-	-	444	412	-	2,128
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total	$ 71,883	$ 9,274	$ 3,209	$ 32,393	$ 6,492	$ 1,929	$ 125,180

Modification of a loan is considered to be a troubled debt restructuring ("TDR") if the debtor is experiencing financial difficulties and the Company grants a concession to the debtor that it would not otherwise consider. By granting the concession, the Company expects to obtain more cash or other value from the debtor, or to increase the probability of receipt, than would be expected by not granting the concession. The concession may include, but is not limited to, reduction of the stated interest rate of the loan, reduction of accrued interest, extension of the maturity date or reduction of the face amount of the debt. A concession will be granted when, as a result of the restructuring, the Company does not expect to collect all amounts due, including interest at the original stated rate. A concession may also be granted if the debtor is not able to access funds elsewhere at a market rate for debt with similar risk characteristics as the restructured debt. The Company's determination of whether a loan modification is a TDR considers the individual facts and circumstances surrounding each modification.

A TDR can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accrual status, depending on the individual facts and circumstances of the restructuring. A TDR on nonaccrual status is restored to accrual status when the borrower has demonstrated the ability to make future payments in accordance with the restructured terms, including consistent and timely payments for at least six consecutive months in accordance with the restructured terms.

The Coronavirus Aid, Relief, and Economic Security Act of 2020 signed into law on March 27, 2020 ("CARES Act") provides guidance around the modification of loans as a result of the COVID-19 pandemic, which outlined, among other criteria, that short-term modifications made on a good faith basis to borrowers who were current as defined under the CARES Act prior to any relief, are not TDRs. This includes short-term (e.g. six months) modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Borrowers are considered current under the CARES Act if they are less than 30 days past due on their contractual payments at the time a modification program is implemented. At March 31, 2020, the Bank had no modified loans related to the COVID-19 pandemic.

The following table summarizes the Company's TDRs by accrual status as of March 31, 2020 and December 31, 2019:

	March 31, 2020				December 31, 2019			
	Accruing	Nonaccrual	Total	Related Allowance for Loan Losses	Accruing	Nonaccrual	Total	Related Allowance for Loan Losses
	(In thousands)							
One-to-four family residential	$ 336	$ -	$ 336	$ 25	$ 484	$ -	$ 484	$ 25
Commercial real estate	361	135	496	19	365	137	502	19
Commercial business	403	-	403	34	412	-	412	34
Total	$ 1,100	$ 135	$ 1,235	$ 78	$ 1,261	$ 137	$ 1,398	$ 78

At both March 31, 2020 and December 31, 2019 there were no commitments to lend additional funds to debtors whose loan terms have been modified in a TDR (both accruing and nonaccruing).

There were no TDRs that were restructured during the three months ended March 31, 2020. The following table summarizes information in regard to TDRs that were restructured during the three months ended March 31, 2019:

	Three Months Ended March 31, 2019		
	Number of Contracts	Pre-Modification Outstanding Balance	Post-Modification Outstanding Balance
		(In thousands)	
Commercial real estate	1	$ 158	$ 158
Total	1	$ 158	$ 158

For TDRs that were restructured during the three months ended March 31, 2019, the terms of modifications included a reduction of the stated interest rate, extension of the maturity date, and the renewal or refinancing of loans where the debtor was unable to access funds elsewhere at a market interest rate for debt with similar risk characteristics.

There were no principal charge-offs recorded as a result of TDRs and there was no specific allowance for loan losses related to TDRs modified during the three-month periods ended March 31, 2020 and 2019.

There were no TDRs modified within the previous 12 months for which there was a subsequent payment default (defined as the loan becoming more than 90 days past due, being moved to nonaccrual status, or the collateral being foreclosed upon) during the three-month periods ended March 31, 2020 and 2019. In the event that a TDR subsequently defaults, the Company evaluates the restructuring for possible impairment. As a result, the related allowance for loan losses may be increased or charge-offs may be taken to reduce the carrying amount of the loan.

On March 22, 2020, federal banking regulators issued an interagency statement that included guidance on their approach for the accounting of loan modifications in light of the economic impact of the COVID-19 pandemic. The guidance interprets current accounting standards and indicates that a lender can conclude that a borrower is not experiencing financial difficulty if short-term modifications are made in response to COVID-19, such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant related to the loans in which the borrower is less than 30 days past due on its contractual payments at the time a modification program is implemented. The agencies confirmed in working with the staff of the Financial Accounting Standards Board ("FASB") that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not TDRs.

5. Supplemental Disclosure for Earnings Per Share

Nonvested restricted stock shares and unallocated ESOP shares are not considered as outstanding for purposes of computing weighted average common shares outstanding. No stock options for common stock and no restricted stock awards were excluded from the calculation of diluted net income per common share because their effect was antidilutive for the three-month periods ended March 31, 2020 and 2019.

(Dollars in thousands, except per share data)	**Three Months Ended March 31, 2020**	**2019**
Basic		
Earnings:		
Net income	$ 385	$ 362
Shares:		
Weighted average common shares outstanding	3,345,460	3,366,385
Net income per common share, basic	$ 0.12	$ 0.11
Diluted		
Earnings:		
Net income	$ 385	$ 362
Shares:		
Weighted average common shares outstanding	3,345,460	3,366,385
Add: Dilutive effect of stock options	1,169	1,341
Add: Dilutive effect of restricted stock	-	144
Weighted average common shares outstanding, as adjusted	3,346,629	3,367,870
Net income per common share, diluted	$ 0.12	$ 0.11

6. Employee Stock Ownership Plan

In connection with the Conversion, the Bank established a leveraged ESOP for eligible employees of the Company and the Bank. The ESOP trust purchased 204,789 shares of Company common stock at the initial public offering price of $10.00 per share financed by a 20-year term loan with the Company. The loan is secured by shares purchased with the loan proceeds and will be repaid by the ESOP with funds from the Company's discretionary contributions to the ESOP and earnings on ESOP assets. The employer loan and the related interest income are not recognized in the consolidated financial statements as the debt is serviced by employer contributions. Dividends payable on allocated shares are charged to retained earnings and are satisfied by the allocation of cash dividends to participant accounts. Dividends payable on unallocated shares are not considered dividends for financial reporting purposes. Shares held by the ESOP trust are held in a suspense account and allocated to participant accounts as principal and interest payments are made by the ESOP to the Company. Payments of principal and interest are due annually on December 31st, the Company's fiscal year end.

As shares are committed to be released for allocation to participant accounts from collateral, the Company reports compensation expense equal to the average fair value of shares committed to be released during the year with a corresponding credit to stockholders’ equity and the shares become outstanding for earnings per share computations. The compensation expense is accrued throughout the year.

Compensation expense of $33,000 was recognized for each of the three-month periods ended March 31, 2020 and 2019. The ESOP trust held 16,498 allocated shares and 188,291 unallocated shares of Company common stock at March 31, 2020. The fair value of the unallocated shares was $2.4 million at March 31, 2020.

7. Stock-based Compensation Plans

The Company’s stock-based compensation plans are described below.

2010 Equity Incentive Plan

The Bank had an equity incentive plan (the “2010 Plan”) adopted on July 27, 2010 which was assumed by the Company in connection with the Conversion. Under the 2010 Plan, 127,849 shares of common stock, as adjusted for the Conversion exchange ratio, were approved for awards of stock options and restricted stock. As of March 31, 2020, on an adjusted basis, awards for stock options totaling 93,488 shares and awards for restricted stock totaling 34,250 shares of Company common stock have been granted, net of any forfeitures, to participants in the 2010 Plan.

The vesting dates for stock option awards are determined by the Compensation Committee appointed by the board of directors. All unvested options become exercisable upon an option holder’s death or disability and in the event of a change in control. Option prices may not be less than the fair market value of the underlying stock at the date of the grant of the award. Restricted stock awards generally vest over a period of five years. The Plans provides that unvested restricted stock awards become fully vested upon a holder’s death or disability and in the event of a change in control. Compensation expense is recognized over the requisite service period with a corresponding credit to stockholders' equity. The requisite service period for restricted shares is the vesting period.

The fair market value of stock options granted is determined at the date of grant using the binomial option pricing model. Expected volatilities are based on historical volatility of the Company's stock (for periods prior to the Conversion, the historical volatility of the Bank's common stock). The expected term of options granted represents the period of time that options are expected to be outstanding and is based on historical trends. The risk-free rate for the expected life of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of option activity under the 2010 Plan as of March 31, 2020, and changes during the three-month period then ended is presented below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	93,488	$ 13.17		
Granted	-	-		
Exercised	-	-		
Forfeited or expired	-	-		
Oustanding at end of period	93,488	$ 13.17	9.5	$ 15,000
Vested and expected to vest	93,488	$ 13.17	9.5	$ 15,000
Exercisable at end of period	23,382	$ 12.67	9.1	$ 15,000

For the three-month period ended March 31, 2020 the Company recognized $18,000 in compensation expense related to the stock option plan. At March 31, 2020, there was $209,000 of unrecognized compensation expense related to nonvested stock options. The compensation expense is expected to be recognized over a weighted average period of 3.6 years. For the three-month period ended March 31, 2019, the Company recognized no compensation expense related to the stock option plan as the amount of compensation cost determined under FASB Accounting Standards Codification (“ASC”) Topic 718 was insignificant.

A summary of the activity for the Company’s nonvested restricted shares as of March 31, 2020 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 year	22,553	$ 13.32
Granted	-	-
Exercised	-	-
Forfeited	-	-
Nonvested at end of period	22,553	$ 13.32

At March 31, 2020, unrecognized compensation expense related to nonvested restricted shares was $278,000. The compensation expense is expected to be recognized over the remaining weighted average vesting period of 3.5 years.

2019 Equity Incentive Plan

In September 2019, the Company's stockholders approved the 2019 Equity Incentive Plan (the "2019 Plan") which provides for the award of stock options and restricted stock. Under the 2019 Plan the Compensation Committee may grant stock options that, upon exercise, result in the issuance of 255,987 shares of common stock and may grant 102,395 shares of restricted stock. At March 31, 2020, no awards of stock options or restricted stock have been granted under the 2019 Plan.

8. 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

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 on the following page. These valuation methodologies were applied to all of the Company's financial and nonfinancial assets carried at fair value or the lower of cost or fair value. The table below presents the balances of assets measured at fair value on a recurring and nonrecurring basis as of March 31, 2020 and December 31, 2019. The Company had no liabilities measured at fair value as of March 31, 2020 and December 31, 2019.

	Carrying Value			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
March 31, 2020				
Assets Measured on a Recurring Basis				
Securities available for sale:				
Agency MBS	$ -	$ 9,325	$ -	$ 9,325
Agency CMO	-	9,899	-	9,899
Municipal obligations	-	36,823	-	36,823
Total securities available for sale	$ -	$ 56,047	$ -	$ 56,047
Assets Measured on a Nonrecurring Basis				
Impaired loans:				
One-to-four family residential	$ -	$ -	$ 1,302	$ 1,302
Commercial real estate	-	-	595	595
Commercial business	-	-	369	369
Total impaired loans	$ -	$ -	$ 2,266	$ 2,266
Real estate held for sale	$ -	$ -	$ 135	$ 135
December 31, 2019				
Assets Measured on a Recurring Basis				
Securities available for sale:				
Agency MBS	$ -	$ 9,770	$ -	$ 9,770
Agency CMO	-	10,712	-	10,712
Municipal obligations	-	37,935	-	37,935
Total securities available for sale	$ -	$ 58,417	$ -	$ 58,417
Assets Measured on a Nonrecurring Basis				
Impaired loans:				
One-to-four family residential	$ -	$ -	$ 1,406	$ 1,406
Commercial real estate	-	-	581	581
Commercial business	-	-	378	378
Total impaired loans	$ -	$ -	$ 2,365	$ 2,365
Real estate held for sale	$ -	$ -	$ 135	$ 135

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, or the lower of cost or 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.

Securities Available for Sale. Securities classified as available for sale 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. Changes in fair value of securities available for sale are recorded in other comprehensive income, net of income tax effect.

Impaired Loans. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. The fair value of impaired loans is classified as Level 3 in the fair value hierarchy.

Impaired loans are carried at the present value of estimated future cash flows using the loan's effective interest rate or the fair value of collateral less estimated costs to sell if the loan is collateral dependent. At both March 31, 2020 and December 31, 2019, all impaired loans other than performing TDRs were considered to be collateral dependent for the purpose of determining fair value. 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, adjusted for estimated costs to sell the property, costs to complete or repair the property and other factors to reflect management's estimate of the fair value of the collateral given the current market conditions and the condition of the collateral. At both March 31, 2020 and December 31, 2019, the significant unobservable inputs used in the fair value measurement of collateral dependent impaired loans included a discount from appraised value (including estimated costs to sell the collateral) of 10%. The Company did not recognize a reduction in the allowance for loan losses allocated to impaired loans for the three months ended March 31, 2020. The Company recognized a reduction in the allowance for loan losses allocated to impaired loans of $15,000 for the three months ended March 31, 2019.

Real Estate Held for Sale. Real estate held for sale is reviewed and evaluated on at least an annual basis for additional impairment and adjusted accordingly. The fair value of real estate held for sale is classified as Level 3 in the fair value hierarchy.

At both March 31, 2020 and December 31, 2019, the significant unobservable inputs used in the fair value measurement of real estate held for sale included a discount from appraised value (including estimated costs to sell the property) of 10%. The Company did not recognize any charges to write down real estate held for sale during both the three months ended March 31, 2020 and 2019.

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 both the three months ended March 31, 2020 and 2019. There were no transfers into or out of the Company's Level 3 financial assets for both the three-month periods ended March 31, 2020 and 2019.

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:

		Fair Value Measurements Using		
(In thousands)	Carrying Value	Level 1	Level 2	Level 3
March 31, 2020				
Financial assets:				
Cash and cash equivalents	$ 21,742	$ 21,742	$ -	$ -
Securities available for sale	56,047	-	56,047	-
Securities held to maturity	38	-	38	-
Loans, net	122,238	-	-	129,559
FHLB stock	778	N/A	N/A	N/A
Accrued interest receivable	759	-	759	-
Financial liabilities:				
Deposits	148,134	-	-	148,611
Advance from FHLB	10,000	-	10,377	-
Accrued interest payable	15	-	15	-
December 31, 2019				
Financial assets:				
Cash and cash equivalents	$ 18,817	$ 18,817	$ -	$ -
Securities available for sale	58,417	-	58,417	-
Securities held to maturity	42	-	42	-
Loans, net	123,272	-	-	126,187
FHLB stock	778	N/A	N/A	N/A
Accrued interest receivable	865	-	865	-
Financial liabilities:				
Deposits	146,969	-	-	146,831
Advance from FHLB	10,000	-	10,080	-
Accrued interest payable	7	-	7	-

9. 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 and other income within the scope of FASB ASC 606 for the three months ended March 31, 2020 and 2019:

(In thousands)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Service charges on deposit accounts	$ 49	$ 76
ATM transaction and point-of-sale interchange fees	91	89
Other income	14	9
Revenue from contracts with customers	154	174
Increase in cash surrender value of life insurance	17	18
Other income	1	1
Other noninterest income	18	19
Total noninterest income	$ 172	$ 193

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 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 Transaction and Point-of-Sale Interchange 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, check cashing and cashier's check fees, and wire transfer fees. This revenue is recognized at the time the transaction is executed or over the period the Company satisfies the performance obligation.

10. Recent Accounting Pronouncements

The following are summaries of recently issued or adopted accounting pronouncements that impact the accounting and reporting practices of the Company:

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU requires lessees to recognize on the balance sheet the assets and liabilities arising from operating leases. A lessee should recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. A lessee should include payments to be made in an optional period only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. For a finance lease, interest payments should be recognized separately from amortization of the right-of-use asset in the statement of comprehensive income. For operating leases, the lease cost should be allocated over the lease term on a generally straight-line basis. For public entities the amendments in the ASU became effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For nonpublic entities, the original effective date of the guidance was for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. In November 2019, the FASB issued ASU 2019-10 which delayed the effective date of ASU 2016-02 for nonpublic entities until fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application of the amendments in the ASU is permitted. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements*. This ASU amended the new leases standard to give entities another option for transition and to provide lessors with a practical expedient. The transition option allows entities to not apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. The practical expedient provides lessors with an option to not separate non-lease components from the associated lease components when certain criteria are met and requires them to account for the combined component in accordance with the new revenue standard if the associated non-lease components are the predominant components. The amendments have the same effective date as ASU 2016-02. In March 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842), Codification Improvements*. This ASU amended the new leases standard to reinstate the exception in *Leases (Topic 842)* for lessors that are not manufacturers or dealers in regards to determining the fair value of the underlying assets. Specifically, those lessors will use their cost, reflecting any volume or trade discounts that may apply, as the fair value of the underlying asset unless a significant lapse of time occurs between the acquisition of the underlying asset and lease commencement, in which case, those lessors will be required to apply the definition of fair value (exit price) in *Fair Value Measurements and Disclosures (Topic 820)*.

In addition, this ASU amended the new leases standard to clarify the presentation on the statement of cash flows principal payments received under leases for depository and lending institutions for Sales-Type and Direct Financing Leases. Specifically for these entities and leases, all principal payments received under leases will be presented within investing activities on the statement of cash flows. Finally, this ASU amended the new leases standard to explicitly provide an exception to paragraph 250-10-50-3 interim disclosure requirements for an entity electing the transition method of implementation. The amendments have the same effective date as ASU 2016-02. The effect of the adoption of these ASUs will depend on leases at the time of adoption. Once adopted, the Company expects to report higher assets and liabilities as a result of including right-of-use assets and lease liabilities related to certain banking offices under noncancelable operating lease agreements, however, based on current leases, the adoption is expected to increase our consolidated balance sheets by less than 5% and not to have a material impact on our regulatory capital ratios.

The FASB originally issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* as amended by ASU 2018-19, ASU 2019-04 and ASU 2019-05, in June 2016. This ASU, commonly referred to as the current expected credit loss methodology ("CECL"), replaces the incurred loss methodology for recognizing credit losses under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the new guidance, an entity will measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The expected loss model will apply to loans and leases, unfunded lending commitments, held-to-maturity debt securities and other debt instruments measured at amortized cost. The impairment model for available-for-sale debt securities will require the recognition of credit losses through a valuation allowance when fair value is less than amortized cost, regardless of whether the impairment is considered to be other-than-temporary. ASU 2019-05, issued in April 2019, further provides that entities that have certain financial instruments measured at amortized cost that have credit losses, to irrevocably elect the fair value option in Subtopic 825-10, upon adoption of Topic 326. The fair value option applies to available-for-sale debt securities. In November 2019, the FASB issued ASU No. 2019-10 which delayed the effective date of ASU 2016-13 for smaller reporting companies (as defined by the SEC) and other non-SEC reporting entities to fiscal years beginning after December 15, 2022, including interim periods within those fiscal periods. Early adoption is permitted as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is a smaller reporting company as defined by the SEC. Once adopted, the Company expects its allowance for loan losses to increase through a one-time adjustment to retained earnings, however, until its evaluation is complete, the magnitude of the increase will be unknown.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The ASU shortens the amortization period for certain callable debt securities held at a premium. The standard will take effect for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The adoption of the ASU is not expected to have a material impact on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This ASU amends the accounting for shared-based payments awards to nonemployees to align with the accounting for employee awards. Under the new guidance, the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. In addition, the contractual term will be able to be used in lieu of an expected term in the option-pricing model for nonemployee awards. For public entities the amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For nonpublic business entities the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The adoption of the ASU is not expected to have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU removes, modifies and adds certain disclosure requirements for fair value measurements. Among other changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for timing of transfers between levels and the valuation processes for Level 3 fair value measurements, but will be required to disclose the range and weighted average of significant observable inputs used to develop Level 3 fair value measurements held at the end of the reporting period. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of the ASU. The adoption of the ASU effective January 1, 2020 did not have a material impact on the Company’s consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes*. The amendments in this ASU simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, Income Taxes. The amendments also improve consistent application or and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. For public entities this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For nonpublic entities this ASU is effective for fiscal years beginning after December 31, 2021, and interim periods within fiscal years beginning after December 15, 2022. The adoption of the ASU is not expected to have a material impact on the Company’s consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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. 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. These forward-looking statements include, but are not limited to:

- the effect of the COVID-19 pandemic, including on the Company' credit quality and business operations, as well as its impact on general economic and financial market conditions and other uncertainties resulting from the COVID-19 pandemic, such as the extent and duration of the impact on public health, the U.S. and global economies, and consumer and corporate customers, including economic activity, employment levels and market liquidity;
- changes in economic conditions, either nationally or in our market area;
- fluctuations in interest rates;
- the risks of lending and investing activities, including changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of our allowance for loan losses;
- the possibility of other-than-temporary impairments of securities held in our securities portfolio;
- our ability to access cost-effective funding;
- fluctuations in the demand for loans, the number of unsold homes, land and other properties, and fluctuations in real estate values and both residential and commercial and multifamily real estate market conditions in our market area;
- secondary market conditions for loans and our ability to originate loans for sale and sell loans in the secondary market;
- our ability to attract and retain deposits;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we may acquire into our operations and our ability to realize related revenue synergies and expected cost savings and other benefits within the anticipated time frames or at all;
- legislative or regulatory changes that adversely affect our business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules;
- monetary and fiscal policies of the Federal Reserve and the U.S. Government and other governmental initiatives affecting the financial services industry;
- results of examinations of Mid-Southern Bancorp and Mid-Southern Savings Bank by their regulators, including the possibility that the regulators may, among other things, require us to increase our allowance for loan losses or to write-down assets, change Mid-Southern Savings Bank's regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings;
- our ability to control operating costs and expenses;
- the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation;

- difficulties in reducing risks associated with the loans on our balance sheet;
- staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems or on the third-party vendors who perform several of our critical processing functions;
- our ability to retain key members of our senior management team;
- costs and effects of litigation, including settlements and judgments;
- our ability to implement our business strategies;
- increased competitive pressures among financial services companies;
- changes in consumer spending, borrowing and savings habits;
- the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions;
- our ability to pay dividends on our common stock;
- adverse changes in the securities markets;
- the inability of key third-party providers to perform their obligations to us;
- statements with respect to our intentions regarding disclosure and other changes resulting from the JOBS Act;
- changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods; and
- other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services, including the CARES Act and the other risks described from time to time in our filings with the SEC, including our 2019 Form 10-K.

Any of the forward-looking statements that we make in this report and in other public statements we make may turn out to be wrong because of inaccurate assumptions we might make, because of the factors illustrated above or because of other factors that we cannot foresee. Any of the forward-looking statements are based upon management's beliefs and assumptions at the time they are made. We undertake no obligation to publicly update or revise any forward-looking statements included in this report or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur and you should not put undue reliance on any forward-looking statements.

As used throughout this report, the terms “we,” “our,” “us,” or the “Company” refer to Mid-Southern Bancorp, Inc. and its consolidated subsidiary, Mid-Southern Savings Bank, unless the context otherwise requires.

Significant Developments and the Impact of COVID-19

The recent COVID-19 pandemic is expected to have a significant adverse impact on the United States' economy, including the banking industry, in future fiscal periods. The impact is subject to a high degree of uncertainty.

Our commercial and banking products are offered primarily in Indiana, where municipal and state-wide responses to the pandemic have led to a broad curtailment of economic activity beginning in March 2020. Governor Eric J. Holcomb issued several executive orders in mid-March 2020 to implement stay-at-home ordinances, closures of schools, retail and restaurants, and mass-gathering restrictions. Current restrictions are expected to be in place at least through the end of April 2020, while schools are to remain closed for the remainder of the school year. On May 1, 2020, Governor Holcomb announced a five-phase plan to gradually ease restrictions with the goal of allowing nearly all activities to resume by July 4, 2020.

As a result of the economic contraction, unemployment levels in the United States have increased considerably, with the national unemployment rate increasing from a seasonally-adjusted 3.8% in March 2019 to 4.4% in March 2020. In Indiana, while the state-wide seasonally-adjusted unemployment rate decreased slightly to 3.2% as of March 2020 from 3.5% in March 2019, the non-seasonally-adjusted unemployment rates in Washington, Lawrence and Orange counties (comprising a majority of our market area), are higher than the state average. According to the Indiana Department of Workforce Development, the number of new unemployment claims throughout the state for the first sixteen weeks of 2020 totaled 549,569 versus a total 47,892 claims for the same period in 2019. While the social and economic impacts from COVID-19 have been concentrated in large metropolitan areas, we do anticipate to experience similar effects in smaller communities.

In response to the pandemic, several regulatory directives have been enacted at the federal, state and local levels, including the following:

- The Federal Reserve took action to reduce the federal funds target rate by 50 basis points on March 3, 2020 and then by another 100 basis points on March 16, 2020. The current range is 0.00% to 0.25%.
- On March 27, 2020, the CARES Act was signed into law. The CARES Act established a $2 trillion economic stimulus package, providing cash payments to individuals, supplemental unemployment insurance benefits and a $349 billion loan program administered through the U.S. Small Business Administration (the "SBA"), referred to as the Paycheck Protection Program (the "PPP"). Under the PPP, small businesses, sole proprietorships, independent contractors and self-employed individuals may apply for loans from existing SBA lenders and other approved regulated lenders that enroll in the program, subject to numerous limitations and eligibility criteria. The Bank is participating as a lender in the PPP. Through May 4, 2020, the Bank has issued 13 loans under the PPP totaling $298,000.
- In addition, the CARES Act provides financial institutions the option to temporarily suspend certain requirements under GAAP related to TDRs for a limited period of time to account for the effects of COVID-19. Through May 4, 2020, the Bank has modified 65 loans related to the COVID-19 pandemic totaling $15.7 million. Most modifications allow deferral principal and interest payments for 90 days. One loan totaling $1.5 million has been modified as interest-only for a six-month period. Three of these loans totaling $154,000 are TDRs, and none of these loans are considered impaired. See Note 4 of the Notes to the Consolidated Financial Statements for additional disclosure of TDRs as of March 31, 2020.
- On April 9, 2020, the Federal Reserve announced additional measures aimed at supporting small and mid-sized businesses, as well as state and local governments impacted by COVID-19. The Federal Reserve announced the Main Street Business Lending Program, which establishes two new loan facilities intended to facilitate

lending to small and mid-sized businesses: (1) the Main Street New Loan Facility ("MSNLF"), and (2) the Main Street Expanded Loan Facility ("MSELF"). MSNLF loans are unsecured term loans originated on or after April 8, 2020, while MSELF loans are provided as upsized tranches of existing loans originated before April 8, 2020. The combined size of the program will be up to $600 billion. The program is designed for businesses with up to 10,000 employees or $2.5 billion in 2019 revenues. To obtain a loan, borrowers must confirm that they are seeking financial support because of COVID-19 and that they will not use proceeds from the loan to pay off debt. The Federal Reserve also stated that it would provide additional funding to banks offering PPP loans to struggling small businesses through the Paycheck Protection Program Liquidity Facility ("PPLF") pursuant to which the Bank will pledge its PPP loans as collateral to obtain Federal Reserve Bank non-recourse loans. The PPPLF will take the PPP loans as collateral at face value. In addition, the Federal Reserve created a Municipal Liquidity Facility to support state and local governments with up to $500 billion in lending, with the Treasury Department backing $35 billion for the facility using funds appropriated by the CARES Act. The facility will make short-term financing available to cities with a population of more than one million or counties with a population of greater than two million. The Federal Reserve expanded both the size and scope its Primary and Secondary Market Corporate Credit Facilities to support up to $750 billion in credit to corporate debt issuers. This action will allow companies that were investment grade before the onset of COVID-19 but then subsequently downgraded after March 22, 2020 to gain access to the facility. Finally, the Federal Reserve announced that its Term Asset-Backed Securities Loan Facility will be scaled up in scope to include the triple A-rated tranche of commercial mortgage-backed securities and newly issued collateralized loan obligations. The size of the facility is $100 billion. At this time, the Bank has no intention to participate in these liquidity programs.

We currently expect that the COVID-19 pandemic and the subsequent developments to address it could have an impact on our business. We anticipate that our financial condition, capital levels and results of operations could be affected, although the extent and duration is difficult to quantify. While the ultimate impact of the crisis is difficult to predict, we believe the Company is well-capitalized and has the financial stability to continue to responsibly serve its customers and communities during this unprecedented time.

In response to the pandemic, we have taken several actions to address the needs of our employees, our customers and our communities, including the following:

- We are working with our loan customers who have been negatively impacted by the pandemic and require loan modifications and deferrals.
- We are waiving fees for early withdrawals of certificates of deposit by customers due to hardship.
- We are a participating lender in the PPP through the CARES Act in order to assist our customers and communities.
- We have closed all our branches to customer activity, except for drive-through and services by appointment only. Wherever possible, and if job responsibilities can be effectively carried out remotely, employees are working from home. For employees who cannot work from home or have responsibilities that are considered critical, we are observing social distancing, cleaning and other protocols in order to mitigate risk. Our pandemic protocols are continually evaluated and updated based upon the most-recent recommendations from federal, state and local health officials.

Overview

Our principal business consists of attracting retail deposits from the general public and investing those funds, along with borrowed funds, in loans secured by first and second mortgages on one- to four-family residences (including home equity loans and lines of credit), commercial and multifamily, consumer and commercial business loans and, to a lesser extent, construction and land loans. We offer a wide variety of consumer loan products, including automobile loans, boat loans, manufactured homes not secured by permanent dwellings and recreational vehicle loans. We intend to continue emphasizing our residential mortgage, home equity and consumer lending, while also expanding our emphasis in commercial and multifamily and commercial business lending.

Our operating revenues are derived principally from earnings on interest earning assets, service charges and fees. Our primary sources of funds are deposits, Federal Home Loan Bank ("FHLB") advances and other borrowings, and payments received on loans and securities. We offer a variety of deposit accounts that provide a wide range of interest rates and terms, generally including savings, money market, term certificate and checking accounts. Our noninterest expenses consist primarily of salaries and employee benefits, expenses for occupancy and marketing and computer services. Salaries and benefits consist primarily of the salaries and wages paid to our employees, payroll taxes, expenses for retirement and other employee benefits. Occupancy expenses, which are the fixed and variable costs of buildings and equipment, consist primarily of lease payments, property taxes, depreciation charges, maintenance and costs of utilities.

Summary of Significant Accounting Policies

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

The following represent our significant accounting policies:

Allowance for Loan Losses. The allowance for loan losses represents management's estimate of losses inherent in the loan portfolio as of the date of the statement of condition and it is recorded as a reduction of loans. The allowance is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. Because all identified losses are immediately charged off, no portion of the allowance for loan losses is restricted to any individual loan and the entire allowance is available to absorb all loan losses.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on our past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For loans that are classified impaired, an allowance is established when the discounted cash flows or collateral value of the impaired loan is lower than the carrying value of that loan.

The general component covers pools of loans, by loan class, including commercial loans not considered impaired, as well as smaller balance homogenous loans, such as residential real estate, home equity and other consumer loans. These pools of loans are evaluated for loss exposure based on historical loss rates for each of these categories of loans, which are adjusted for qualitative factors. The qualitative factors include:

- Lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices;
- National, regional and local economic and business conditions as well as the condition of various market segments;
- Nature and volume of the portfolio and terms of the loans;
- Experience, ability and depth of the lending management and staff;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations;
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio;
- Volume and severity of past due, classified and non-accrual loans, as well as other loan modifications; and
- Quality of our loan review system and the degree of oversight by our board of directors.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss analysis and calculation.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

In addition, various bank regulatory agencies periodically review the allowance for loan losses and may require an increase in the provision for possible loan losses or the recognition of further loan charge-offs based on their judgment about information available to them at the time of their examination.

Income Taxes. Income taxes are provided for the tax effects of certain transactions reported in the consolidated financial statements. Income taxes consist of taxes currently due plus deferred taxes related primarily to temporary differences between the financial reporting and income tax basis of the allowance for loan losses, premises and equipment, certain state tax credits, and deferred loan origination costs. The deferred tax assets and liabilities represent the future tax return consequences of the temporary differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Estimation of Fair Values. Fair values for securities available-for-sale are obtained from an independent third-party pricing service. Where available, fair values are based on quoted prices on a nationally recognized securities exchange. If quoted prices are not available, fair values are measured using quoted market prices for similar benchmark securities. Management generally makes no adjustments to the fair value quotes provided by the pricing source. The fair values of foreclosed real estate and the underlying collateral value of impaired loans are typically determined based on evaluations by third parties, less estimated costs to sell. When necessary, appraisals are updated to reflect changes in market conditions.

Comparison of Financial Condition at March 31, 2020 and December 31, 2019

Total assets decreased $134,000, or 0.1%, to $208.3 million at March 31, 2020 from $208.4 million at December 31, 2019.

Cash and Cash Equivalents. Cash and cash equivalents increased $2.9 million, or 15.5%, to $21.7 million at March 31, 2020 from $18.8 million at December 31, 2019 due primarily to a decrease in loans receivable, the net effect of activity on available for sale securities, and an increase in deposits.

Loans. Our primary lending activity is the origination of loans secured by real estate. We originate one-to-four family residential loans, multifamily residential loans, commercial real estate loans and construction loans. To a lesser extent, we originate commercial business loans and consumer loans. Net loans receivable decreased $1.1 million, or 0.8%, to $122.2 million at March 31, 2020 from $123.3 million at December 31, 2019. The decrease in net loans receivable was due primarily to decreases in one-to-four family residential loans partially offset by increases in residential construction and commercial real estate loans. We anticipate the COVID-19 pandemic could have an adverse impact on our future loan originations other than our participation in government-sponsored loan programs.

Securities Available for Sale. Our available for sale securities portfolio consists primarily of U.S. government agency debt securities, including mortgage-backed securities and collateralized mortgage obligations, and municipal obligations. Securities available for sale decreased $2.4 million, or 4.1%, to $56.0 million at March 31, 2020 from $58.4 million at December 31, 2019. The decrease for the three months ended March 31, 2020 was due primarily to a $2.0 million increase in the gross unrealized loss in the portfolio, $1.6 million in principal collections on federal agency mortgage-backed securities and $390,000 in maturities of municipal obligations, partially offset by the purchases of $1.7 million of municipal obligations.

Securities Held to Maturity. Our held to maturity securities portfolio consists of U.S. government agency mortgage-backed securities. Securities held to maturity decreased $4,000, or 9.5%, to $38,000 at March 31, 2020 from $42,000 at December 31, 2019 due primarily to principal repayments of mortgage-backed securities.

Deposits. Deposit accounts, primarily obtained from individuals and businesses throughout our local market area, are the primary source of funds for our lending and investments. Our deposit accounts are comprised of noninterest-bearing checking, interest-bearing checking, savings, and money market accounts and certificates of deposit. Deposits increased $1.1 million, or 0.8%, to $148.1 million at March 31, 2020 from $147.0 million at December 31, 2019.

Borrowings. On June 27, 2019, the Company borrowed $10.0 million from the FHLB which matures on June 27, 2024 and bears interest at a rate of 1.73%.

Stockholders' Equity. Stockholders' equity decreased $1.3 million to $49.5 million at March 31, 2020 from $50.8 million at December 31, 2019. The decrease was due primarily to the $1.5 million increase in accumulated other comprehensive loss due primarily to decreases in the fair market value of our available-for-sale investments and our purchase of 17,900 treasury shares at an average cost per share of $11.48 or $206,000 in total. These decreases were partially offset by net income of $385,000 for the three months ended March 31, 2020.

Comparison of Results of Operations for the Three Months Ended March 31, 2020 and 2019

Net Income. Net income was $385,000 ($0.12 per common share diluted) for the three months ended March 31, 2020, compared to net income of $362,000 ($0.11 per common share diluted) for the three months ended March 31, 2019. The primary reason for the increase in net income between the periods was decreased noninterest expenses partially offset by decreased net interest income.

Net Interest Income. Net interest income after provision for loan losses decreased $186,000, or 10.3%, to $1.6 million for the three months ended March 31, 2020 compared to $1.8 million for the three months ended March 31, 2019 due primarily to a decrease in the interest rate spread.

Total interest income decreased $52,000, or 2.6%, to $1.9 million for the three months ended March 31, 2020 compared to $2.0 million for the three months ended March 31, 2019. The decrease resulted from a decrease in the yield earned on interest-bearing assets partially offset by an increase in the average balance of interest-earning assets. The average tax equivalent yield on interest-earning assets declined to 3.98% for the quarter ended March 31, 2020 from 4.26% for the quarter ended March 31, 2019, due primarily to a decrease in market interest rates. The average balance of interest-earning assets increased to $200.4 million for the quarter ended March 31, 2020 from $190.7 million for the quarter ended March 31, 2019, due primarily to an increase in interest-bearing deposits with banks.

Total interest expense increased $77,000, or 41.4%, when comparing the two periods due to an increase in both the average balance and cost of interest-bearing liabilities. The average cost of interest-bearing liabilities increased to 0.76% for the quarter ended March 31, 2020 from 0.57% for the same period in 2019. The average balance of interest-bearing liabilities increased to $139.0 million for the quarter ended March 31, 2020 from $131.2 million for the same period in 2019. As a result of the changes in interest-earning assets and interest-bearing liabilities, the interest rate spread decreased to 3.22% from 3.69% and the net interest margin decreased to 3.46% from 3.87% for the quarters ended March 31, 2020 and 2019, respectively. Because the length of the COVID-19 pandemic and the efficacy of the extraordinary measures being put in place to address its economic consequences are unknown, including the recent 150 basis-point reductions in the targeted Federal Funds Rate, until the pandemic subsides, the Company expects its net interest income and net interest margin will be adversely affected in 2020 and possibly longer.

Provision for Loan Losses. Non-performing loans remained relatively unchanged at $1.2 million, at both March 31, 2020 and December 31, 2019 or 1.0% and 0.9% of total loans, respectively. At March 31, 2020, $1.1 million or 87.9% of nonperforming loans were current on their loan payments. Based on an analysis of the factors described in "Summary of Significant Accounting Policies – Allowance for Loan Losses", and due primarily to forecasted probable credit losses reflecting the potential future impact of the COVID-19 pandemic on the economy, the Company recorded a $57,000 provision for loan losses for the three months ended March 31, 2020, compared to no provision for the same period of 2019. We believe the provision for loan losses could increase in future periods based on the possibility of increased loan delinquencies and defaults as a result of the COVID-19 pandemic.

Noninterest Income. Noninterest income decreased $21,000, or 10.9%, for the quarter ended March 31, 2020 as compared to the same period in 2019, due primarily to a decrease of $27,000 in deposit account service charges related to overdrafts.

Noninterest Expense. Noninterest expense decreased $214,000, or 13.7%, for the quarter ended March 31, 2020 as compared to the same period in 2019. This decrease was due primarily to decreases in data processing expenses of $186,000, deposit insurance premiums of $13,000, professional fees of $12,000, and other expenses of $38,000, partially offset by an increase of $30,000 in directors' compensation expense. Data processing expenses decreased due primarily to contract termination expenses recognized in the first quarter last year related to the Bank's core processing system conversion which was completed in the fourth quarter of 2019. The increase in directors' compensation expense is due primarily to the recognition of $30,000 of stock compensation expense recognized for the quarter ended March 31, 2020, as compared to no stock compensation expense recognized for the same period in 2019.

Income Tax Expense. Income tax expense decreased $16,000 for the quarter ended March 31, 2020 as compared to the same period in 2019 resulting from a reduction in our effective tax rate to 11.9% for 2020 compared to 15.8% for 2019. The decrease in the effective tax rate is due primarily to increased tax-exempt investment income proportionate to pre-tax income.

Liquidity and Capital Resources

Liquidity management is both a daily and longer-term function of management. Excess liquidity is generally invested in short-term investments, such as overnight deposits and federal funds. On a longer-term basis, we maintain a strategy of investing in various lending products and investment securities, including municipal and mortgage-backed securities. We use our sources of funds primarily to meet ongoing commitments, pay maturing deposits, fund deposit withdrawals and fund loan commitments.

We maintain cash and investments that qualify as liquid assets to maintain adequate liquidity to ensure safe and sound operation and meet demands for customer funds (particularly withdrawals of deposits). At March 31, 2020, we had $77.8 million in cash and investment securities available for sale generally available for its cash needs. If we require funds beyond our ability to generate them internally, we have additional borrowing capacity with the FHLB of Indianapolis and additional collateral eligible for repurchase agreements. We are required to have enough cash and investments that qualify as liquid assets in order to maintain sufficient liquidity to ensure safe and sound operations. Liquidity may increase or decrease depending upon the availability of funds and comparative yields on investments in relation to the return on loans. Historically, we have maintained liquid assets above levels believed to be adequate to meet the requirements of normal operations, including potential deposit outflows. Cash flow projections are regularly reviewed and updated to assure that adequate liquidity is maintained.

Liquidity management involves the matching of cash flow requirements of customers, who may be either depositors desiring to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs and our ability to manage those requirements. We strive to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-bearing liabilities so that the balance we have in short-term investments at any given time will cover adequately any reasonably anticipated, immediate need for funds. Additionally, we maintain relationships with correspondent banks, which could provide funds on short-term notice if needed. Our liquidity, represented by cash and cash-equivalents, is a product of our operating, investing and financing activities.

We believe that the recent COVID-19 pandemic could place potential stresses on our liquidity management. As our customers manage their liquidity issues, we could experience an increase in the utilization of existing lines of credit and or deposit outflows. We will continually monitor our liquidity for signs of stress resulting from the COVID-19 pandemic and respond accordingly.

The Company is a separate legal entity from Mid-Southern Savings Bank and must provide for its own liquidity. Sources of capital and liquidity for the Company include any distributions from the Bank and the issuance of debt or equity securities. Dividends and other capital distributions from the Bank are subject to regulatory notice. On a stand-alone basis, the Company had liquid assets of $11.7 million at March 31, 2020.

Our liquidity, represented by cash and cash equivalents and investment securities, is a product of our operating, investing and financing activities. Our primary sources of funds are deposits, amortization, prepayments and maturities of outstanding loans and mortgage-backed securities, maturities of investment securities and other short-term investments and funds provided from operations. While scheduled payments from the amortization of loans and mortgage-backed securities and maturing investment securities and short-term investments are relatively predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, which provide liquidity to meet lending requirements. We also generate cash through borrowings. We utilize FHLB advances to leverage our capital base and provide funds for our lending and investment activities, and to enhance our interest rate risk management.

We use our sources of funds primarily to meet ongoing commitments, pay maturing deposits and fund withdrawals, and to fund loan commitments. At March 31, 2020, the approved outstanding loan commitments, including unused lines and letters of credit, amounted to $12.6 million. Certificates of deposit scheduled to mature in one year or less at March 31, 2020, totaled $35.8 million. It is management's policy

to manage deposit rates that are competitive with other local financial institutions. Based on this management strategy, we believe that a majority of maturing deposits will remain with us.

The Bank is subject to minimum capital requirements imposed by the Office of the Comptroller of the Currency ("OCC"). Consistent with our goals to operate a sound and profitable organization, our policy is for the Bank to maintain a "well-capitalized" status under the capital categories of the OCC. Based on capital levels at March 31, 2020, the Bank exceeded all regulatory capital requirements and met the requirements to be deemed "well-capitalized" under applicable OCC regulatory guidelines.

On May 23, 2018, the President signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act passed by Congress (the "Act"). The Act contains a number of provisions extending regulatory relief to banks and savings institutions and their holding companies. Effective January 1, 2020, a bank or savings institution that elects to use the Community Bank Leverage Ratio ("CBLR") will generally be considered well-capitalized and to have met the risk-based and leverage capital requirements of the capital regulations if it has a leverage ratio greater than 9.0% (adjusted to 8.0%, effective April 1, 2020). To be eligible to elect to use the CBLR, the bank or institution also must have total consolidated assets of less than $10 billion, off-balance sheet exposures of 25% or less of its total consolidated assets, and trading assets and trading liabilities of 5.0% or less of its total consolidated assets, all as of the end of the most recent quarter. The Bank elected to use the CBLR effective January 1, 2020.

At March 31, 2020, the Bank was considered well-capitalized under applicable federal regulatory capital guidelines with a CBLR of 18.2%. At December 31, 2019, the Company had a total capital to risk weighted assets ratio of 33.4%, Tier 1 capital and common equity Tier 1 capital to risk weighted assets ratios of 32.2% and a Tier 1 capital to average adjusted total assets ratio of 17.9%.

For a bank holding company with less than $3.0 billion in assets, the capital guidelines apply on a bank only basis and the Federal Reserve expects the holding company's subsidiary banks to be well capitalized under the prompt corrective action regulations. If Mid-Southern Bancorp, Inc. was subject to regulatory guidelines for bank holding companies with $3.0 billion or more in assets, at March 31, 2020, Mid-Southern Bancorp, Inc. would have exceeded all regulatory capital requirements.

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.

For the three months ended March 31, 2020, 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For information regarding the Company's market risk, see "Risk Factors" in the Company's 2019 Form 10-K. Please refer to Item 1A "Risk Factors" of Part II in this Form 10-Q for additional information regarding the COVID-19 pandemic and the effect to the Company's market risk through March 31, 2020.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

An evaluation of the disclosure controls and procedures as defined in Rule 13a 15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") was carried out as of March 31, 2020 under the supervision and with the participation of the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and several other members of the Company's senior management. In designing and evaluating the Company's disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

The Company's CEO and CFO concluded that based on their evaluation at March 31, 2020, the Company's disclosure controls and procedures were effective in ensuring that information we are required to disclose in the reports we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to Company management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure, specified in the SEC's rules and forms.

(b) Changes in Internal Controls

There were no significant changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2020, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all error and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by override of the control. The design of any control procedure is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not a party to any legal proceedings. Periodically, there have been various claims and lawsuits involving the Company, mainly as a plaintiff, such as claims to enforce liens, condemnation proceedings on properties in which the Company holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Company's business. The Company is not a party to any pending legal proceedings that management believes would have a material adverse effect on its financial condition or operations.

Item 1A. Risk Factors

In light of recent developments relating to COVID-19, the Company is supplementing its risk factors contained in Item 1A of its Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission on March 26, 2020. The following risk factors should be read in conjunction with the risk factors described in the Annual Report on Form 10-K for the year ended December 31, 2019.

The COVID-19 pandemic has adversely impacted our ability to conduct business and is expected to adversely impact our financial results and those of our customers. The ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.

The COVID-19 pandemic has significantly adversely affected our operations and the way we provide banking services to businesses and individuals, most of whom are currently under government issued stay-at-home orders. As an essential business, we continue to provide banking and financial services to our customers with drive-thru access available at the majority of our branch locations and in-person services available by appointment. In addition, we continue to provide access to banking and financial services through online banking, ATMs and by telephone. If the COVID-19 pandemic worsens it could limit or disrupt our ability to provide banking and financial services to our customers.

In response to the stay-at-home orders, some of our employees currently are working remotely to enable us to continue to provide banking services to our customers. Heightened cybersecurity, information security and operational risks may result from these remote work-from-home arrangements. We also could be adversely affected if key personnel or a significant number of employees were to become unavailable due to the effects and restrictions of the COVID-19 pandemic. We also rely upon our third-party vendors to conduct business and to process, record and monitor transactions. If any of these vendors are unable to continue to provide us with these services, it could negatively impact our ability to serve our customers. Although we have business continuity plans and other safeguards in place, there is no assurance that such plans and safeguards will be effective.

There is pervasive uncertainty surrounding the future economic conditions that will emerge in the months and years following the start of the pandemic. As a result, management is confronted with a significant and unfamiliar degree of uncertainty in estimating the impact of the pandemic on credit quality, revenues and asset values. To date, the COVID-19 pandemic has resulted in declines in loan demand and loan originations, other than through government sponsored programs such as the Payroll Protection Program, deposit availability, market interest rates and could negatively impact many of our business and consumer borrower's ability to make their loan payments. Because the length of the pandemic and the efficacy of the extraordinary measures being put in place to address its economic consequences are unknown,

including recent reductions in the targeted Federal Funds Rate, until the pandemic subsides, we expect our net interest income and net interest margin will be adversely affected in the near term, if not longer. Many of our borrowers have become unemployed or may face unemployment, and certain businesses are at risk of insolvency as their revenues decline precipitously, especially in businesses related to travel, hospitality, leisure and physical personal services. Businesses may ultimately not reopen as there is a significant level of uncertainty regarding the level of economic activity that will return to our markets over time, the impact of governmental assistance, the speed of economic recovery, the resurgence of COVID-19 in subsequent seasons and changes to demographic and social norms that will take place.

The impact of the pandemic is expected to continue to adversely affect us during 2020 and possibly longer as the ability of many of our customers to make loan payments has been significantly affected. Although the Company makes estimates of loan losses related to the pandemic as part of its evaluation of the allowance for loan losses, such estimates involve significant judgment and are made in the context of significant uncertainty as to the impact the pandemic will have on the credit quality of our loan portfolio. It is likely that increased loan delinquencies, adversely classified loans and loan charge-offs will increase in the future as a result of the pandemic. Consistent with guidance provided by banking regulators, we have modified loans by providing various loan payment deferral options to our borrowers affected by the COVID-19 pandemic. Notwithstanding these modifications, these borrowers may not be able to resume making full payments on their loans once the COVID-19 pandemic is resolved. Any increases in the allowance for credit losses will result in a decrease in net income and, most likely, capital, and may have a material negative effect on our financial condition and results of operations.

The Payroll Protection Program (“PPP”) loans made by the Bank are guaranteed by the SBA and, if used by the borrower for authorized purposes, may be fully forgiven. However, in the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded or serviced by the Bank, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty or, if it has already made payment under the guaranty, seek recovery of any loss related to the deficiency from the Bank. In addition, since the commencement of the PPP, several larger banks have been subject to litigation regarding their processing of PPP loan applications. The Bank may be exposed to the risk of similar litigation, from both customers and non-customers that approached the Bank seeking PPP loans. PPP lenders, including the Bank, may also be subject to the risk of litigation in connection with other aspects of the PPP, including but not limited to borrowers seeking forgiveness of their loans. If any such litigation is filed against the Bank, it may result in significant financial or reputational harm to us.

We are an entity separate and distinct from our principal subsidiary, Mid-Southern Savings Bank, and derive substantially all of our revenue at the holding company level in the form of dividends from that subsidiary. If the COVID-19 pandemic were to materially adversely affect the Bank’s regulatory capital levels or liquidity, it may result in Mid-Southern Savings Bank being unable to pay dividends to us, which may result in our not being able to pay dividends on our common stock at the same rate or at all.

Even after the COVID-19 pandemic subsides, the U.S. economy will likely require some time to recover from its effects, the length of which is unknown. and during which we may experience a recession. As a result, we anticipate our business may be materially and adversely affected during this recovery. To the extent the effects of the COVID-19 pandemic adversely impact our business, financial condition, liquidity or results of operations, it may also have the effect of heightening many of the other risks described in the section entitled "Risk Factors" in our 2019 Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q.

MID-SOUTHERN BANCORP, INC.
PART II
OTHER INFORMATION

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

(a) Not applicable
(b) Not applicable
(c) The following table summarizes common stock repurchases during the three months ended March 31, 2020:

ISSUER PURCHASES OF EQUITY SECURITIES

	(a) Total Amount of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Approved Plans or Programs	(d) Maximum Number of Shares That May Yet Be Purchased Under The Plans or Programs
January 1 through January 31, 2020	-	$ -	-	139,860
February 1 through February 29, 2020	-	-	-	139,860
March 1 through March 31, 2020	17,900	11.48	17,900	109,100
Total	17,900	$ 11.48	17,900	

In July 2019, the Company adopted a stock repurchase program implemented through a Rule 10b5-1 repurchase program, under which the Company was approved to repurchase up to 178,260 shares of its common stock, or approximately 5% of the current outstanding shares. From March 1, 2020 through March 13, 2020, the date on which this plan expired, the Company repurchased 7,000 shares and paid an average price per share of $12.23 under this plan. In March 2020, another 10b5-1 repurchase program was adopted, under which the Company may repurchase up to 120,000 shares of its common stock, or approximately 5% of the current outstanding shares. From March 14, 2020 through March 31, 2020, the Company repurchased 10,900 shares and paid an average price per share of $11.00 under this plan.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

MID-SOUTHERN BANCORP, INC.
PART II
OTHER INFORMATION

Item 6. Exhibits

3.1	Articles of Incorporation of Mid-Southern Bancorp, Inc. (1)
3.2	Bylaws of Mid-Southern Bancorp, Inc. (1)
4.1	Form of Common Stock Certificate of Mid-Southern Bancorp, Inc. (1)
10.1	Form of Mid-Southern Bancorp, Inc. Employee Stock Ownership Plan (1)
10.2	Employment Agreement by and between Mid-Southern Savings Bank, FSB and Alexander G. Babey (2)
10.3	Employment Agreement by and between Mid-Southern Savings Bank, FSB and Frank M. Benson, III (1)
10.4	Change in Control Agreement by and between Mid-Southern Savings Bank, FSB and Erica B. Schmidt (1)
10.5	Mid-Southern Savings Bank, FSB 2010 Equity Incentive Plan (3)
10.6	2019 Equity Incentive Plan (4)
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 and Chief Financial Officer
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statement of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Consolidated Financial Statements.

(1) Filed as exhibits to Mid-Southern Bancorp, Inc.'s Registration Statement on Form S-1 (333-223875).
(2) Filed as an exhibit to Mid-Southern Bancorp, Inc.'s Annual Report Form 10-K/A on September 10, 2019 (File No. 001-38491).
(3) Filed as an exhibit to Mid-Southern Bancorp, Inc.'s Registration Statement on Form S-8 (333-226919).
(4) Filed as Appendix A to Mid-Southern Bancorp, Inc.'s definitive proxy statement filed on August 12, 2019 (File No. 001-38491).

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.

MID-SOUTHERN BANCORP, INC.
(Registrant)

Dated May 12, 2020

BY: /s/ Alexander G. Babey
Alexander G. Babey
President and Chief Executive Officer
(Principal Executive Officer)

Dated May 12, 2020

BY: /s/ Robert W. DeRossett
Robert W. DeRossett
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Alexander G. Babey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mid-Southern Bancorp, 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 12, 2020

/s/ Alexander G. Babey
Alexander G. Babey
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Robert W. DeRossett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mid-Southern Bancorp, 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 12, 2020

/s/ Robert W. DeRossett
Robert W. DeRossett
Chief Financial Officer

Exhibit 32.1

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 Mid-Southern Bancorp, Inc. and Subsidiary (the "Company") on Form 10-Q for the period ended March 31, 2020, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned hereby certifies in his or her capacity as an officer of the Company 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 12, 2020

BY: /s/ Alexander G. Babey
Alexander G. Babey
President and Chief
Executive Officer
(Principal Executive Officer)

DATE: May 12, 2020

BY: /s/ Robert W. DeRossett
Robert W. DeRossett
Chief Financial Officer
(Principal Financial and Accounting
Officer)