Heritage NOLA
Bancorp, Inc.

Annual Report 2021

Heritage NOLA
Bancorp, Inc.

205 N Columbia St.
Covington, LA 70433

March 31, 2022

To Our Valued Shareholders:

2021 is best described as the continuation of the conditions in the banking industry precipitated by the Coronavirus Pandemic that began in early 2020. Opportunities to grow our core mortgage banking operations and small-business banking relationships persisted; but there arose challenges in staffing and the temporary closure of one of our offices resulting from the impact of Hurricane Ida at the same time.

The Federal Reserve's dramatic reduction in interest rates in March 2020 that sparked a boom in home loan demand, and the SBA's Paycheck Protection Program continued throughout most of 2021, but by the fourth quarter of the year had mostly played themselves out. We produced record earnings for the second consecutive year as new loan production and associated noninterest income continued to be very strong throughout the first three quarters, slowing considerably during Q4. However, our secondary market operations that contributed the lion's share of our non-interest income during the year cannibalized our on-balance sheet loan portfolio, resulting in a small contraction. Moreover, the yield on our earning assets decreased as it did for many community banks whose liquidity ballooned due to deposit inflows and modest business loan demand.

Our core deposit base experienced robust growth as well. Core, non-time deposits increased 33% and now represent 60% of our deposit base. Time deposits fell, as did the cost of deposits, enabling our Net Interest Income to expand. Strong asset quality resulted in negligible Provisions for Loan Losses in 2021.

2022 brings inflation concerns, rising interest rates, and the specter of an economic downturn. However, our fundamentals remain strong with an upward trend in the core indicators of our value. We greet each day with caution and a sense of optimism that we will continue to build upon our successes since our initial public offering in 2017.

Thank you for the confidence you have displayed in our team by your investment in our Company.

Sincerely,

W. David Crumhorn
Chairman, President and Chief Executive Officer

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Heritage NOLA
Bancorp, Inc.

ANNUAL AUDIT REPORT

2021 AND 2020

Consolidated Financial Statements
Heritage NOLA Bancorp, Inc.

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Hannis T. Bourgeois
CPAs + Business Advisors

2322 Tremont Drive • Baton Rouge, LA 70809
178 Del Orleans Avenue, Suite C • Denham Springs, LA 70726
650 Poydras Street, Suite 1200 • New Orleans, LA 70130
Phone: 225.928.4770 • Fax: 225.926.0945
www.htbcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and
Board of Directors
Heritage NOLA Bancorp, Inc. and Subsidiary
Covington, Louisiana

Opinion

We have audited the consolidated financial statements of Heritage NOLA Bancorp, Inc. (a Maryland Corporation) and its Subsidiary, which comprise the consolidated balance sheets as of December 31, 2021, and 2020, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Heritage NOLA Bancorp, Inc. and its Subsidiary as of December 31, 2021, and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Heritage NOLA Bancorp, Inc. and its Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Respectfully submitted,

Harris T Bourgeois, LLP

New Orleans, Louisiana
March 23, 2022

HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	December 31, 2021	December 31, 2020
ASSETS		
Cash and Due from Banks	$ 1,162	$ 1,036
Interest Earning Deposits in Banks	13,531	7,209
Total Cash and Cash Equivalents	14,693	8,245
Interest Earning Time Deposits in Banks	3,586	5,080
Securities Available for Sale, at Fair Value	17,681	11,820
Securities Held to Maturity	2,722	265
Mortgage Loans Held for Sale	199	3,220
Loans Receivable, Net of Unearned Income	103,615	101,782
Allowance for Loan Losses	(1,033)	(1,011)
Total Loans, Net	102,781	103,991
Premises and Equipment	7,191	7,407
Federal Home Loan Bank Stock	846	841
Bank Owned Life Insurance	2,259	2,206
Foreclosed Real Estate	—	—
Prepaid Expenses and Other Assets	1,810	1,559
Total Assets	$ 153,569	$ 141,414
LIABILITIES AND EQUITY		
Interest Bearing Deposits	$ 104,633	$ 91,952
Noninterest Bearing Deposits	14,527	11,739
Total Deposits	119,160	103,691
Borrowed Funds	10,468	14,105
Advances from Borrowers for Taxes and Insurance	547	257
Accrued Expenses and Other Liabilities	1,135	1,063
Total Liabilities	131,310	119,116
Shareholders' Equity		
Preferred Stock, $0.01 Par Value, 1,000,000 Shares Authorized, None Issued	—	—
Common Stock, $0.01 Par Value, 9,000,000 Shares Authorized, 1,292,880 and 1,370,106 Shares Issued and Outstanding on December 31, 2021 and December 31, 2020	13	14
Additional Paid-in Capital	10,960	11,815
Unallocated common stock held by:		
Employee Stock Ownership Plan (ESOP)	(1,058)	(1,111)
Retained Earnings	12,535	11,526
Accumulated Other Comprehensive Income (Loss)	(191)	54
Total Shareholders' Equity	22,259	22,298
Total Liabilities and Shareholders' Equity	$ 153,569	$ 141,414

The accompanying notes are an integral part of these financial statements.

HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	Years Ended December 31, 2021	Years Ended December 31, 2020
Interest Income		
Loans, including Fees	$ 5,520	$ 5,487
Investment Securities	207	113
Other Interest Earning Assets	114	188
Total Interest Income	5,841	5,788
Interest Expense		
Deposits	690	1,172
Borrowed Funds	187	323
Total Interest Expense	877	1,495
Net Interest Income	4,964	4,293
Provision for Loan Losses	25	245
Net Interest Income after Provision for Loan Losses	4,939	4,048
Noninterest Income		
Gain on Sale of Loans Originated for Sale	649	1,338
Loan Servicing Income	520	591
Other Income	212	148
Total Noninterest Income	1,381	2,077
Noninterest Expense		
Salaries and Employee Benefits	3,079	2,990
Occupancy and Equipment	636	599
Data Processing	243	215
FDIC Insurance and Examination Fees	87	77
Director Compensation	71	70
Legal, Accounting and Professional Fees	180	200
Advertising	141	126
Telephone and Communications	82	72
Loss on Sale of Securities	5	—
Loss on Disposition of Fixed Assets	5	—
Other	526	810
Total Noninterest Expense	5,055	5,159
Income Before Income Tax Expense	1,265	966
Income Tax Expense	256	190
Net Income	$ 1,009	$ 776
Earnings per share: Basic	$ 0.82	$ 0.56
Diluted	$ 0.80	0.55

The accompanying notes are an integral part of these financial statements.

HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	Years Ended December 31,	
	2021	**2020**
Net Income	$ 1,009	$ 776
Other Comprehensive Income (Loss):		
Unrealized Holding Gains (Losses) on Securities Available for Sale	(315)	40
Reclassification Adjustment for Realized Losses on Securities Available for Sale included in Net Income	5	—
Income Tax Effect	65	(8)
Total Other Comprehensive Income (Loss)	(245)	32
Comprehensive Income	$ 764	$ 808

The accompanying notes are an integral part of these financial statements.

HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	Common Stock	Additional Paid In Capital	Unallocated ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2020	$ 15	$ 13,561	$ (1,164)	$ 10,750	$ 22	$ 23,184
Compensation Expense related to restricted shares	—	155	—	—	—	155
Compensation Expense related to stock options	—	103	—	—	—	103
ESOP Shares Released	—	7	53	—	—	60
Stock Shares Repurchased	(1)	(2,011)	—	—	—	(2,012)
Net Income	—	—	—	776	—	776
Other Comprehensive Income (Loss)	—	—	—	—	32	32
Balance at December 31, 2020	$ 14	$ 11,815	$ (1,111)	$ 11,526	$ 54	$ 22,298
Balance at January 1, 2021	$ 14	$ 11,815	$ (1,111)	$ 11,526	$ 54	$ 22,298
Compensation Expense related to restricted shares	—	155	—	—	—	155
Compensation Expense related to stock options	—	101	—	—	—	101
ESOP Shares Released	—	23	53	—	—	76
Stock Shares Repurchased	(1)	(1,134)	—	—	—	(1,135)
Net Income	—	—	—	1,009	—	1,009
Other Comprehensive Income (Loss)	—	—	—	—	(245)	(245)
Balance at December 31, 2021	$ 13	$ 10,960	$ (1,058)	$ 12,535	$ (191)	$ 22,259

The accompanying notes are an integral part of these financial statements.

HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	Years Ended December 31, 2021	Years Ended December 31, 2020
Cash Flows from Operating Activities		
Net Income	$ 1,009	$ 776
Adjustments to Reconcile Net Income to Net Cash from Operating Activities		
Provision for Loan Losses	25	245
Provision for Depreciation	287	253
Deferred Income Tax Expense (Benefit)	(5)	(32)
Change in Mortgage Servicing Rights	(150)	(224)
(Gain) or Loss on Sale of Securities Available for Sale	5	—
(Accretion) Amortization of Premiums and Discounts on Securities	105	55
(Accretion) Amortization of Deferred Loan Origination Fees	117	(24)
Gain on Sale of Loans Originated for Sale	(649)	(1,338)
Proceeds from Sale of Loans	34,281	53,291
Originations of Loans Held for Sale	(30,611)	(54,889)
Loss on disposal of Premise and Equipment	5	—
Stock dividends on FHLB Stock	(5)	(14)
Compensation Expense related to Stock Benefit Plans	332	317
(Increase) Decrease in Accrued Interest Receivable	25	(49)
(Increase) Decrease in Bank Owned Life Insurance	(53)	(53)
(Increase) Decrease in Prepaid Expenses and Other Assets	(56)	32
Increase (Decrease) in Accrued Expenses and Other Liabilities	72	97
Net Cash provided by (used in) Operating Activities	4,734	(1,557)
Cash Flows from Investing Activities		
Purchases of Securities Available for Sale	(10,305)	(7,440)
Principal Collected on Securities Available for Sale	2,492	1,820
Proceeds on Sale of Securities Available for Sale	1,535	—
Purchases of Securities Held to Maturity	(2,553)	—
Principal Collected on Securities Held to Maturity	93	119
Net Change in Interest-earning Time Deposits at Banks	1,494	996
Net (Increase) Decrease in Loans	(1,953)	1,193
Purchases of Premises and Equipment	(76)	(1,803)
Net Cash provided by (used in) Investing Activities	(9,273)	(5,115)

(Continued on the next page)

HERITAGE NOLA BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Dollars in thousands)

	Years Ended December 31, 2021	2020
Cash Flows from Financing Activities		
Net Increase (Decrease) in Deposits	15,469	14,752
Shares Repurchased	(1,135)	(2,011)
Advances from Borrowers for Taxes and Insurance	290	(45)
Borrowed Funds	4,200	9,300
Repayments of Borrowed Funds	(7,837)	(13,236)
Net Cash provided by (used in) Financing Activities	10,987	8,760
Net Change in Cash and Cash Equivalents	6,448	2,088
Cash and Cash Equivalents - Beginning of Period	8,245	6,157
Cash and Cash Equivalents - End of Period	$ 14,693	$ 8,245
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest Paid on Deposits	$ 690	$ 1,190
Interest Paid on Borrowed Funds	$ 194	$ 336
Income Taxes Paid	$ 247	$ 195

The accompanying notes are an integral part of these financial statements.

Note A - Summary of Significant Accounting Policies -

Nature of Operations

Heritage NOLA Bancorp, Inc. (the "Company") (OTC Pink Marketplace – HRGG) was formed to serve as the stock holding company for Heritage Bank of St. Tammany (the "Bank") upon completion of its mutual-to-stock conversion. The conversion was effective July 12, 2017. Heritage NOLA Bancorp, Inc. issued 1,653,125 shares at an offering price of $10.00 per share.

On July 16, 2020, Heritage NOLA Bancorp, Inc., filed a Form 15 with the Securities and Exchange Commission ("SEC") to deregister its common stock under Section 12(g) of the Securities Exchange Act of 1934, as amended. Upon filing the Form 15, the Company's obligation to file periodic reports with the SEC, including reports on Form 10-K, Form 10-Q and Form 8-K, and proxy materials was suspended. The Bank will continue to report detailed quarterly financial results to its regulators.

The Bank is a community bank providing various financial services through its four branches, two in Covington, and one each in Slidell and Madisonville, Louisiana. The primary lending products are single-family residential loans and commercial real estate loans. The primary deposit products are demand and savings accounts, and certificates of deposit.

Principles of Consolidation

The consolidated financial statements as of and for the years ended December 31, 2021 and 2020, include Heritage NOLA Bancorp, Inc. and its wholly-owned subsidiary the Bank, together referred to as the Company. Intercompany transactions and balances have been eliminated in consolidation.

COVID-19 Pandemic

The COVID-19 outbreak in the United States and globally has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. Therefore, uncertainty remains regarding the ongoing impact of the COVID-19 outbreak upon the Company's financial condition and future results of operations, as well as upon the significant estimates and assumptions that may be utilized in reporting certain assets and liabilities.

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within St. Tammany Parish, Louisiana. The types of securities that the Company invests in are included in Note C. The types of lending that the Company engages in are included in Note D. The Company does not have any significant concentrations to any one industry or customer. Real estate loans related to residential properties represented 57% and 63% of the total loan portfolio at December 31, 2021 and 2020, respectively.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimate.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents, are defined as all highly liquid debt instruments, excluding securities, with original maturities at purchase of three months or less.

Interest Earning Time Deposits

Interest earning time deposits in banks with original maturities at purchase of greater than three months are carried at cost.

Securities

Securities are classified in three categories at the time of purchase and accounted for as follows:

Securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method.

Securities that are bought and held by the Company primarily for the purpose of selling them in the near future are classified as trading securities and reported at fair value. Unrealized gains and losses are included in earnings. The Company had no securities classified as trading as of December 31, 2021 and 2020.

Securities classified as available for sale are those securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors including changes in market interest rates, liquidity needs, changes in yields or alternative investments, and for other reasons. They are reported at fair value. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method. Unrealized gains and losses, net of income tax, are excluded from earnings and reported as a separate component of equity until realized. Gains and losses on the sale of securities available for sale are determined using the specific identification method.

Declines in the fair value of individual held to maturity and available for sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses.

On a quarterly basis (and more frequently when economic or market conditions warrant), management evaluates the investment securities portfolio on an individual security basis for other-than- temporary impairment (OTTI). If a security is in a loss position, management will determine if OTTI exists and will consider the following. First, if it is probable that the issuer of the security will be unable to pay all amounts due according to the contractual terms of the debt security, OTTI will be recognized. Second, if management intends to sell the security and does not expect to recover the loss before the anticipated sale date, OTTI will be recognized. In both instances, OTTI will be recognized for the affected security equal to the difference between the fair value and amortized cost through a charge to earnings. Third, if a security does not meet either of the criteria above and is both in a loss position for greater than one year and at a current loss of 10% or more, management will evaluate its ability and intent to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Home Loan Bank of Dallas (FHLB) Stock

FHLB stock is redeemable at par value at the discretion of the FHLB and is used to collateralize FHLB advances. The stock is carried at cost which approximates fair value. The Bank is a member of the FHLB System which requires the Bank to purchase and maintain stock in the FHLB. The requirement is generally 0.04% of total assets at the most recent December 31 plus 4.10% of outstanding FHLB advances. The Bank was in compliance with these requirements at December 31, 2021 and 2020.

Loans Receivable

The Bank grants land, residential, commercial real estate, and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans primarily in St. Tammany Parish. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred loan fees or costs on originated loans.

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

The accrual of interest on the loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Loans are typically charged off not later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

Mortgage Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value under fair value option accounting guidance for financial instruments. For these loans, gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

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. 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 allowance for loan losses is evaluated on a regular basis by management and 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 allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical charge-off experience. Other adjustments may be made to the allowance for pools of loans after an assessment of internal and external influence on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based upon current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and 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 are considered 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.

Mortgage Servicing Rights

Mortgage servicing rights are recognized separately when rights are acquired through the sale or servicing of financial assets. Under authorization guidance of FASB ASC 860-50, servicing rights resulting from the sale of loans originated by the Bank are initially measured at fair value at the date of transfer. The Bank subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date. Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Foreclosed Real Estate

Foreclosed real estate properties acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of foreclosure. Loan losses arising from the acquisition of these properties are charged against the allowance for loan losses. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less estimated costs to sell. Costs relating to development and improvement of property are capitalized, whereas costs relating to holding property are expensed.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method (book purposes) or accelerated methods (tax purposes) over the estimated useful lives of the assets. Land is carried at cost. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal and the resulting gains or losses are included in current operations.

Bank Owned Life Insurance

The cash surrender value of bank owned life insurance policies represents the value of life insurance policies on certain current and former officers of the Company for which the Company is the beneficiary. The Company accounts for these assets using the cash surrender value method in determining the carrying value of the insurance policies.

Earnings Per Share

Basic earnings per share ("EPS") represents income available to common shareholders divided by the weighted average number of common shares outstanding; no dilution for any potentially convertible shares is included in the calculation. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. The potential common shares that may be issued by the Company relate to outstanding stock options.

Earnings per common share were computed based on the following:

(in thousands, except per share data)	Years Ended December 31, 2021	2020
Numerator:		
Net income available to common shareholders	$ 1,009	$ 776
Denominator:		
Weighted average common shares outstanding	1,338,719	1,499,797
Less: Average unallocated ESOP shares	(111,076)	(116,379)
Weighted average shares	1,227,643	1,383,418
Effect of dilutive securities:		
Restrictive Stock	38,630	17,793
Stock Options	—	—
Weighted average common shares outstanding - assuming dilution	1,266,273	1,401,211
Basic earnings per common share	$ 0.82	$ 0.56
Diluted earnings per common share	$ 0.80	$ 0.55

Income Taxes

Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation process, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with the taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The income tax accounting guidance related to accounting for uncertainty in income taxes sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. As of December 31, 2021 and 2020, management is not aware of any uncertain tax positions that would have a material effect on the Bank's financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Recognition of Revenue from Contracts with Customers

Non-interest income from service charges on deposit accounts, ATM/debit card fee income, credit card and merchant-related income (e.g., interchange fees), and transactional income from traditional banking services are the significant sources of revenue from contracts with customers. The Company generally acts in a principal capacity in the performance of these services. The Company's performance obligations are generally satisfied as the services are rendered and typically do not extend beyond a reporting period.

Compensated Absences

Employees of the Bank are entitled to paid vacation, paid sick days and personal days off, depending on length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Bank's policy is to recognize the costs of compensated absences when actually paid to employees.

Estimates

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of foreclosed real estate, and the valuation allowance for deferred tax assets. In connection with the determination of the allowance for loan losses and valuation of foreclosed real estate, management obtains independent appraisals for significant properties. With regard to the valuation allowance for deferred tax assets, management has developed a tax-planning strategy.

In the ordinary course of business, the Bank enters into off-balance-sheet financial instruments consisting of commitments to extend credit, including unfunded commitments under lines of credit. Such financial instruments are recorded in the financial statements when they are funded.

Comprehensive Income

The Bank reports comprehensive income in accordance with the accounting guidance related to FAS ASC 220, *Comprehensive Income*. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes net unrealized gains (losses) on securities available for sale and is presented in the statements of changes in shareholders' equity and comprehensive income.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued *ASU 2016-02, Leases (Topic 842)*, which will require leases to be recorded as an asset on the balance sheet for the right to use the leased asset and liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 was effective for non-public companies for fiscal years beginning after December 15, 2020, with early adoption permitted. In November 2020, the FASB issued ASU No. 2020-10 delaying the effective date for non-public companies to fiscal years beginning after December 15, 2021. ASU 2021-05 was issued in June 2021 delaying the effective date for Topic 842 to fiscal years beginning after December 15, 2021 and interim periods after December 31, 2022. The Bank is evaluating the impact the pronouncement may have on the financial statements.

In 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss (CECL) model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 also requires new disclosures for financial assets measured at amortized cost, loans, and available-for-sale debt securities. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. ASU 2016-13 will be effective for the Bank on January 1, 2023. The Bank is evaluating the impact the adoption of ASU 2016-13 will have on its financial statements and disclosures, and the impact may be material.

Reclassifications

Certain reclassifications may have been made to the 2020 financial information in order to conform to the 2021 financial statement presentation. Such reclassifications had no effect on previously reported net income.

Subsequent Events

In preparing the financial statements, the Bank has evaluated events and transactions for potential recognition or disclosure through March 23, 2022, the date the financial statements were available to be issued.

Note B – Commitments and Contingencies -

The Bank is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments are commitments to extend credit. The instruments contain various elements of credit and interest rate risk in excess of the amount recognized in the balance sheets. The Bank's exposure to credit loss, if the other party to the financial instrument for commitments to extend credit does not perform, is the contractual amount of those instruments. The Bank uses the same credit policies in making commitments that it does for on-balance-sheet financial instruments. The Bank had loan commitments at December 31, 2021 of $817,000 in new funds for portfolio loans. The Bank had construction loans in process commitments of $4.4 million, unfunded home equity lines of credit of $7.1 million, and unfunded various other lines of credit of $2.5 million. The Bank maintained cash accounts at various financial institutions during 2021 and 2020. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage under defined limits. At various times in 2021 and 2020, the Bank may have had funds on deposit at these institutions which were in excess of the insured amount. Deposits at the FHLB are not subject to insurance coverage.

Commitments to extend credit are agreements to lend to a customer if there is no violation of any contract conditions. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Management evaluates each customer's credit request separately and determines and obtains the amount of collateral needed when credit is extended. Collateral includes primarily real estate.

The Bank has established a federal funds line of credit agreement with First National Bankers Bank (FNBB) that renews annually. In June 2021, the line was renewed at $6,700,000 until 2022. The interest rate would be set by FNBB on the day any borrowing occurs. There were no borrowings under this agreement in either 2021 or 2020.

Note C - Investment Securities -

The amortized costs and estimated fair values of securities at December 31 were as follows:

	December 31, 2021			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
U.S. Government Agency - SBA pools	$ 1,251	$ 8	$ —	$ 1,259
U.S. Agency Mortgage-Backed Securities	6,203	48	(75)	6,176
U.S. Government Agency	4,494	—	(190)	4,304
Municipal Bonds	5,975	30	(63)	5,942
Total Available for Sale	$ 17,923	$ 86	$ (328)	$ 17,681
Held to Maturity:				
U.S. Agency Mortgage-Backed Securities	$ 2,722	$ 3	$ (33)	$ 2,692

	December 31, 2020			
(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Available for Sale:				
U.S. Government Agency - SBA pools	$ 2,036	$ 1	$ (12)	$ 2,025
U.S. Agency Mortgage-Backed Securities	5,412	96	(11)	5,497
U.S. Government Agency	3,744	—	(12)	3,732
Municipal Bonds	560	6	—	566
Total Available for Sale	$ 11,752	$ 103	$ (35)	$ 11,820
Held to Maturity:				
U.S. Agency Mortgage-Backed Securities	$ 265	$ 4	$ (1)	$ 268

In 2021, the proceeds from the sale of securities available for sale was $1.5 million, resulting in net realized losses of $5,000. There were no securities sold in 2020.

The amortized cost and fair value of investment securities at December 31, 2021 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties. The scheduled contractual maturities of securities available for sale and held to maturity at December 31, 2021, were as follows:

(in thousands)	Amortized Cost	Fair Value
Available for Sale:		
Within One Year	$ —	$ —
After One Year Through Five Years	1,539	1,537
After Five Years Through Ten Years	4,137	4,040
After Ten Years	12,247	12,104
	$ 17,923	$ 17,681
Held to Maturity:		
After Five Years Through Ten Years	$ 104	$ 106
After Ten Years	2,618	2,586
	$ 2,722	$ 2,692

The following table reflects gross unrealized losses, fair values, and length of time in a continued unrealized loss position for all securities with fair values below amortized cost at December 31, 2021 and 2020:

	December 31, 2021					
	Less Than 12 Months		12 Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available for Sale:						
U.S. Agency Mortgage-Backed Securities	4,593	74	89	1	4,682	75
U.S. Government Agency	726	25	3,578	165	4,304	190
Municipal Bonds	3,557	63	—	—	3,557	63
Total Available for Sale	$ 8,876	$ 162	$ 3,667	$ 166	$ 12,543	$ 328
Held to Maturity:						
U.S. Agency Mortgage-Backed Securities	$ 2,527	$ 31	$ 56	$ 2	$ 2,583	$ 33

	December 31, 2020					
	Less Than 12 Months		12 Months or Longer		Total	
(in thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Available for Sale:						
U.S. Government Agency - SBA pools	$ —	$ —	$ 1,092	$ 12	$ 1,092	$ 12
U.S. Agency Mortgage-Backed Securities	1,303	8	260	3	1,563	11
U.S. Government Agency	2,732	12	—	—	2,732	12
Municipal Bonds	—	—	—	—	—	—
Total Available for Sale	$ 4,035	$ 20	$ 1,352	$ 15	$ 5,387	$ 35
Held to Maturity:						
U.S. Agency Mortgage-Backed Securities	$ 32	$ —	$ 68	$ 1	$ 100	$ 1

Management evaluates securities for OTTI as described in Note A. No declines at December 31, 2021 and 2020 were deemed to be other-than-temporary. The unrealized losses on the securities available for sale generally result from changes in market interest rates and not credit quality. The Bank does not intend to sell any such investments before recovery of their amortized cost bases, which may be at maturity.

Note D - Loans Receivable --

Loans receivable at December 31 are summarized as follows:

(in thousands)	2021	2020
Real Estate:		
Mortgage Loans held for sale	$ 199	$ 3,220
Secured by one-to four family residential properties		
Owner-occupied	45,259	46,061
Non-owner-occupied	11,983	13,556
Home Equity Lines of Credit	4,232	4,364
Commercial (Nonresidential) Properties	25,685	25,872
Land	5,962	2,176
Construction	7,707	2,758
Multi-family	2,917	3,052
Commercial	3,974	4,947
Consumer Loans	485	359
Total Loans	108,403	106,365
Less: Net Deferred Loan Fees	(206)	(373)
Loans in Process	(4,383)	(990)
Allowance for Loan Losses	(1,033)	(1,011)
Net Loans	$ 102,781	$ 103,991

Discounts on loans purchased amounted to $111,000 and $211,000 for the years ended December 31, 2021 and 2020, respectively.

At December 31, 2021, the Bank did have not any loans where formal foreclosure procedures had been initiated.

Under its current lending status with the FHLB (Note J), the Bank may be required to deliver qualifying loans and securities to the FHLB in order to collateralize any outstanding and future advances. The Bank did not deliver any specific available for sale securities or loans to the FHLB at December 31, 2021 and 2020. FHLB maintains a blanket lien on $50.7 million of our loan portfolio and $1.3 million of our securities portfolio.

<u>Loans - Real Estate, Commercial and Consumer</u>

Commercial real estate loans are secured by the subject property and are underwritten based upon standards set forth in policies approved by the Bank's Board of Directors (Board). Such standards include, among other factors, loan to value limits, cash flow coverage, and general creditworthiness of the obligors.

Residential real estate loans are underwritten in accordance with policies approved by the Board, including repayment capacity and source, value of the underlying property, credit history and stability.

Construction loans to borrowers are to finance the construction of owner occupied and leased properties. These loans are categorized as construction loans during the construction period, later converting to commercial or residential real estate loans after the construction is complete and amortization of the loan begins. Construction loan funds are disbursed periodically based on the percentage of construction completed. Management carefully monitors these loans with on-site inspections.

The Bank also makes loans on occasion for the purchase of land for future development for either commercial or residential use by the borrower.

Consumer loans are extended for deposit account collateralized loans and small unsecured loans.

Commercial loans and lines of credit are offered, and the Bank also purchases commercial loans from a third party company that extends loans to healthcare providers and other professionals.

The tables below provide an allocation and rollforward of the allowance for loan losses by loan type as of and for the years ended December 31, 2021 and 2020. The allocation of a portion of the allowance to one category does not preclude its availability to absorb losses in other categories.

Allowance for Credit Losses and Recorded Investment in Loans Receivable
For the Year Ended December 31, 2021
(in thousands)

	Real Estate							
	Commercial	Land	One-to-Four Family	Construction	Multi-Family	Consumer	Commercial	Total
Allowance for Credit Losses:								
Beginning Balance	$ 156	$ 22	$ 601	$ 17	$ 13	$ 33	$ 169	$ 1,011
Charge-offs	—	—	—	—	—	(6)	—	(6)
Recoveries	—	—	—	—	—	3	—	3
Provision	34	44	(37)	38	2	(13)	(43)	25
Ending Balance	$ 190	$ 66	$ 564	$ 55	$ 15	$ 17	$ 126	$ 1,033
Ending Balance: Individually Evaluated for Impairment	$ —	$ 2	$ 47	$ —	$ —	$ —	$ —	$ 49
Ending Balance: Collectively Evaluated for Impairment	$ 190	$ 64	$ 517	$ 55	$ 15	$ 17	$ 126	$ 984
Loans Receivable:								
Ending Balance	$ 25,685	$ 5,962	$ 61,673	$ 7,707	$ 2,917	$ 485	$ 3,974	$ 108,403
Ending Balance: Individually Evaluated for Impairment	$ —	$ 18	$ 465	$ —	$ —	$ —	$ —	$ 483
Ending Balance: Collectively Evaluated for Impairment	$ 25,685	$ 5,944	$ 61,208	$ 7,707	$ 2,917	$ 485	$ 3,974	$ 107,920

Allowance for Credit Losses and Recorded Investment in Loans Receivable
For the Year Ended December 31, 2020
(in thousands)

	Real Estate							
	Commercial	Land	One-to-Four Family	Construction	Multi-Family	Consumer	Commercial	Total
Allowance for Credit Losses:								
Beginning Balance	$ 96	$ 18	$ 516	$ 20	$ 6	$ 26	$ 87	$ 769
Charge-offs	—	—	—	—	—	(3)	—	(3)
Recoveries	—	—	—	—	—	—	—	—
Provision	60	4	85	(3)	7	10	82	245
Ending Balance	$ 156	$ 22	$ 601	$ 17	$ 13	$ 33	$ 169	$ 1,011
Ending Balance: Individually Evaluated for Impairment	$ —	$ 2	$ 96	$ —	$ —	$ —	$ —	$ 98
Ending Balance: Collectively Evaluated for Impairment	$ 156	$ 20	$ 505	$ 17	$ 13	$ 33	$ 169	$ 913
Loans Receivable:								
Ending Balance	$ 25,872	$ 2,176	$ 67,201	$ 2,758	$ 3,052	$ 359	$ 4,947	$ 106,365
Ending Balance: Individually Evaluated for Impairment	$ —	$ 22	$ 942	$ —	$ —	$ —	$ —	$ 964
Ending Balance: Collectively Evaluated for Impairment	$ 25,872	$ 2,154	$ 66,259	$ 2,758	$ 3,052	$ 359	$ 4,947	$ 105,401

Credit quality indicators as of December 31, 2021 and 2020:

Pass - A pass asset is properly approved, documented, collateralized, and performing. It does not reflect an abnormal amount of risk.

Special mention - A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard - An asset classified as substandard has a well-defined weakness or weaknesses. A substandard asset is inadequately protected by the current net worth or paying capacity of the obligor or pledged collateral, if any. It is characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful - Assets classified as doubtful have all the weaknesses inherent in those classified as substandard. In addition, these weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently existing facts, conditions, and values.

Loss - Assets classified as loss are considered uncollectible or of such little value that the continuance of the loan or other asset on the books of the Bank is not warranted. Some recovery of funds could be possible in the future, but the amount and probability of this recovery are not determinable thus providing little justification for the assets to remain on the books.

The following tables represent the Bank's credit exposure by credit quality indicator as of December 31:

Credit Risk Profile by Internally Assigned Grade
(in thousands)

	December 31, 2021							
	Real Estate							
	Commercial Real Estate	Land	One-to-Four Family	Construction	Multi-Family	Commercial	Consumer	Total
Pass	$ 25,685	$ 5,944	$ 60,979	$ 7,707	$ 2,917	$ 3,974	$ 485	$ 107,691
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	18	694	—	—	—	—	712
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
	$ 25,685	$ 5,962	$ 61,673	$ 7,707	$ 2,917	$ 3,974	$ 485	$ 108,403

	December 31, 2020							
	Real Estate							
	Commercial Real Estate	Land	One-to-Four Family	Construction	Multi-Family	Commercial	Consumer	Total
Pass	$ 25,872	$ 2,154	$ 66,259	$ 2,758	$ 3,052	$ 4,947	$ 359	$ 105,401
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	22	942	—	—	—	—	964
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
	$ 25,872	$ 2,176	$ 67,201	$ 2,758	$ 3,052	$ 4,947	$ 359	$ 106,365

The following tables are an aging analysis of loans as of December 31, 2021 and 2020:

Aged Analysis of Past Due Loans Receivable
(in thousands)

	December 31, 2021					
	Accruing					
	30-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Nonaccrual Status	Total Loans Receivable
Real Estate:						
Residential	$ 1,421	$ —	$ 1,421	$ 59,787	$ 465	$ 61,673
Commercial	—	—	—	25,685	—	25,685
Land	—	—	—	5,944	18	5,962
Construction	—	—	—	7,707	—	7,707
Multi-family	—	—	—	2,917	—	2,917
Consumer	—	—	—	485	—	485
Commercial	—	—	—	3,974	—	3,974
	$ 1,421	$ —	$ 1,421	$ 106,499	$ 483	$ 108,403

	December 31, 2020					
	Accruing					
	30-89 Days Past Due	90 Days and Over Past Due	Total Past Due	Current	Nonaccrual Status	Total Loans Receivable
Real Estate:						
Residential	$ 967	$ 140	$ 1,107	$ 65,152	$ 942	$ 67,201
Commercial	—	—	—	25,872	—	25,872
Land	—	—	—	2,154	22	2,176
Construction	—	—	—	2,758	—	2,758
Multi-family	—	—	—	3,052	—	3,052
Consumer	7	—	7	352	—	359
Commercial	—	—	—	4,947	—	4,947
	$ 974	$ 140	$ 1,114	$ 104,287	$ 964	$ 106,365

The following tables below present impaired loans disaggregated by class as of and for the years ended December 31:

Impaired Loans
(in thousands)

	As Of And For The Year Ended December 31, 2021				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
Loans with an allowance recorded:					
Real estate					
1-4 family residential	$ 465	$ 465	$ 47	$ 483	$ —
Commercial	—	—	—	—	—
Land	18	18	2	18	—
Multi-Family	—	—	—	—	—
Construction	—	—	—	—	—
Consumer and Commercial	—	—	—	—	—
Loans with no allowance recorded:					
Real estate					
1-4 family residential	—	—	—	—	—
Commercial	—	—	—	—	—
Land	—	—	—	—	—
Multi-Family	—	—	—	—	—
Construction	—	—	—	—	—
Consumer and Commercial	—	—	—	—	—
Totals	$ 483	$ 483	$ 49	$ 501	$ —

(CONTINUED)

Impaired Loans
(in thousands)

	As Of And For The Year Ended December 31, 2020				
	Recorded Investment	Unpaid Principal Balance	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized
Loans with an allowance recorded:					
Real estate					
1-4 family residential	$ 942	$ 942	$ 96	$ 959	$ —
Commercial	—	—	—	—	—
Land	22	22	2	27	—
Multi-Family	—	—	—	—	—
Construction	—	—	—	—	—
Consumer and Commercial	—	—	—	—	—
Loans with no allowance recorded:					
Real estate					
1-4 family residential	—	—	—	—	—
Commercial	—	—	—	—	—
Land	—	—	—	—	—
Multi-Family	—	—	—	—	—
Construction	—	—	—	—	—
Consumer and Commercial	—	—	—	—	—
Totals	$ 964	$ 964	$ 98	$ 986	$ —

The tables below present modifications disaggregated by class for the years ended December 31, 2021 and 2020.

Troubled Debt Restructuring
(in thousands)

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Modifications as of December 31, 2021:			
Residential - modified amortization	1	$ 142	$ 142
Modifications as of December 31, 2020:			
Residential - modified amortization	—	$ —	$ —

The Bank's troubled debt restructurings are generally due to a modification of terms allowing the customer to make interest-only payments for an amount of time, an extension of the loan term, and/or a reduction in interest rate to obtain a lower payment for the customer. The Bank is not committed to lend additional funds to debtors whose loans have been modified.

Note E - Accrued Interest Receivable -

Accrued interest receivable at December 31, (included in other assets), is summarized as follows:

(Dollars in thousands)	2021	2020
Securities Available for Sale	$ 74	$ 26
Securities Held to Maturity	4	1
Interest Bearing Deposits	6	14
Loans Receivable	362	431
	$ 446	$ 472

Note F - Servicing –

In 2021 and 2020, the Bank recognized a gain of $649,000 and $1.3 million, respectively, on loans sold to the Federal Home Loan Mortgage Corporation and the U.S. Department of Agriculture under their seller/servicer programs; gross proceeds were $34.3 million and $53.3 million, respectively.

Mortgage loans serviced for others are not included in the accompanying balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage loans serviced for others were $103.8 million and $80.3 million at December 31, 2021 and 2020, respectively. In connection with the foregoing mortgage loans serviced, custodial escrow balances (net) in the amount of $1.5 million and $1.4 million at December 31, 2021 and 2020, respectively, were maintained in non-interest bearing accounts.

Servicing assets are included in other assets on the balance sheet.

The following table represents the change in mortgage servicing rights as of December 31, 2021 and 2020.

(Dollars in thousands)	2021	2020
Beginning Balance	$ 680	$ 456
Additions	288	432
Amortization	(126)	(160)
Impairment	(12)	(48)
Ending Balance	$ 830	$ 680

Note G - Premises and Equipment –

Major classes of premises and equipment at December 31 are summarized as follows:

(Dollars in thousands)	Estimated Life	2021	2020
Land		$ 1,570	$ 1,570
Construction in Progress			
Buildings	25 - 39 Years	8,180	8,117
Furniture and Fixtures	3 - 10 Years	1,006	1,003
		10,756	10,690
Less Accumulated Depreciation		3,565	3,283
		$ 7,191	$ 7,407

The provision for depreciation charged to operating expenses was $287,000 and $253,000 for the years ended December 31, 2021 and 2020, respectively.

Note H - Leases -

The Bank leases a portion of its Covington and Slidell buildings to third parties under operating leases. These leases contain renewal options. Rental income under these leases amounted to $114,000 and $65,000 in 2021 and 2020, respectively. At December 31, 2021, the remaining future minimum receipts under these leases are as follows:

(Dollars in thousands)	
2022	$ 73
2023	50
2024	32
	$ 155

Note I - Deposits -

Deposit account balances at December 31, 2021 and 2020, are summarized as follows:

(Dollars in thousands)	2021	2020
Non-Interest Bearing Deposits	$ 14,527	$ 11,739
Interest Bearing Demand Deposits	24,075	18,367
Savings Deposits	33,796	25,162
Certificates of Deposit	41,307	43,962
Individual Retirement Accounts	5,455	4,461
	$ 119,160	$ 103,691

The aggregate amount of certificates of deposit with a denomination of greater than $250,000 was approximately $4,993,000 and $3,558,000 at December 31, 2021 and 2020, respectively.

At December 31, 2021, the scheduled maturities of all certificates of deposit were as follows:

(Dollars in thousands)		
3 months or less	$	9,232
3 months through 12 months		22,268
1 year through 3 years		12,049
Over 3 years		3,213
	$	46,762

The interest expense associated with each major classification of interest-bearing deposits was as follows:

(Dollars in thousands)		2021		2020
Interest Bearing DDAs	$	32	$	109
Savings Accounts		86		74
Certificates of Deposit		572		989
	$	690	$	1,172

Note J - Borrowed Funds -

Borrowed funds at December 31, 2021 and 2020 in the amounts of $10.5 million and $14.1 million, consisted of advances from the FHLB. These advances were at fixed interest rates at December 31, 2021, ranging from 0.125% to 3.203%. At December 31, 2021, the scheduled maturities of the advances were as follows:

(Dollars in thousands)		
2022	$	3,426
2023		4,042
2024		2,000
2025		1,000
	$	10,468

These advances are collateralized by a blanket lien on a majority (83%) of the Bank's residential mortgage loans, a small portion of the Bank's securities, and FHLB stock held by the Bank.

At December 31, 2021, the Bank had the capacity to borrow an additional $32.6 million from the FHLB.

Note K - Income Taxes -

The provision for income tax for the years ended December 31 is summarized as follows:

(Dollars in thousands)	2021	2020
Current Tax Provision	$ 261	$ 222
Deferred Tax Expense (Benefit)	(5)	(32)
Provision	$ 256	$ 190

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	2021	2020
Federal Stautory Income Tax	$ 266	$ 203
Tax Exempt Income	(19)	(11)
Other - Net	9	(2)
	$ 256	$ 190

Deferred tax assets and liabilities at December 31 consist of the following components utilizing federal corporate income tax rates of 21%:

(Dollars in thousands)	2021	2020
Deferred Tax Assets:		
Allowance for Loan Losses	$ 217	$ 212
Deferred Loan Fees and Costs, net	20	34
Deferred Compensation	262	231
Net Unrealized Losses on Securities	51	—
	550	477
Deferred Tax Liabilities:		
Tax over Book Depreciation	197	193
Dividends on FHLB Stock	40	39
Mortgage Servicing Rights	174	143
Net Unrealized Gains on Securities	—	14
	411	389
Valuation Allowance	—	—
Net Deferred Tax Asset	$ 139	$ 88

The net deferred tax asset is included in prepaid expenses and other assets in the balance sheet.

The Bank's tax filings for the years ended December 31, 2018 through the current date are open to audit under statutes of limitations by the Internal Revenue Service. Management believes that its tax positions would be sustained if audited. Any penalties or interest incurred in 2021 or 2020 related to the Bank's tax positions would be classified in the statement of income as other expense.

Note L – Employee Benefit Plans -

The Bank has established a 401(k) retirement savings plan that covers substantially all employees. Participants may contribute a portion of their compensation, up to the federal limitations, with the Bank matching the participant's contribution up to 4% of their compensation. Employer contributions expensed were $74,000 and $61,000 to the plan in 2021 and 2020, respectively.

The Bank has established a deferred compensation agreement with certain directors, past directors and officers. The expense incurred for these agreements for the years ended December 31, 2021 and 2020 amounted to approximately $71,000 and $50,000, respectively. The accrued liability for these agreements at December 31, 2021 and 2020 amounted to approximately $821,000 and $796,000, respectively.

To finance the benefits under this plan, the Bank has entered into an arrangement to provide for the cost of split-dollar life insurance policies on the lives of certain of the Bank's current and former members of the Board of Directors.

As part of the Company's stock conversion, an employee stock ownership plan ("ESOP") for eligible employees was established. The leveraged ESOP is accounted for in accordance with the requirements of ASC 718, *Compensation – Stock Compensation.* All employees of the Bank meeting certain tenure requirements are entitled to participate in the ESOP.

Shares were purchased by the ESOP with a loan from Heritage NOLA Bancorp, Inc. The ESOP acquired 132,250 shares of the Company's common stock in the conversion. During the years ended December 31, 2021 and December 31, 2020, 5,290 shares were allocated to ESOP plan participants each year, leaving 105,800 and 111,090 unallocated shares in the ESOP at December 31, 2021 and December 31, 2020, respectively. Compensation expense related to the ESOP was $76,000 for the year ended December 31, 2021 and $60,000 for the year ended December 31, 2020.

The stock price at the formation date was $10.00. The aggregate fair value of the 105,800 unallocated shares was $1,745,700 based on the $16.50 closing price of the common stock on December 31, 2021.

Under ASC 718, unearned ESOP shares are not considered outstanding and are shown as a reduction of shareholders' equity as unearned compensation. Dividends on unallocated ESOP shares are considered to be compensation expense. The Company recognizes compensation cost equal to the fair value of the ESOP shares during the periods in which they are committed to be released. To the extent that the fair value of the Company's ESOP shares differs from the cost of such shares, the differential is credited to shareholders' equity. The Company receives a tax deduction equal to the cost of the shares released. As the loan is internally leveraged, the loan receivable from the ESOP to the Company is not reported as an asset nor is the debt of the ESOP shown as a Company liability.

The compensation expense resulting from the release of the common stock from the suspense account and allocation to plan participants results in a corresponding reduction in the earnings of Heritage NOLA Bancorp.

In August 2018, the Company's stockholders approved the 2018 Heritage NOLA Bancorp, Inc. Equity Incentive Plan (the "2018 Plan" or the "Plan"). No more than 231,437 shares of the Company's common stock may be issued under the Plan, of which a maximum of 165,312 may be issued pursuant to the exercise of stock options and 66,125 may be issued pursuant to restricted stock awards, restricted stock units and unrestricted share awards. Stock options awarded to employees may be incentive stock options or non-qualified stock options. The shares that may be issued may be authorized but unissued shares or treasury shares. The Plan permits the grant of incentive awards in the form of options, stock appreciation rights, restricted share and share unit awards, and performance share awards. The 2018 Plan contains limits on certain types of awards to individual participants.

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

On August 16, 2018, the Company made grants of restricted shares and stock options for 16,530 and 41,325 shares, respectively, to non-employee members of the Board of Directors. The awards vest over a five-year period and the stock options have a ten-year period to expiration. Each option has an exercise price of $12.48, as determined on the grant date.

On September 18, 2018, the Company made grants of restricted shares and stock options for 49,581 and 104,500 shares, respectively, to certain members of management and staff. The awards vest over either a five- or seven-year period and the stock options have a ten-year period to expiration. Each option has an exercise price of $12.45, as determined on the grant date.

Stock Options

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

	2021		2020	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding at January 1	145,825	$ 12.46	145,825	$ 12.46
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(1,000)	—	—	—
Expired	—	—	—	—
Options outstanding at December 31	144,825	$ 12.46	145,825	$ 12.46

As of December 31, the Company had $206,000 and $307,000 of unrecognized compensation expense related to stock options expense for the years ended December 31, 2021 and December 31, 2020, respectively, having recognized $101,000 compensation expense in 2021. The cost of stock options will be amortized in monthly installments over the five-year and seven-year vesting periods. The aggregate grant date fair value of the stock options granted in 2018 was $544,000. The options outstanding at December 31, 2021, were granted on August 16, 2018 and September 18, 2018. There are 82,181 options exercisable at December 31, 2021 and there were 55,073 options exercisable at December 31, 2020.

The fair value of the Company's stock options granted in 2018 were $3.69 and $3.75 for the options granted on August 16, 2018 and September 18, 2018, respectively, and they were determined using the Black-Scholes option pricing formula. The following assumptions were used in the formula:

	Stock Options Granted August 16, 2018	Stock Options Granted September 18, 2018
Expected volatility	12.44 %	11.94 %
Risk-free interest rate	2.87 %	3.05 %
Expected dividend yield	— %	— %
Expected life (in years)	10	10
Exercise price for the stock options	$ 12.48	$ 12.45

Expected volatility - Based on the historical volatility of share price for the Company.

Risk-free interest rate - Based on the U.S. Treasury yield curve and expected life of the options at the time of grant.

Dividend yield – Heritage NOLA Bancorp, Inc. does not anticipate a quarterly dividend per share.

Expected life - Based on the average of the vesting period and the ten year contractual term of the stock option plan.

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

Restricted Shares

Restricted shares are accounted for as fixed grants using the fair value of the Company's stock at the time of the grant. Unvested restricted shares may not be disposed of or transferred during the vesting period.

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

	2021		2020	
	Restricted Stock Awards	Weighted Average Fair Value at Grant Date	Restricted Stock Awards	Weighted Average Fair Value at Grant Date
Non-vested at January 1	41,275	$ 12.46	53,693	$ 12.46
Granted	—	—	—	—
Vested	(12,418)	12.46	(12,418)	12.46
Forfeited	—	—	—	—
Non-vested at December 31	28,857	$ 12.46	41,275	$ 12.46

As of December 31, 2021 and December 31, 2020, the Company had $311,000 and $466,000 of unrecognized compensation expense related to restricted shares respectively, having recognized $155,000 of compensation expense each year. The cost of the restricted shares will be amortized in monthly installments over the five and seven-year vesting periods.

Note M - Related Party Transaction -

Certain officers and directors were deposit and loan customers of the Bank in the ordinary course of business. Deposits and loans of these officers and directors at December 31 were as follows:

(Dollars in thousands)	2021	2020
Deposits	$ 1,960	$ 2,006
Loans:		
Beginning Loan Balance	$ 304	$ 322
New Loans	—	185
Principal Advances	73	1
Repayments	(76)	(204)
Ending Loan Balance	$ 301	$ 304

Note N - Legal Contingencies -

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Bank's financial statements.

Note O - Regulatory Matters -

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Office of the Comptroller of the Currency (OCC). Failure to meet minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators that if undertaken, could have a direct material effect on the Bank's financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors. As of December 31, 2021 and 2020, the Bank was classified as well capitalized under the regulatory framework for prompt corrective action, and management believes that the Bank meets all capital requirements to which it is subject.

Prior to 2021, quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios including total capital, tier 1 capital and common equity tier 1 capital to risk-weighted assets (as defined in the regulations), and leverage capital, which is tier 1 capital to adjusted average total assets (as defined). At December 31, 2020, the Bank's actual and required capital amounts and ratios were as follows:

As of December 31, 2020	**Actual**		**For Capital Adequacy Purposes**		**To Be Well Capitalized Under Prompt Corrective Action Provisions**	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
			(Dollars in thousands)			
Total Capital (to Risk-Weighted Assets)						
Bank	$ 21,284	24.2%	$ 7,031	8.0%	$ 8,789	10.0%
Tier I Capital (to Risk-Weighted Assets)						
Bank	$ 20,273	23.1%	$ 5,273	6.0%	$ 7,031	8.0%
Common Equity Tier 1 (to Risk-Weighted Assets)						
Bank	$ 20,273	23.1%	$ 3,955	4.5%	$ 5,713	6.5%
Tier I Leverage Capital (to Adjusted Total Assets)						
Bank	$ 20,273	14.1%	$ 5,737	4.0%	$ 7,171	5.0%

In 2021, the Bank elected to opt-in to the Community Bank Leverage Ratio (CBLR) framework, which exempts banks with less than $10 billion in assets, and that meet certain other requirements, from existing risk-based capital ratio and leverage ratio requirements provided they exceed a CBLR of 9%. In April 2020, as mandated under the Coronavirus Aid, Relief and Economic Security (CARES) Act, the federal banking agencies adopted an interim final rule that temporarily reduced the minimum CBLR requirement to 8%. A transition interim final rule was also adopted by the federal banking agencies that provides a graduated transition from the temporary 8% CBLR to the 9% CBLR. Specifically, the transition interim final rule provides that the CBLR will be 8% in the second through fourth quarters of 2020, 8.5% in 2021, and 9% thereafter. At December 31, 2021, the Bank's actual CBLR and amount was as follows:

As of December 31, 2021	**Amount**	**Ratio**
	(Dollars in thousands)	
CBLR and/or Tier 1 Capital (to Average Total Assets)	$ 21,681	14.1%

The Bank is subject to certain restrictions on the amount of dividends that it may pay without prior regulatory approval. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Note P - Accumulated Other Comprehensive Income (Loss) -

The following is a summary of the changes in the balances of each component of accumulated other comprehensive income (loss) for the years ended December 31, 2021 and 2020:

(Dollars in thousands)	2021	2020
Unrealized Gains (Losses) on Securities Available for Sale:		
Beginning Balance	$ 54	$ 22
Other Comprehensive Income (Loss) - Net of Tax	(245)	32
Ending Balance	$ (191)	$ 54

Note Q - Fair Value of Financial Statements -

Fair Value Disclosures

The Bank groups its financial assets and liabilities measured at fair value in three levels. Fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure fair value. The hierarchy requires companies to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Includes the most reliable sources, and includes quoted prices in active markets for identical assets or liabilities.
- Level 2 - Includes observable inputs. Observable inputs include inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates) as well as inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).
- Level 3 - Includes unobservable inputs and should be used only when observable inputs are unavailable.

Recurring Basis

Fair values of investment securities available for sale were primarily measured using information from a third-party pricing service. This pricing service provides information by utilizing evaluated pricing models supported with market data information. Standard inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data from market research publications.

The following tables present the balance of assets and liabilities measured on a recurring basis as of December 31, 2021 and 2020. The Bank did not record any liabilities at fair value for which measurement of the fair value was made on a recurring basis.

		Fair Value Measurement Using		
(In thousands) Description	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2021				
U.S. Government Agency - SBA pools	$ 1,259	$	$ 1,259	$
U.S. Agency Mortgage-Backed Securities	6,176		6,176	
U.S. Government Agency	4,304		4,304	
Municipal Bonds	5,942		5,942	
Total Investment Securities	$ 17,681	$ —	$ 17,681	$ —
December 31, 2020				
U.S. Government Agency - SBA pools	$ 2,025	$	$ 2,025	$
U.S. Agency Mortgage-Backed Securities	5,497		5,497	
U.S. Government Agency	3,732		3,732	
Municipal Bonds	566		566	
Total Investment Securities	$ 11,820	$ —	$ 11,820	$ —

Nonrecurring Basis

The Company has segregated all financial assets and liabilities that are measured at fair value on a nonrecurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below. The Company did not record any liabilities at fair value for which measurement of the fair value was made on a non-recurring basis.

The fair value of the impaired loans is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans are Level 2 assets measured using appraisals from external parties of the collateral less any prior liens. Repossessed assets are initially recorded at fair value less estimated costs to sell. The fair value of repossessed assets is based on property appraisals and an analysis of similar properties available. As such, the Bank records repossessed assets as Level 2.

		Fair Value Measurement Using		
(In thousands)	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2021				
Assets				
Impaired Loans	$ 434	$ —	$ 434	$ —
Repossessed Assets	—	—	—	—
Total	$ 434	$ —	$ 434	$ —
December 31, 2020				
Assets				
Impaired Loans	$ 866	$ —	$ 866	$ —
Repossessed Assets	—	—	—	—
Total	$ 866	$ —	$ 866	$ —

Fair values of financial instruments **-** In cases where quoted market prices of financial instruments 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. The fair values of certain financial instruments and all non-financial instruments are not required to be disclosed. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company. The following methods and assumptions were used by the Company in estimating fair values of financial instruments:

Cash, due from banks, federal funds sold and interest-earning deposits with banks **-** The carrying amount is a reasonable estimate of fair value.

Securities **-** Fair value is based on quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans Receivable **-** Fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Cash Value of Life Insurance **-** The carrying amount approximates its fair value.

Deposits **-** The fair value of demand, savings, NOW and money market accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity time deposits is estimated using the rates currently offered for deposits of similar remaining maturities.

Borrowings **-** The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days approximate their fair values. Fair values of other borrowings are estimated using discounted cash flow analyses based on current incremental borrowing rates for similar types of borrowing arrangements.

Commitments to extend credit and standby letters of credit - The fair values of commitments to extend credit and standby letters of credit do not differ significantly from the commitment amount and are therefore omitted from this disclosure.

The carrying amounts and estimated fair values of the Company's financial instruments at December 31 are as follows:

			Fair Value Measurement Using		
(In thousands)	**Carrying Amount**	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2021					
Financial Assets:					
Cash, Short-Term Investments and Federal Funds Sold	$ 18,279	$ 18,279	$ 18,279	$ —	$ —
Securities-Available for Sale	17,681	17,681	—	17,681	—
Securities-Held to Maturity	2,722	2,692	—	2,692	—
Other Equity Securities	846	846	—	—	846
Cash Value of Life Insurance	2,259	2,259	—	2,259	—
Loans Held for Sale	199	199	—	199	—
Loans Held -Net	102,582	108,667	—	—	108,667
	$ 144,568	$ 150,623	$ 18,279	$ 22,831	$ 109,513
Financial Liabilities:					
Deposits	$ 119,160	$ 119,850	$ —	$ —	$ 119,850
Borrowed Funds	10,468	10,514	—	10,514	—
	$ 129,628	$ 130,364	$ —	$ 10,514	$ 119,850

			Fair Value Measurement Using		
(In thousands)	**Carrying Amount**	**Fair Value**	**Quoted Prices in Active Markets Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
December 31, 2020					
Financial Assets:					
Cash, Short-Term Investments and Federal Funds Sold	$ 13,325	$ 13,325	$ 13,325	$ —	$ —
Securities-Available for Sale	11,820	11,820	—	11,820	—
Securities-Held to Maturity	265	268	—	268	—
Other Equity Securities	841	841	—	—	841
Cash Value of Life Insurance	2,206	2,206	—	2,206	—
Loans Held for Sale	3,220	3,220	—	3,220	—
Loans-Net	100,771	105,548	—	—	105,548
	$ 132,448	$ 137,228	$ 13,325	$ 17,514	$ 106,389
Financial Liabilities:					
Deposits	$ 103,691	$ 104,887	$ —	$ —	$ 104,887
Borrowed Funds	14,105	14,383	—	14,383	—
	$ 117,796	$ 119,270	$ —	$ 14,383	$ 104,887

Note R - Condensed Financial Information (Parent Company Only)-

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

CONDENSED BALANCE SHEET

(in thousands)	As of December 31, 2021	2020
Assets:		
Cash	$ 802	$ 1,891
Due from Subsidiary Bank	—	126
Investments in Bank Subsidiary	21,490	20,327
Total Assets	$ 22,292	$ 22,344
Liabilities and Shareholders' Equity:		
Liabilities	$ 33	$ 46
Total Shareholders Equity	22,259	22,298
Total Liabilities and Shareholders' Equity	$ 22,292	$ 22,344

CONDENSED STATEMENT OF OPERATIONS

	Years Ended December 31, 2021	2020
Income:		
Equity in Net Income of Bank Subsidiary	$ 1,151	$ 956
Total Income	$ 1,151	$ 956
Expense:		
Professional Fees	$ 94	$ 120
Other Noninterest Expense	86	108
Total Expense	$ 180	$ 228
Income Before Income Tax Expense (Income)	$ 971	$ 728
Provision for Income Tax (Benefit)	(38)	(48)
Net Income	$ 1,009	$ 776

CONDENSED STATEMENT OF CASH FLOWS

	Years Ended December 31,	
	2021	**2020**
Cash Flows From Operating Activities:		
Net Income	$ 1,009	$ 776
Decrease (Increase) in Due from Bank Subsidiary	126	(75)
Decrease (Increase) in Equity in Net Income of Bank Subsidiary	(1,076)	(898)
Increase in Other Assets	—	49
Decrease (Increase) in other Liabilities	(13)	9
Net Cash provided by (used in) Operating Activities	46	(139)
Cash Flows From Investing Activities:		
Net Cash provided by (used in) Investing Activities	—	—
Cash Flows From Financing Activities:		
Shares Repurchased	(1,135)	(2,010)
Net Cash provided by (used in) Financing Activities	(1,135)	(2,010)
Net Increase (Decrease) in Cash	(1,089)	(2,149)
Cash at Beginning of Period	1,891	4,040
Cash at End of Period	$ 802	$ 1,891

STOCKHOLDER INFORMATION

Annual Meeting

The Annual Meeting of Shareholders will be held at 9:00 a.m., Central time, on Tuesday, May 17, 2022 at the main office of Heritage Bank of St. Tammany, located at 205 North Columbia Street, Covington, Louisiana 70433.

Stock Listing

The Company's Common Stock is quoted on the OTC Pink Marketplace under the symbol "HRGG".

Special Counsel

Luse Gorman, PC
5335 Wisconsin Avenue, N.W., Suite 780
Washington, D.C. 20015

Independent Registered Public Accounting Firm

Hannis T. Bourgeois, LLP
New Orleans Office
650 Poydras Street, Suite 1200
New Orleans, Louisiana 70130

Transfer Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219

If you have any questions concerning your stockholder account, please call our transfer agent, noted above, at (718) 921-8300. This is the number to call if you require a change of address, records or information about lost certificates.

DIRECTORS AND OFFICERS

Directors

W. David Crumhorn
Chairman of the Board
President and CEO
Heritage Bank of St. Tammany

Jason S. Hunt
CEO and Co-Founder, of
Swyft Fiber

Salvatore A. Caruso, Jr. *Director*
CEO, Tre Amici, Corp. & Gulf States Portable Storage, LLC
Director of Advancement,
Pope John Paul II High School

W. Thomas Ballantine, Jr.
Director
Retired

Elizabeth M. Eustis
Director
Commercial Real Estate Agent

Julian J. Rodrigue, Jr.
Director
Attorney

Executive Officers

W. David Crumhorn
Chairman of the Board, President and Chief Executive Officer

Dana Whitaker
Executive Vice President and Chief Credit Officer

Lisa Hughes
Senior Vice President and Chief Financial Officer

Heritage NOLA
Bancorp, Inc.

205 North Columbia Street Covington, LA 70433

www.heritagebank.org